ARIZONA SONORAN COPPER COMPANY INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED MARCH 31, 2025

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INTRODUCTION

The following Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated) ("ASCU" or the "Company") Management Discussion and Analysis ("MD&A") was prepared as of May 5, 2025 and should be read in conjunction with the unaudited interim condensed consolidated financial statements ("Financial Statements") of the Company as at and for the three-month period ended March 31, 2025 and 2024, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board as issued by the International Accounting Standards Board, and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. All dollar amounts are expressed in United States dollars unless otherwise noted. Additional information relating to the Company is available on the Company's website (www.arizonasonoran.com) and System for Electronic Data Analysis and Retrieval+ ("SEDAR+") – (www.sedarplus.ca). The Company trades on the Toronto Stock Exchange ("TSX") under symbol "ASCU" and the OTCQX under the symbol "ASCUF".

This MD&A should be read in conjunction with the annual MD&A dated March 27, 2025, the annual financial statements dated March 27, 2025 and the Annual Information Form ("AIF") dated March 27, 2025 filed with the Canadian Securities Administrators ("CSA") under the Company's profile on SEDAR+ at www.sedarplus.ca and also available on its website at www.arizonasonoran.com.

ASCU is an emerging copper development and advanced exploration stage company, advancing a multi-phase, multi-billion-pound copper porphyry project with the potential to produce copper cathodes directly onsite, via conventional heap leach and solvent extraction and electrowinning ("SXEW"). The Company holds 100% ownership comprised of private land and a state land lease which is referred to as Cactus East and Cactus West (the "Cactus Property") and the Parks/Salyer Property (collectively with Cactus Property and Stockpile, the "Project") in Pinal County, Arizona. The Cactus Project is a brownfield project on private land in the infrastructure-rich State of Arizona.

ASCU's exploration programs and pertinent disclosure of a technical or scientific nature are reviewed and supported by Qualified Persons as defined by National Instrument 43-101– Standards of Disclosure for Mineral Projects noted in *"The Project – Preliminary Economic Assessment - Quality Assurance and Quality Control Procedures."*

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. Refer to the Cautionary Statements on Forward-Looking Statements and Other Matters at the end of this MD&A.

DEFINITIONS

"**2024 PEA**" herein means the Preliminary Economic Assessment titled "NI 43-101 Technical Report Preliminary Economic Assessment of the Cactus Mine Project, Pinal County, Casa Grande Arizona", effective August 7, 2024, and issued August 23, 2024, which supersedes the 2024 PFS in its entirety.

"**2024 PFS**" herein means the 2024 Preliminary Feasibility Study titled "Cactus Mine Project NI 43-101 Technical Report and Pre-Feasibility Study, Arizona, United States of America", dated March 28, 2024 (with an effective date of February 21, 2024).

"**Cactus East**" herein means the mineral rights representing the Cactus East development as referred to

in the context of the Cactus Property, previously known as the Sacaton East deposit.
"**Cactus West"** herein means the mineral rights representing the Cactus West development as referred to in the context of the Cactus Property, previously known as the Sacaton West deposit.

"**Parks/Salyer Property"** herein means the mineral rights representing the porphyry copper deposit, located immediately southwest of the Cactus Property on contiguous private land in Arizona, USA. The Parks/Salyer Property is located 1.3 mi (2 km) SW from the Cactus open pit along the mine trend and demonstrates the same geological characteristics.

"**MainSpring Property"** herein means 528.78 acres of land including surface and mineral rights, representing the southern portion of land immediately south of the original Parks/Salyer Property and now considered part of the Parks/Salyer Property following the release of the 2024 PEA.

"**Stockpile**" herein means the historic waste dump created through dumping of defined waste material from the mining of the old Sacaton open pit deposit. All oxide copper mineralization, and sulfide copper mineralization below the working grade cut-off of 0.3% copper (Cu) was deposited to the waste dump.

COMPANY HIGHLIGHTS – YEAR-TO-DATE 2025

Corporate Updates

- On January 6, 2025, the Company announced that it had completed a buyback of 1% of the Bronco Creek Exploration ("BCE") net smelter royalty ("NSR") for a cash payment of $500 on December 30, 2024, reducing the NSR on BCE from 1.5% to a remaining 0.5% NSR. The NSR applies to the BCE parcel which comprises a portion of the Parks/Salyer deposit on the Project.

- On January 31, 2025, the Company closed a private placement with Hudbay Minerals Inc. ("Hudbay") of 11,955,270 common shares at a price of C$1.68 for gross proceeds to the Company of C$21,647 ($14,945). Additionally, Nuton, exercised its pre-emptive rights in respect of the Hudbay placement, pursuant to the terms of its investor rights agreement, to maintain its 7.2% equity interest in the Company for gross proceeds of C$1,562 ($1,078).

- On January 31, 2025, the Company completed the MainSpring purchase and sale agreement ("MainSpring PSA") with payment of $6,000 together with accrued interest at 6% per annum, ahead of its February 28, 2025 maturity date.

- On February 3, 2025, the Company announced that it has adopted a shareholder rights plan (the "Rights Plan") effective as of January 31, 2025, pursuant to a shareholder rights plan agreement entered into with TSX Trust Company, as rights agent. The Rights Plan is designed to ensure that all ASCU shareholders are treated fairly in connection with any take-over bid and to protect against "creeping bids", which involve the accumulation of 20% or more, on an aggregate basis, of the Company's Common Shares through purchases exempt from applicable take over-bid rules.

- On February 13, 2025, the Company announced that RG Royalties LLC, a subsidiary of Royal Gold Inc. (RLGD: NASDAQ) has purchased an existing 2.5% net smelter royalty ("NSR") on a portion of the Project for cash consideration of $55,000 from Tembo Capital. ASCU has the right to buy back 0.5% of Royal Gold's aggregate 2.5% NSR for $7,000, by July 10, 2025.

- On February 25, 2025, the Company announced that initial Parks/Salyer infill drilling results appear to confirm the continuity of mineralization at tighter drill spacings, and additionally, appear to extend the high grade core at the Parks/Salyer copper deposit, onto the MainSpring property at the Project. Three drill rigs are focused on mineral resource infill drilling, while a fourth rig is focused on both mineral resource infill drilling at Cactus West and providing downhole data for the geotechnical and hydrological programs necessary for the planned 2025 PFS.

Additionally, it was announced that Doug Bowden will be stepping down as Vice President Exploration, effective April 1, 2025. Christopher White will be stepping into his place as Manager, Geology to lead the infill drilling programs at Cactus, as ASCU moves through its technical studies. Chris joined in 2023 as Chief Mine Geologist and has worked closely alongside Doug since then, overseeing the geology and exploration programs.

Exploration Updates

Work programs in 2025 are in support of the 2025 PFS. The 2025 work plan is designed to support upgrading MainSpring and other data for purposes of the planned 2025 PFS, and other recommendations as outlined in the 2024 PEA.

OUTLOOK

The Company continues to progress its planned work programs with key milestones expected for the continued advancement of the Project, through Feasibility studies and to an eventual construction decision in 2026.

As of May 5, 2025, the Company had cash of approximately $28.6 million. The Company will require additional financing to achieve all of its planned operational and strategic activities in the form of debt, equity, or a combination thereof. See *"Liquidity and Capital Resources"* below.

2025 ASCU Work Plan Highlights

- **Drilling Programs** – A minimum of 130,000 ft (39,624 m) of drilling to upgrade the resource at Parks/Salyer and Cactus West into the indicated category as required for 2025 PFS.
- **Advancing Technical Studies:**
    - Continuing with technical study work initiated in 2024 that will contribute to the 2025 PFS
    - Continuing with site maintenance and support of drilling activities
    - Trade-off studies and metallurgical testing hydrological and geotechnical work
    - Technical study timeline
        - Updated MRE expected early 2H-2025
        - 2025 PFS expected in 2H-2025
        - Initiate the planned Definitive Feasibility Study
- **Permitting and Land** – Following on from the 2025 PFS, amendments to the Aquifer Protection Permit, Industrial Air Permit and Mined Land Reclamation Permit are expected to begin in the second half of 2025
    - Final payment of US$6 million to finalize the MainSpring acquisition was made on January 31, 2025
- **Project Financing** – Identify and initiate engagement with potential financial partners with respect to project financing options
- **Definitive Feasibility Study ("DFS")** – Work requirements for the DFS to advance beyond the 2025 PFS, including applicable drilling, geotechnical, metallurgical and engineering work

THE PROJECT

The Cactus Project is development stage copper project envisaging an open pit operation with heap leach and solvent extraction and electrowinning processing to produce LME Grade A copper cathodes onsite. The Company released its 2024 PEA that estimates initial Project economics of all material including Parks/Salyer, Cactus West, the Stockpile and Cactus East. The scientific and technical information in this section relating to the Project and the 2024 PEA, including information outlined under the heading *"Preliminary Economic Assessment"* below, is summarized in the news release dated August 7, 2024 (entitled *"*Arizona Sonoran Standalone PEA for Cactus Open Pit Project Reports Post-Tax NPV8 of US$2.03 Billion (C$2.77 Billion) and IRR of 24% and LOM EBITDA US$11.29 Billion (C$15.36 Billion)*"*). The key assumptions, parameters, qualifications, procedures and methods underlying the 2024 PEA, certain of which are described in the above-noted news release, is further described in the full technical report for the 2024 PEA prepared in accordance with NI 43-101, filed on August 27, 2024 on SEDAR+ (www.sedarplus.ca) under the Company's issuer profile.

The Company's consultants for its 2025 PFS continue to progress on trade off studies (see news release dated October 15, 2024 summarized above) while completing initial work towards a DFS. Additionally, the Company continues to develop the base case scenario while working closely with its partners at Nuton to develop an Integrated Nuton PFS. See "The Project – Preliminary Economic Assessment" below for details of the 2024 PEA.

Parks/Salyer Property

The Parks/Salyer Property is an advanced exploration stage asset included in the 2024 MRE as noted below. The 2024 PEA includes both the Cactus Property deposits and the Parks/Salyer Property deposit using a heap leaching and SXEW process methodology on the oxides, enriched and primary material at recoveries of 92%, 86% and 25%, respectively, for an average overall recovery of 73%. Over the 2024 PEA conceptual mine plan, Parks/Salyer contributes significantly over the first 20 years of the Project, and comprises 69% of the 889 million short tons processed from the Project. The leachability of the primary sulphides is currently being tested, both conventionally and with Nuton technology, and may form the basis of further project upside.

The Company will continue advancing work study programs, specifically, engineering, metallurgical and geotechnical test work, hydrology, permitting, infill drilling and associated projects to advance the Project through the technical study phases.

Preliminary Economic Assessment

The results from the 2024 PEA supersede the previously released 2024 PFS, in its entirety, and rescopes the Parks/Salyer Property as an open pit operation due to the inclusion of the MainSpring Property. The inclusion materially improves the economics and operations of the Project as contemplated by the 2024 PEA, producing a potential total of 5.3 billion lbs or 2.7 million short tons of LME Grade A Copper Cathodes over an estimated 31-year operating Life of Mine via heap leaching and SXEW, an established and industry standard hydrometallurgical extraction technology.

2024 PEA Highlights

- Key Performance Indicators:
  - US$2.03B Net Present Value ("NPV") (8% discount, after-tax)
  - 24% Internal rate of return ("IRR")
  - 4.9 years Payback Period
- Life of Mine ("LoM") Gross Revenue of $20.8 billion
- LoM Free Cash Flow ("FCF") of $7.3 billion (unlevered)

- Cash costs (C1) of $1.82 and All in Sustaining Costs (“AISC”) of $2.00 per pound of copper
- Financial and operational executability as the Project transitions to an Open Pit operation
  - 94% material from open pit mining (Cactus West and Parks/Salyer), 6% from the Stockpile and Cactus East underground.
- 232 million pounds (“lbs”) (116,052 short tons (“st”)) average annual copper cathode production over the first 20 years of operation and a total of 5,339 million lbs (2,669,342 st) of copper cathode produced over the projected 31-year operating mine life

TABLE 1: SUMMARY OF KEY METRICS

Valuation Metrics (Unlevered)	Unit	2024 PEA $3.90/lb Cu
Net Present Value @ 8% (pre-tax)	$ millions	2,769
Net Present Value @ 8% (after-tax)	$ millions	2,032
Internal Rate of Return (after-tax)	%	24.0
Payback Period (after-tax)	# years	4.9
Project Metrics (Imperial)	**Unit**	**2024 PEA $3.90/lb Cu**
Construction Period – SXEW plant	# years	1.5 - 2
Life of Mine (“LoM”)	# years	31
Strip Ratio	Waste : Ore	2.02
LoM Mineralized Material Mined	ktons	889,004
LoM Copper Grade	% CuTSol	0.41
LoM Avg Annual Contained Copper Production	000 tons millions lbs	86 172
LoM Annual Crusher Throughput	millions tons	29
Annual Copper Production (years 1-20)	000 tons millions lbs	116 232
Recovery (years 1-20)	%CuTSol	83
LoM Recoveries (LOM)	% CuTSol	73
LoM Oxide	% CuTSol	92
LoM Enriched	% CuTSol	85
LoM Primary (conventional leaching)	% CuT	25
LoM Recovered Copper Cathodes	K pounds	5,338,683
Initial Capital (including contingency)	$ millions	668
Sustaining Capital	$ millions	1,169
Cash Cost (C1)*	$/lb Cu	1.82
All in Sustaining Cost (AISC)*	$/lb Cu	2.00
LoM Revenues	$ millions	20,821
LoM EBITDA	$ millions	11,292
LoM FCF (unlevered) after tax	$ millions	7,295

Notes:
**Project operating costs include mine operating, process plant operating, and general and administrative costs (“G&A”). Total production costs include royalty expense. The AISC additionally includes initial Capex, sustaining Capex, reclamation & closure.*

Key Impacts on the NPV:

- **Mine plan execution rescopes to 94% open pit**
  - Parks/Salyer and Cactus West are open pit operations; changes positively impact annual throughput, mining costs, operating costs and processing costs.

- **Mineralized material impacts**
  - LoM tonnage processed of 889 million st, including:
    - 659 million st of oxides and enriched material
      - Parks/Salyer: 69%
        - Including: new MainSpring inferred mineral resources of 245 Mst @ 0.39% CuT (PR dated July 16, 2024)
      - Cactus West: 23%
      - Cactus East: 6%
      - Stockpile 2%
    - 230 million st of primary sulphides to the leach pads with current recoveries reported at an average of 25% from year 15
      - Parks/Salyer 34%
      - Cactus West: 66%

- **Processing cost impacts**
  - Processing initial capital expenditure (“capex”) of $511 million excluding contingency (SXEW plant and owner’s costs)
  - Processing sustaining capital of $553 million (process plant - average of $18 million per year)
  - Processing operating costs (“**opex**”) of $2.29/st

- **Other cost impacts**
  - Updated salvage cost, land sales, closure and royalties

- **Mining cost impacts**
  - Mining opex and capex impacted by Parks/Salyer rescope to an open pit mining operation
  - Parks/Salyer cut-off grade of 0.1% cut off grade
  - Initial Capex of $157 million (pre-production stripping)
  - Mining sustaining capital of $544 million, optimizing the per ton mining costs (average of $18 million per year)
  - Operating expenditures of $8.16/t processed

The 2024 PEA integrates the new Parks/Salyer additions from the MainSpring Property as inferred mineral resources, re-scoped as an open pit. By applying open pit mining costs to the Parks/Salyer mineral resource estimate, it now contributes 531 million tons of feed material grading 0.530% CuT to the total 889 million tons of feed material at 0.46% CuT over the LoM. **FIGURE 1** illustrates the cumulative stacked production in the 2024 PEA. Overall, the 2024 PEA envisages a 31-year mine life with annual average throughput of 29 million tons, for an average of 86 kstpa of copper cathodes produced annually. The result is a lower risk brownfield open pit mining operation with a long life and a streamlined permitting process on private land in Arizona with water rights and access to water from in-situ water wells.

A total of 2,872 million tons will be mined and a total of 889 million tons processed, recovering 5.34 billion pounds of copper cathodes over the LoM or 2,669,000 tons. Copper cathodes will be produced directly onsite via heap leach and SXEW, including a four year ramp up period. Total Copper recoveries are planned at an average of 73%, extracting copper from the oxides, enriched and primary sulphides. Gross acid usage is calculated at 22 lbs per ton at a cost of $160 per ton. See annual production, revenue and EBITDA in **FIGURE 2** as well as **TABLE 2** for economic sensitivities to copper pricing.

FIGURE 1: Cumulative Stacked Recoverable Copper

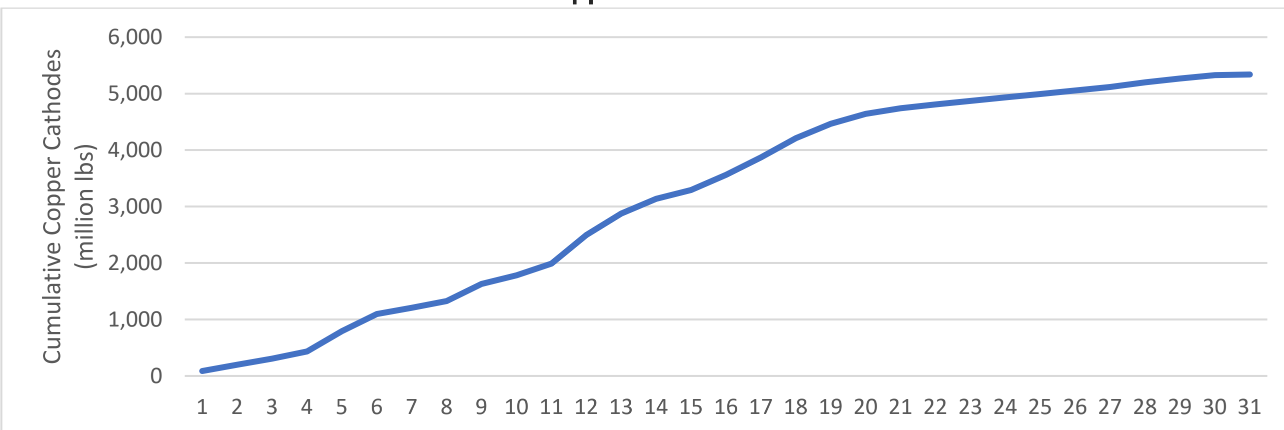
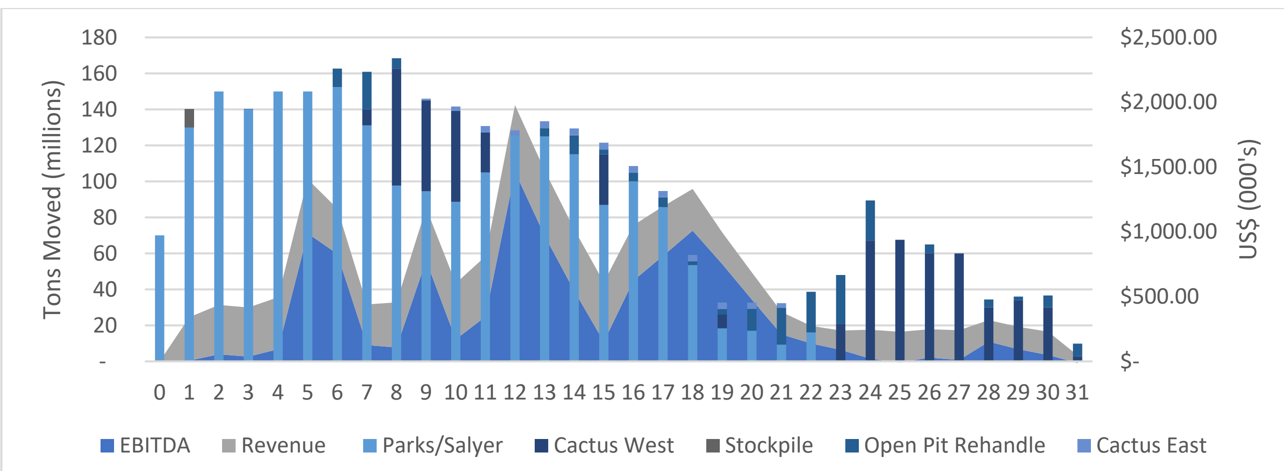


FIGURE 2: Annual Production and Revenue and EBITDA



Onsite facilities at the mine site will consist of two open pits, one underground mining operation, a fine crushing plant incorporating all crushing, classification, agglomeration and conveying systems, heap leach pad, water supply and distribution systems, technical and operational support offices, additional electrical substation, warehousing and an SXEW process plant. Onsite supporting infrastructure will include site power distribution, access roads, mine operations infrastructure, and heap leach facilities, of which the power and roads are already in use.

Current onsite and nearby infrastructure includes:

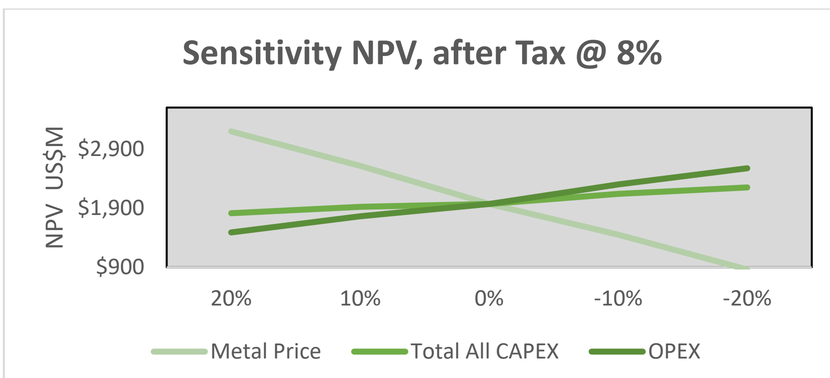
- Onsite administration buildings, geology, core storage, completed earthworks, substation, parking lot and access roads
- Clean power via onsite substation for $0.07/kWh
- Paved access roads and easy access to interstate highways I-8 and I-10

- Union Pacific railroad line adjacent to the property
- Casa Grande, Maricopa and Phoenix are all located nearby to supply materials/consumables in addition to a skilled labour pool
- Permitted water available onsite, and additional water may be available through the city
- Flat land and low altitude
- Located within the City of Casa Grande industrial park

TABLE 2: Report Sensitivities to the Copper Price

Revenue, NPV and IRR Sensitivity Based on Copper Price					
Metal Price	**Copper Price**	**Revenue (US$000)**	**NPV, before tax @ 8% (US$000)**	**NPV, after tax @ 8% (US$000)**	**IRR after Tax**
Base Case	**$3.90**	**$20,820,863**	**$2,769,280**	**$2,031,671**	**24%**
20%	$4.68	$24,985,035	$4,237,162	$3,196,838	32%
10%	$4.29	$22,902,949	$3,503,221	$2,612,817	28%
-10%	$3.51	$18,738,777	$2,035,338	$1,450,505	20%
-20%	$3.12	$16,656,690	$1,301,397	$861,488	16%

FIGURE 3: NPV Sensitivity to the Metal Price, CAPEX and OPEX



Mining and Processing Operations

Mineralized material will be sourced mainly from the two open pits with an overall LoM strip ratio of 2.3:1. The Cactus West pit (1.0:1 strip ratio) and new Parks/Salyer pit (3.2:1 strip ratio) comprise 94% of the total material to the leach pads. The remaining 5% of material will be sourced from the Cactus East underground deposit utilizing sub-level cave from the 1,200 ft (366 m) level, and 1% from the Stockpile.

Both Parks/Salyer and Cactus West will be mined using 40 ft (12.1 m) single benches, with ramps sized to allow 320-ton class haul trucks. At Parks/Salyer, all walls have been designed with 45-degree inter-ramp slopes, while geotechnical step-outs are employed to reduce the overall slope to approximately 40 degrees. At Cactus West, inter-ramp slopes range from 45–50 degrees depending on material type, with typical overall slope angles of 41-43 degrees. Gila conglomerate and alluvium constitute the large majority of the waste in the pits.

The mine schedule for open pit mining at Parks/Salyer consists of 531 million tons of feed material grading 0.530% CuT, including 453 million tons of oxide and enriched leach feed material grading 0.55% CuT and 78 million tons of primary sulphide leach feed material grading 0.41% CuT. Open pit mining will initiate in Parks/Salyer in Year -1 and operate continuously for 23 years over seven pit phases. Total waste mined in Parks/Salyer is 1,680 million tons.

The mine schedule for open pit mining at Cactus West consists of 306 million tons of feed material grading 0.29% CuT, including 154 million tons of oxide/enriched leach feed material grading 0.26% CuT and 152 million tons of primary leach feed material grading 0.32% CuT. Open pit mining will take place at Cactus West in years 7-11, 15, 19, and 23-31. Phase 1 Cactus West is used to smooth stripping requirements of Parks/Salyer in the middle-years of the mine plan, while Phase 2-3 are mined in the later years and predominantly supply primary feed material. Total waste mined from Cactus West is 299 million tons. The Stockpile contributes 9.8 million tons of conventional leach feed material grading 0.24% CuT which will be used for project commissioning in Year 1 of processing.

After a comprehensive review of Cactus East¸ sub-level caving ("**SLC**") was selected as the preferred underground mining method. A sublevel cave underground mine is planned for Cactus East with development beginning in Year 8 and mining completed in Year 22, peaking at 3.9 million tons per year. Total Cactus East feed material mined is projected to be 42 million tons grading 0.83% CuT. The initial Cactus East SLC level will begin at 1,325 ft (404 m) below the surface over 7 sublevels, to a final depth of 1,845 ft (562 m). Access will be via a single decline with a portal located within the existing Cactus West pit. Haulage of mineralized material to surface will be via a vertical conveyor which can be supplemented with truck haulage to surface via the open pit if necessary.

The Project heap leaching process design includes crushing of all material types for leaching to a minus ¾" P80 size. All material types, oxides, enriched and primary are to be leached in on a single pad with an initial leaching cycle of 180 days. A maximum 3-year leaching cycle has been assumed (3 lifts) as the practical limit for effective recovery based on experience and hydrodynamic analysis of the materials by HydroGeoScience Inc. (HGS). The copper leaching metallurgical test data has been extrapolated from the testing data at one year based on the rates prevailing after one year using a logarithmic curve fit projection that considers the decaying rate of copper extraction.

Average annual water consumption is planned at approximately 1,200 gallons per minute, the equivalent of 1,935 acre feet per year, well within ASCU's permitted 3,600 acre feet per year industrial use allocation, using in place onsite wells.

The 2024 PEA envisages that overall tonnage will comprise approximately 25% oxide material, 50% enriched (secondary sulphides) and 25% primary sulphides within the LoM. From year 15 to 22 placed tons will consist of approximately 25% primary, whereas from year 23, will comprise 100% of the operation. Overall copper extraction is impacted by the lower rates from primary sulphides. In the 2024 PEA, ASCU includes a conservative 25% extraction rate.

The total LoM costs, operating costs per ton ($/st) of processed material, and dollars per pound ($/lb) of cathode produced are summarized in the three tables below. Project operating costs include mine operating, process plant operating, and general and administrative costs ("**G&A**").

Total production costs include royalty expense. The **AISC** additionally includes initial Capex, sustaining Capex, reclamation & closure.

Mining operating cost estimates, prepared by AGP Mining Consultants Inc., are based on a small owner's team managing mining activities using an owner-operator model. Process operating cost estimates were prepared by Samuel Engineering and G&A cost estimates were prepared by M3 Engineering with input from ASCU, as summarized in **TABLES 3-5** below (note numbers may not add due to rounding).

TABLE 3: LoM OPERATING AND PRODUCTION COSTS			
Cost Elements	**LoM (US$)**		
	Total Cost ($M)	**$ / st Processed**	**$ / lb Copper**
Mine Operating Cost	$7,252	$8.16	$1.36
Process Plant Operating Cost	$2,039	$2.29	$0.38
G & A	$50	$0.06	$0.01
Operating Costs	**$9,341**	**$10.51**	**$1.75**
Royalties	$388	$0.44	$0.07
Total Production Costs	**$9,729**	**$10.94**	**$1.82**
Sustaining Capex	$1,169	$1.31	$0.22
Reclamation & Closure	$25	$0.03	$0.00
Salvage	-$225	-$0.25	-$0.04
All-In Sustaining Costs	**$10,697**	**$12.03**	**$2.00**
Property & Severance Taxes	$562	$0.63	$0.11
Initial Capex (non-sustaining)	$668	$0.75	$0.13
All-In Costs	**$11,927**	**$13.42**	**$2.23**

TABLE 4: LoM OPERATING COST AND CASH FLOW		
ACTIVITY (LOM)	**US$M**	**US$ / SHORT TON**
LOM REVENUE	**20,821**	
Mining (OP and UG)	7,252	8.16
Process Plant	2,039	2.29
General & Administration	50	0.06
Total Cash Operating Cost	**9,341**	**10.51**
Royalties	388	0.44
Salvage Value	-$225	-0.25
Reclamation & Closure	$25	0.03
Total Production Cost	**9,529**	**10.72**
EBITDA	**11,292**	-
Total CAPEX	1,836	2.07
Net Income Before Taxes	**9,456**	**-**
Taxes and Depreciation	2,161	2.43
Free Cash Flow (unlevered)	**7,295**	**-**

The capital cost estimates for the 2024 PEA were developed with a -25% to +30% accuracy. The Company uses an estimated overall mining contingency of approximately 18% after applying March 2024 cost assumptions used within the PFS and according to the Association of the Advancement of Cost Engineering International (AACE) Class 5 estimate requirements.

TABLE 5 :CAPITAL COST ESTIMATES				
AREA	**DETAIL**	**INITIAL CAPEX ($000's)**	**SUSTAINING CAPEX ($000's)**	**TOTAL CAPEX ($000's)**
Direct Costs	Mine Costs	156,856	543,609	700,465
	Processing Plant	259,320	408,240	667,560
	Infrastructure	95,740	17,211	112,951
Indirect Costs		45,470	16,944	62,414
Owner's Costs, First Fills, & Light Vehicles		22,921	72,030	94,951
Total CAPEX without Contingency		**580,307**	**1,058,034**	**1,638,341**
Contingency		87,558	110,599	198,157
Total CAPEX with Contingency		**667,865**	**1,168,633**	**1,836,498**

The 2024 PEA is based on the updated 2024 MRE, as published in the MRE News Release on July 16, 2024, showing a 41% increase of Measured and Indicated ("M&I") pounds and an 89% increase of the inferred pounds. The Mineral Resources for the Project are shown in **TABLE 6** and illustrated in **FIGURE 4** below. For more details relating to the 2024 MRE, please refer to the MRE News Release, a copy of which is available on SEDAR+ (www.sedarplus.ca) under the Company's issuer profile and the Company's website (www.arizonasonoran.com).

TABLE 6: Project Mineral Resource Estimate (2024 MRE)

Material Type	Tons kt	Grade CuT %	Grade Cu Tsol %	Contained Total Cu (k lbs)	Contained Cu Tsol (k lbs)
Measured					
Total Leachable	55,200	0.94	0.79	1,032,200	873,800
Total Primary	12,300	0.51	0.05	124,400	13,400
Total Measured	**67,500**	**0.86**	**0.66**	**1,156,500**	**887,200**
Indicated					
Total Leachable	414,800	0.60	0.53	4,965,000	4,365,700
Total Primary	150,400	0.39	0.04	1,173,300	126,000
Total Indicated	**565,200**	**0.54**	**0.40**	**6,138,200**	**4,491,700**
M&I					
Total Leachable	470,000	0.64	0.56	5.997,200	5,239,500
Total Primary	162,700	0.40	0.04	1,297,600	139,400

Material Type	Tons kt	Grade CuT %	Grade Cu Tsol %	Contained Total Cu (k lbs)	Contained Cu Tsol (k lbs)
Total M&I	**632,600**	**0.58**	**0.43**	**7,294,800**	**5,378,900**
Inferred					
Total Leachable	299,600	0.43	0.38	2,572,400	2,262,800
Total Primary	174,500	0.36	0.04	1,267,500	124,700
Total Inferred	**474,000**	**0.41**	**0.25**	**3,839,900**	**2,387,500**

NOTES:

1. Total soluble copper grades (Cu TSol) are reported using sequential assaying to calculate the soluble copper grade. Tons are reported as short tons.

2. Stockpile resource estimates have an effective date of 1st March, 2022, Project mineral resource estimates have an effective date of 29th April, 2022, Parks/Salyer-MainSpring mineral resource estimates have an effective date of 11th July, 2024. All mineral resources use a copper price of US$3.75/lb.

3. Technical and economic parameters defining mineral resource pit shells: mining cost US$2.43/t; G&A US$0.55/t, 10% dilution, and 44°-46° pit slope angle.

4. Technical and economic parameters defining underground mineral resource: mining cost US$27.62/t, G&A US$0.55/t, and 5% dilution. Underground mineral resources are only reported for material located outside of the open pit mineral resource shells. Designation as open pit or underground mineral resources are not confirmatory of the mining method that may be employed at the mine design stage.

*5. Technical and economic parameters defining processing: Oxide heap leach ("**HL**") processing cost of US$2.24/t assuming 86.3% recoveries, enriched HL processing cost of US$2.13/t assuming 90.5% recoveries, sulphide mill processing cost of US$8.50/t assuming 92% recoveries. HL selling cost of US$0.27/lb; Mill selling cost of US$0.62/lb.*

6. Royalties of 3.18% and 2.5% apply to the ASCU properties and state land respectively. No royalties apply to the MainSpring property.

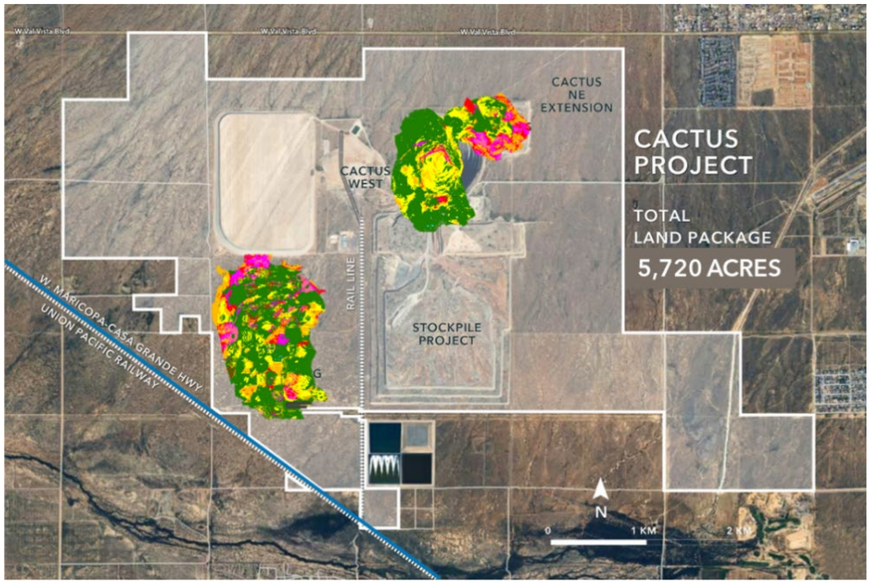
7. Variable cut-off grades were reported depending on material type, potential mining method, potential processing method, and applicable royalties. For ASCU properties - Oxide open pit or underground material = 0.099% or 0.549% Cu TSol respectively; enriched open pit or underground material = 0.092% or 0.522% Cu TSol respectively; primary open pit or underground material = 0.226% or 0.691% CuT respectively. For state land property – Oxide open pit or underground material = 0.098 % or 0.545% Cu TSol respectively; enriched open pit or underground material = 0.092% or 0.518% Cu TSol respectively; primary open pit or underground material = 0.225% or 0.686% CuT respectively. For MainSpring properties – Oxide open pit or underground material = 0.096% or 0.532% Cu TSol respectively; enriched open pit or underground material = 0.089% or 0.505% Cu TSol respectively; primary open pit or underground material = 0.219% or 0.669% CuT respectively. Stockpile cutoff = 0.095% Cu TSol.

8. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, sociopolitical, marketing, or other relevant factors.

9. The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there is insufficient exploration to define these inferred mineral resources as an indicated or measured mineral resource; it is uncertain if further exploration will result in upgrading them to an indicated or measured classification.

10. Totals may not add up due to rounding

FIGURE 4: 2024 Mineral Resource Estimate



Metallurgical Testwork

Metallurgical testwork used for the 2024 PEA shows good metallurgical recoveries from all deposits with no deleterious elements. Testing in the 2024 PEA shows an average of 73% of total copper extracted overall. A column leach testing program for oxides and enriched sulphides, from Parks/Salyer and the Stockpile, is ongoing at BaseMet and McClelland labs (Tucson, AZ and Reno, NV, respectively). Primary sulphide column leaching is expected to begin in the fourth quarter.

After four years of column leach and bottle roll testing across the Project, 86% Cu tsol recoveries were assumed on enriched material, 92% Cu tsol recoveries on oxide material and a 25% Cut recovery was applied to the primary sulphides.

Project Overview

The Project is a brownfield project located approximately 6 mi (10 km) northwest of the city of Casa Grande and 40 road miles south-southwest of the Greater Phoenix metropolitan area in Arizona. The Greater Phoenix area is a major population centre (approximately 4.8 million persons) with a major airport and transportation hub and well-developed infrastructure and services that support the mining industry. The Cactus Mine Project is accessible on North Bianco Road off of West Maricopa-Casa Grande Highway with direct access to interstate highway 10. During historic ASARCO operations (1974-1984), a rail spur was connected directly with the United Pacific Railroad to ship concentrates to its El Paso refinery in Texas; while the spur has been removed, the onsite rail line is still in existence. Current onsite infrastructure includes power lines and substation, water wells and a water pond, geological buildings, core sheds and administrative offices, keeping the capital intensity low and demonstrating robust economics.

The Project is host to a large porphyry copper system that has been dismembered and displaced by Tertiary extensional faulting. The major host rocks are Precambrian Oracle Granite and Laramide monzonite porphyry and quartz monzonite porphyry. The mine trend features the formation of horst and graben blocks of mineralization where the Cactus deposits are situated, extending from the Cactus East deposit, southwest to the Parks/Salyer deposit. Drilling to the northeast and southwest along the trend indicates that mineralization continues in both directions and at depth at the Cactus West deposit.

Ownership, Social License and Permitting

The Project is 100% controlled by ASCU through its wholly owned subsidiary Cactus 110 LLC (“Cactus 110”) and encompasses an area of approximately 5,720 acres. The Project includes exploration and mining on private land and on two Arizona State Land Department ("ASLD”) leases. There is no federal nexus for permitting the Project and all permitting is limited to State of Arizona-required permits including the Aquifer Protection Permit, Industrial Air permits and the Mined Land Reclamation Permit, each of which Cactus 110 has received from State regulators. Modifications will be required to address changes in the mine plan presented in the 2024 PEA.

Of the 5,720 acres, 4,732 acres are considered fee simple and private land. The remaining acreage is State land where ASCU owns either the surface or mineral rights and is in the process of acquiring the surface rights from the State.

ASCU has a well-developed community engagement plan that it has implemented through numerous public meetings and outreach. With the presence of legacy mining in the Casa Grande area and the determination of the Project as a “brownfield” and disturbed site, the local community is supportive of the Project. The Company anticipates the Project to create multiple decades of high paying jobs that will benefit the local communities and the state. There is no significant opposition to the Project.

Royalties

The Project is subject to three net smelter return (“NSR”) royalties based on potential mining production. The MainSpring Property does not contain any royalties. The Tembo/Elemental Altus NSR royalty applied to the originally acquired land package including, the Cactus Property and the Parks/Salyer Property may be reduced to 2.54% from 3.18%, with a total payment of $8.9 million. On a portion of the Parks/Salyer Property, BCE held a 1.5% NSR royalty, with an option to reduce it to 0.5% for payment of $0.5 million, which the Company exercised in December 2024 reducing the royalty to 0.5%, and ASLD owns a sliding net return royalty (2.0% to 8.0% and estimated at 2%), payable to ASLD and the State Trust. ASCU will formalize the royalty percentages with ASLD once the Company submits a Mineral Development Report to ASLD, thus converting the existing Mineral Exploration Permit, to a Mineral Lease.

Opportunities and Next Steps

Technical Studies

Following the issuance of the 2024 PEA, the anticipated next steps for the Project include the 2025 PFS (which is expected to be completed in 2H2025), and expects to initiate a DFS in 2H2025. The Company is planning project financing for the Project in conjunction with a potential construction decision.

It is expected that the 2025 PFS will include the major economic and operational rescope; specifically, rescoping Parks/Salyer to an open pit. Infill drilling programs are planned for Parks/Salyer composing the first 10 years of operations, and into Cactus West for the expansion of primary mineralization suitable for leaching via the Nuton Technologies. Pursuant to the Nuton OTJV, an Integrated Nuton PFS which includes the application of the Nuton Technologies is currently contemplated to be completed no later than March 2, 2026. Completion of the 2025 PFS will require the completion of infill drilling targeting definition of existing mineral resources to the indicated category and updated metallurgical studies.

The Parks/Salyer property deposit’s grade, scale and scope secures it as the main contributor from day one to the Project. Cactus West, drilling and finding more primary material. Any future work on the Project is not expected to change the mine plan within the first 10 to 15 years of the operation. It provides further optionality on a robust standalone plan.

Nuton Opportunity

The 2024 PEA proposes a robust standalone project incorporating conventional leaching technology. In order to capitalize on the primary sulphides, initial test work has validated the application of Nuton proprietary technology. As per the strategy outlined in the OTJV news release, dated December 14, 2023, Cactus West pit expansion drilling targeting the primary sulphides will be included to the 2025 PFS.

Nuton is developing a copper heap leaching technology. Nuton became a shareholder in 2022, and a potential joint venture partner in late 2023. Its Nuton™ suite of proprietary technologies provide opportunities to leach both primary and secondary copper sulfides, providing significant opportunity to optimize the mine plan and the overall mining and processing operations.

Other Future Opportunities

The Project has several other opportunities available to continue the optimization of the operation.

- The addition of an In-Pit-Crush-Convey (IPCC) for waste handling instead of truck haulage will be evaluated for improvement in the economics of the Project.
- There is a potential to access the high-grade Parks/Salyer material earlier, by moving the Parks/Salyer open pit centroid further northward

Quality Assurance and Quality Control Procedures

Skyline Labs is accredited in accordance with the recognized International Standard ISO/IEC 17025:2005. Their quality management system has been certified as conforming to the requirements defined in the International Standard ISO 9001:2015. The standard operating procedure (SOP) used while processing the ASCU samples was to process samples in groups of 20. Each tray consisted of 18 samples with samples No. 1 and No. 10 repeated as duplicates. The results from each tray were analyzed and any variance in the duplicates of more than 3% would result in the entire tray being re-assayed.

The results of these analyses, including the QA/QC checks, were transmitted to a select set of individuals at ASCU and the qualified persons.

Qualified Persons

Each of the persons listed below are authors preparing the 2024 PEA and have reviewed and verified the scientific and technical dislcosure in this MD&A as it relates to their area of responsibilities. By virtue of their education, experience and professional association membership, each of the below listed persons are considered “qualified person" as defined by National Instrument 43-101.

- **Project Management**, M3 Engineering, John Woodson, PE, SME-RM
- **Metallurgy**, M3 Engineering, Laurie Tahija, QP-MMSA
- **Mineral Resources**, Allan L. Schappert, CPG, SME-RM, ALS Geo Resources LLC
- **Water and Environmental**, R. Douglas Bartlett, CPG, PG. Clear Creek Associates, a subsidiary of Geo-Logic Associates
- **Mine Planning**, Gordon Zurowski, P.Eng., AGP Mining Consultants Inc.

Permitting

The Project is situated on private land and will require the following major permits and certifications:

1. Arizona Department of Water Resources ("ADWR")'s Withdrawal of Ground Water for Mineral Extraction & Mineral Processing Permit: This permit is required for ground water withdrawal for mining operations. This permit was obtained in April 2021 and extends for 50 years, which is beyond the life of the Project.

2. The ADEQ's Aquifer Protection Permit ("APP"): This permit is required for owners or operators of facilities that could discharge a pollutant directly to an aquifer or to a land surface or vadose zone where there is a reasonable probability that the pollutant will reach an aquifer. The permit is valid for the life of the facility. This permit was obtained for the Stockpile in July 2021 and becomes effective upon demonstration of financial capability submitted along with an amendment application in respect of the full Project. The Project will require a second amendment based on the re-scoped operations under the 2024 PFS.

3. Pinal County's Air Quality Control Permit: This permit is required for operations that have the potential to generate fugitive dust. This permit was obtained in January 2020 and is renewed yearly based on operational need.

4. ADEQ's Arizona Pollutant Discharge Elimination System ("AZPDES") Permits (construction and Multi-Sector General Permit): This permit is for stormwater discharges that enter Arizona surface waters or a Municipal Separate Storm Sewer System. This permit was obtained for both the mine facility and the nearby TruStone facility which is situated on Project property.

5. Pinal County's Industrial Air Quality Control Permit: This permit is required for operations that have the potential to generate particulate matter PM10 and/or PM2.5 that can affect air quality. This permit is renewed yearly and was received in May 2023. Pending the 2025 PFS mine plan, an amendment will be required. See "Company Highlights – Year to date 2024 – Exploration Updates" and news release dated May 15, 2023, for details on the permit received.

6. Arizona State Mine Inspector, Mined Lands Reclamation Permit: This permit relates to all metalliferous mining units and exploration operations with surface disturbances on private lands greater than five acres and has been received by the Project. Based on the pending 2025 PFS mine plan, an amendment may be required. This permit was received in March 2023. See "Company Highlights – Year to date 2024 – Exploration Updates" and news release dated April 3, 2023, for details on the MLRP permit received.

In addition, the United State Army Corp. Of Engineers ("USACE") Jurisdictional Determination 404 was received in February 2022. This is a determination as to whether Waters of the U.S. ("WOTUS") are onsite or if the water on site contributes to a WOTUS waterway. USACE determined that the Project does not impact WOTUS, and therefore no Federal Permitting will be required. The Project continues to make good progress on its permitting process and will continue to advance required applications.

RESULTS OF OPERATIONS

For the periods ended		March 31, 2025		March 31, 2024
Expenses				
Salaries and wages	$	290	$	218
Share-based compensation		566		451
Professional fees		26		111
Directors' fees		148		163
Marketing and administration		449		310
Loss before other items		1,479		1,253
Other expenses/(income)				
Accretion		111		301
Finance expenses (income) and foreign exchange		(161)		174
Depreciation and amortization		-		16
Interest income		(292)		(157)
Loss/(gain) on incentive plan		452		(174)
		110		160
Loss and comprehensive loss for the period	$	1,589	$	1,413

For the quarter ended March 31, 2025, as compared to the quarter ended March 31, 2024

During the quarter ended March 31, 2025, the Company had a loss of $1.6 million compared to a loss of $1.4 million for the quarter ended March 31, 2024, decreasing primarily due to higher accretion expenses and lower gains on incentive plans in Q1/2024, offset by higher interest income.

The Company's operational costs totaled $1.5 million during the quarter ended March 31, 2025, compared to $1.3 million quarter ended March 31, 2024, increasing primarily due to higher salary and wages, and higher share-based compensation and marketing and administration costs.

During the quarter ending March 31, 2025, the total loss from other expenses was $0.1 million, compared to a loss of $0.2 million during the same period in the prior year primarily due higher finance and interest income, offset by higher losses on the incentive plan.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from, and should be read in conjunction with, the respective unaudited interim condensed financial statements.

Period	Revenues $ (000's)	Loss for the period $ (000's)	Loss per share (basic and diluted) $
1st Quarter 2025	Nil	1,589	0.01
4th Quarter 2024	Nil	2,863	0.02
3rd Quarter 2024	Nil	1,841	0.02
2nd Quarter 2024	Nil	1,323	0.01

Period	**Revenues $ (000's)**	**Loss for the period $ (000's)**	**Loss per share (basic and diluted) $**
1st Quarter 2024	Nil	1,413	0.01
4th Quarter 2023	Nil	2,383	0.02
3rd Quarter 2023	Nil	1,428	0.01
2nd Quarter 2023	Nil	2,778	0.03

The Company is at an advanced exploration stage of the Project advancing technical studies and improving mineral resources and reserves. Its quarterly information is expected to vary based on the overall general and administrative expenditures, and to a lesser extent, exploration activities such as expenditures on mineral properties which are generally capitalized. The principal cause of fluctuations in the Company's quarterly results is the expenditure level on exploration and development projects, which directly impacts the Company's general and administrative costs. Factors generally causing significant variations in results between quarters include salary and wages costs, share-based compensation, accounting gains and foreign exchange gains/losses. See operating results, above, for discussion of movement in net loss and comprehensive loss for the quarter ended March 31, 2025, as compared to the same period in 2024.

RISKS AND UNCERTAINTIES

Like all mineral exploration and development companies, Arizona Sonoran also continues to be subject to ongoing risks and uncertainties and other factors, which among others, include: dependence on the success of the Project as the principal operation of the Company; changes in exploration, development or mining plans due to exploration results and/or changing budget priorities of ASCU or its joint venture partners; risks relating to the implementation and cost relating to the Nuton™ technologies; reliance on the availability of funding from third parties or partners; climate change; impact of obtaining access to water; estimates of capital cost and operating costs may be lower than actual costs; errors in geological modelling or changes in any of the assumptions underlying the 2024 PEA; obtaining further financing to fund anticipated exploration and development work; international conflict in the Ukraine and the Middle East and their effects on global financial markets and supply chains; and other liquidity risks (see also "*Financial Accounting and Reporting Processes*"*)* and "*Risk Factors*" in the Company's AIF.

The following *Risks and Uncertainties* pertain to the outlook and conditions currently known to Arizona Sonoran that could have a material impact on the financial condition of the Company. A discussion of these and other factors that may affect the Company's actual results, performance, achievements, or financial position is contained under the heading "*Risk Factors*" and elsewhere in the Company's AIF. Such factors include, but are not limited to political risks, title risks, commodity prices, exchange rate risks, permitting risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies.

Current and prospective security holders of Arizona Sonoran should carefully consider these risk factors. Should the development of the Project not be possible or practicable for any reason, the business and financial position of the Company would be materially adversely affected.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2025, the Company's cash balance was $31.4 million (December 31, 2024 - $31.7 million) and working capital of $29.0 million (December 31, 2024 - $23.5 million). As of May 5, 2025, the Company had cash of approximately $28.6 million.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations in the future. The Company currently has no source of revenue and has significant cash requirements to fund its development project capital requirements, exploration programs, administrative overhead, and to maintain its mineral properties in good standing.

The Financial Statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. They do not reflect the adjustments to carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

The Company had $31,440 of cash as at March 31, 2025 (December 31, 2024 - $31,741). The Company has incurred significant operating losses (a net loss of $1,589 for the period ended March 31, 2025) and has yet to achieve profitable operations resulting in an accumulated deficit of $43,105 as at March 31, 2025. Furthermore, net cash used in operating and investing activities for the period ended March 31, 2025 amounted to $1,336 and $15,270, respectively. Based on the Company's liquidity position as at March 31, 2025, management has forecasted its cash flow requirements, and believes that it doesn't have sufficient cash resources to support its planned operations for the next twelve months from March 31, 2025). The Company can adjust its discretionary expenditures to ensure it will continue as a going concern while pursuing additional financing alternatives. As outlined herein, the Company has, in the past, financed the majority of its activities by raising capital through equity issuances.

The Company closed the private placement in January 2025 noted below in the "Financing Activities", however the Company will need to obtain financing in the form of debt, equity, or a combination thereof to continue with its planned non-discretionary and discretionary operational activities. Notwithstanding the Company's recent and historic funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all. While the Company currently expects to raise additional funds to fund ongoing operations and its commitments in the near term to continue exploration and development activities. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern, and therefore the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company's capital consists of debt and equity, which includes share capital, reserves and deficit. The Company's objectives are to maximize shareholder returns and share value by ensuring sufficient financial flexibility to achieve its ongoing business objectives including funding of future growth opportunities and future potential accretive opportunities.

The Company manages its capital through its budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investment and financing activities.

To achieve its objectives, the Company may issue new shares, adjust capital and operating expenditures and acquire additional property. There is no assurance that these initiatives will be successful.

Operating Activities

During the period ended March 31, 2025, the cash used in operating activities was $1.3 million (March 31, 2024 - $5.6 million).

Investing Activities

The Company's cash used in investing activities for the period ended March 31, 2025 was $15.3 million

(March 31, 2024 - $6.6 million) primarily spent in connection with exploration and evaluation expenditures on mineral properties and property option and land payments.

Financing Activities

In the period ended March 31, 2025, the Company's cash provided by financing activities was $15.0 million (March 31, 2024 - $13.8 million) primarily consisting of the private placement detailed below.

On January 31, 2025, the Company closed a private placement with Hudbay Minerals Inc. ("Hudbay") of 11,955,270 common shares at a price of C$1.68 for gross proceeds to the Company of C$21.6 million ($15.0 million). Additionally, Nuton exercised its pre-emptive rights in respect of the Hudbay placement, pursuant to the terms of its investor rights agreement, to maintain its 7.2% equity interest in the Company by acquiring 929,887 shares of the Company for gross proceeds of C$1.6 million ($1.1 million).

The use of proceeds of the October 2024 Offering and reconciliation as of quarter ended March 31, 2025 (in U.S. dollars), is summarized as follows:

Principal Purposes		**Previously Disclosed**		**Incurred as at March 31, 2025**		**Remaining**
Exploration and Drilling	$	10,000,000	$	8,526,000	$	1,474,000
Mine Design and Scheduling		4,200,000		-		4,200,000
Metallurgical Test Work		3,000,000		-		3,000,000
Technical Studies & Project Support		3,200,000		3,043,000		157,000
Working Capital and General Corporate Purposes		400,000		2,353,000		(1,953,000)
Total	$	20,800,000	$	13,922,000	$	6,878,000

The Company's activities following the October 2024 Offering were focused on expenditures to support the 2025 PFS. The exploration team's 2025 plan is to upgrade the inferred mineral resource as defined by the 2024 PEA, to the indicated category for the standalone 2025 PFS. To do so, the Company has initiated drilling of 66 holes over ~90,000 ft (27,756 m) at the Parks/Salyer deposit and a minimum of 20,000 ft (6,200 m) at each of Cactus West and Cactus East for a total of 130,000 ft (40,000 m) of drilling. All drilling is expected to be completed within the summer of 2025.

RELATED PARTY TRANSACTIONS

As at March 31, 2025, no material amounts were owed to or from the Company by key management personnel (December 31, 2024 – Nil).

The remuneration of the key executive management and directors was as follows:

		March 31, 2025		**March 31, 2024**
Salaries and wages	$	522	$	732
Salaries and wages capitalized as exploration		152		351
Share-based compensation*		292		297
Directors' fees		148		146
	$	1,114	$	1,526

*Share-based compensation includes shares issued for services, stock options and restricted share units ("RSUs").

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenditures during the periods reported. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. However, actual results could differ materially from these estimates.

In preparing the interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2024.

FINANCIAL INSTRUMENTS

Fair Value

The Company's financial instruments as at March 31, 2025 consist of cash, the Nuton Option, accounts payable, accruals, other short and long term liabilities. For those financial assets and financial liabilities that are not measured at their fair value, the carrying values approximate their fair values.

Management of Financial Risk

<u>Currency risk</u>

The Company is exposed to financial risk due to changes in foreign exchange rates. The Company operates in the United States and Canada, and a portion of its expenses are incurred in Canadian dollars. A significant change in the exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. As at March 31, 2025, the Company is exposed to currency risk through its cash and cash equivalents denominated in Canadian dollars totaling $18.4 million.

Based on the exposure as at March 31, 2025, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of approximately $1.3 million in the Company's loss for the quarter.

<u>Credit risk</u>

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and cash equivalents and receivables.

The Company's cash is held in large Canadian and U.S. financial institutions. The Company does not deem that it has significant credit risk exposure.

<u>Liquidity risk</u>

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its exploration and operational activities. The Company will pursue additional equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favorable terms. See Description of the Business and Going Concern (Note 1).

As at March 31, 2025, the contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

	< 6 months	**6 – 12 months**	**1 - 2 years**	**Total cash flows at March 31, 2025**
Financial liabilities at fair value:				
DSU liability	-	-	1,375	1,375
Financial liabilities at amortized cost:				
Accounts payable	845	-	-	845
Accruals	2,201	-	-	2,201
Nuton deposit	-	-	11,545	11,545
Other current liabilities	88	-	-	88
	3,134	-	12,920	16,054

As at March 31, 2025, the carrying values of all financial assets and financial liabilities approximate their fair value. In the event that change of control occurs, such that the Nuton OTJV is terminated, the Company will have to repay the $10 million Option Exclusivity Payment.

The Option Exclusivity Payment is considered a level 3 instrument in the fair value hierarchy as one or more of the significant inputs is not based on observable market data. This is the case for unlisted instruments where risk could give rise to a significant unobservable adjustment.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no material new or amended accounting standards that are effective for reporting periods beginning on or after January 1, 2024 affecting the Financial Statements.

COMMITMENTS AND CONTINGENCIES

The Company has future exploration and evaluation expenditure obligations with respect to its land agreements:

Trust Lands

- Based on the achievement of certain development milestones, the Company is obligated to make future payments to TAGC Ventures LLC of up to $750 in connection with the purchase of Trust lands.

LKY

- The final $5.0 million is due for the LKY Purchase on the fifth anniversary of the closing date on February 10, 2027.

Nuton

- In the event that change of control occurs, such that the Nuton OTJV is terminated, the Company will have to repay the $10 million Option Exclusivity Payment.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

AUTHORIZED AND ISSUED SHARE CAPITAL

As at May 5, 2025, the Company had 148,645,736 outstanding common shares. The Company also had 8,637,621 share purchase options, 1,024,172 restricted share units and 874,703 deferred share units outstanding.

NON-IFRS PERFORMANCE MEASURES

This MD&A contains certain non-IFRS measures, including sustaining capital, sustaining costs, C1 cash costs, LOM revenues, LOM EBITDA, LOM FCF (unlevered) after tax, and AISC. This performance measure has no standardized meaning within generally accepted accounting principles under IFRS Accounting Standards and, therefore, amounts presented may not be comparable to similar data presented by other companies. This data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS Accounting Standards. The Company uses these non-IFRS measures to reflects the underlying operating performance of the core mining business and allow investors and analysts to compare results of the Company to similar results of other mining companies.

Management believes working capital is a valuable indicator of liquidity. Working capital is calculated by deducting current liabilities from current assets. Current Liabilities and current assets are the two most directly comparable measures prepared in accordance with IFRS Accounting Standards.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the period ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

CAUTIONARY STATEMENTS ON FORWARD-LOOKING STATEMENTS AND OTHER MATTERS

Forward-Looking Statements

All statements, other than statements of historical fact, contained or incorporated by reference in this MD&A (together with the accompanying financial statements for the same period, "Q1 2025 Financial Disclosure") constitute "forward-looking statements" and "forward-looking information" (collectively, "forward-looking statements") within the meaning of applicable Canadian and United States securities legislation. Forward-looking statements are made as of the date of the Q1 2025 Financial Disclosure or as of the date of the effective date of information described in this Q1 2025 Financial Disclosure, as applicable. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as "advance", "assumptions", "become", "contemplated", "accretive", "anticipate", "believe", "budget", "can", "commitments", "contingencies", "continue", "contribute", "could", "develop", "define", "demonstrates", "emerging", "envisages", "estimate", "expect", "exploration", "extend", "eventual", "feasibility", "focused", "following", "foreseeable", "forward", "future", "goals", forecasting", "further", "going", "growth", "if", "indicated", "indicator", "initial", "initiate", "initiatives", "intended", "liabilities", "liquidity", "long-term", "looking", "may", "milestones", "model", "near-term", "need", "new", "next", "objective", "ongoing", "opportunity", "optimizing", "options", "outlook", "pending", "phase", "plan", "potential", "preliminary", "probable", "program", "progress", "proposes", "recoverability", "resource", "rights", "risk", "schedule", "sensitivities", "strategy", "study", "subject to", "sustaining", "targeting", "timeline", "to be", "testing", "trend", "uncertainties", "upgrade", "will", or "would", variations of such words, and similar such words, comparable terminology, expressions or statements that certain actions, events or results can, could, may, should, would, will (or not) be achieved, occur, provide, result or support in the future, or which, by their nature, refer to future events. In some cases, forward-looking statements may be stated in the present tense, such as in respect of current matters that may be continuing, or that may have a future impact or effect. Forward-looking statements include those relating to the 2025 work plan and details and results thereof (including drilling programs, technical studies (including trade-off studies, metallurgical studies, 2025 PFS and DFS, related milestones and other details, and the requirements, focus, related work, and the timing, any optimizations, value and other results of any such studies), permitting (including amendments and other requirements, and timing thereof), advancing the 2025 PFS, any eventual DFS including any requests for proposal related thereto, and any and all other technical studies, project financing including engagement of any advisors and potential financiers, and timeline thereof and results thereof, and other advancement of the Project (including any other work in 2025 and other operations); the 2024 PEA, the 2025 PFS and any DFS and/or any future such or similar study, analyses or testing (including contemplated workstreams or plans, opportunities) and the conclusions or results thereof (including economic analyses, net present value (or NPV),and other valuations, internal rate of return (or IRR) and other returns, free cash flow (or FCF), life of mine (or LOM), mine plans, mineral resource estimates (or MRE, including the 2024 MRE), costs (including capital costs (or capex), C1 cash costs and all in sustaining costs or AISC), returns, impact on Casa Grande and State of Arizona, and other economics); the 2025 work plan and 2025 strategic goals (including the amount of funding and timeline required); mineral resource estimates (including any updates and timing thereof, underlying assumptions, and any upgrade of inferred or other mineral resource estimates, related drill program and timing and results thereof); any Integrated Nuton PFS; the Company's objectives, expectations, strategies and plans for the Project or otherwise, the results thereof; the 2025 work plan at the Project; the economics and opportunity represented by the Project; the impact of the Nuton™ technologies (including availability of such technologies, increased recoveries and leaching, and environmental performance) and the Company's relationship with Nuton; the costs and timing of future exploration and development, including the timing for completion and commencement of production; the timing and amount of future production at the Projects; the timing, receipt and maintenance of approvals, licenses and permits from the federal and state government agencies and from any other applicable government, regulatory or administrative body; the acquisition of the landholdings; future financial or operating performance and condition of the Company and its business, operations and properties; the need for and occurrence of any future equity, debt or other financings, adequacy of funds therefrom and uses thereof (including support completion of the continued development of the Project and commence commercial production); any upside in value and/or delivered back to shareholders, sustainability and risk; the Company's objectives, future plans or prospects of the Company. Although the Company believes that such statements are reasonable, there can be no assurance that those forward-looking statements; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements; and any future plans or prospects of the Company. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct, and any forward-looking statements by the Company are not guarantees of future actions, results or performance.

Forward-looking statements are based on assumptions, estimates, expectations and opinions, which are considered reasonable and represent best judgment based on experience and perception of trends, current conditions and expected developments, as well as available facts, and other factors, as of the date such statements are made, that are believed to be relevant and reasonable in the circumstances. If such assumptions, estimates, expectations and opinions prove to be incorrect, actual and future results may be materially different than expressed or implied in the forward-looking statements. The assumptions, estimates, expectations and opinions referenced, contained or incorporated by reference in this MD&A which may prove to be incorrect include those related to: favorable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the development of the

Project (including pursue planned studies, exploration and other technical work); future prices of copper and other metal prices; the timing and results of exploration and drilling programs; the compliance by partners to abide by the terms of agreements; the accuracy of any mineral resource and reserve estimates; the geology of the Project being as described in relevant technical documents; the ability to successfully apply the Nuton™ technologies on the Project and the impact thereof; the metallurgical characteristics of the Project being suitable for processing; the accuracy of 2024 PEA; budgeted exploration and development costs and expenditures, including to complete development of the infrastructure at the Project; the ability to acquire additional lands, on amenable terms, as and when needed for development of the Project; the price of other commodities such as fuel; future currency exchange rates and interest rates; operating conditions being favorable, including whereby the Company is able to operate in a safe, efficient and effective manner; political and regulatory stability; the ability to receive and maintain governmental and third party approvals, licenses and permits on favorable terms; obtaining and maintaining necessary approvals, licenses and permits (including any renewals thereof) on favorable terms; sustained labor stability; and stability in financial and capital goods markets; availability of equipment; and those stated elsewhere in the Q1 2025 Financial Disclosure, as well as in the Company's news releases referenced in this MD&A, the 2024 PFS and related technical report (the "2024 PFS Technical Report"), the 2024 PEA and related technical filed on August 27, 2024 (the "2024 PEA Technical Report"), the Company's Annual Information Form dated April 1, 2024 (the "AIF), Management's Discussion and Analysis (together with the accompanying financial statements) for the prior financial year ended December 31, 2024, and the individual quarters of such prior year, (collectively, the "2024 Financial Disclosure") and the Company's other applicable public disclosure (collectively, "Company Disclosure"), all available on the Company's website at www.arizonasonoran.com and under its issuer profile at www.sedarplus.ca. Forward-looking statements are inherently subject to significant known and unknown business, social, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that may cause actual actions, events, conditions, results, performance or achievements of the Company (including the Project) to be materially different from any future plans, intentions, activities, results, performance or achievements anticipated, expected, projected, expressed or implied in the forward-looking statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct. Such risks, uncertainties, contingencies and other factors include, among others, the "Risk Factors" in the AIF, and the risks, uncertainties, contingencies and other factors identified in the 2024 PFS Technical Report, the 2024 PEA Technical Report, the Q1 2025 Financial Disclosure and the 024 Financial Disclosure, as well as: copper prices are volatile and may be lower than expected; product alternatives may reduce demand for the Company's products; estimating mineral reserves and mineral resources is risky and no assurance can be given that such estimates will be achieved; nature of mineral exploration, development and mining involves significant financial risks; dependence on the success of the Project as the principal operation of the Company; the Company may not be able to obtain further financing on acceptable terms and continue as a going concern; changes in exploration, development or mining plans due to exploration results and/or changing budget priorities of ASCU or its joint venture partners; risks relating to the implementation and cost relating to the Nuton™ technologies; the Company's reliance on the availability of funding from third parties or partners; the Company is reliant on appropriate governmental authorities to obtain, renew and maintain the necessary permits for Company operations; estimates of capital cost and operating costs may be lower than actual costs; errors in geological modelling or changes in any of the assumptions underlying 2024 PFS or 2024 PEA (including the assumptions, estimates and expectations underlying such studies as more particularly described in the 2024 PFS Technical Report and the 2024 PEA Technical Report, as applicable); geological hydrological and climatic events could suspend future mining operations or increase costs; title to mineral properties may be challenged or impugned; social and environmental activism can negatively impact exploration, development and mining activities; operations during mining cycle peaks are more expensive; mining operations are very risky and project parameters may continue to change as plans continue to be refined; inadequate infrastructure may constrain mining operations; risks from unknown hazards; changes in climate conditions may affect the Company's future operations; substantial government regulation and changes to regulation or more stringent implementation of regulations could have a material adverse effect on the Company's operations and financial condition; regulation of greenhouse gas emissions and climate change issues may adversely affect the Company's operations and markets; risks associated with changing environmental legislation and regulations; the mining industry is intensely competitive; the Company may incur losses and experience negative operating cash flow for the foreseeable future; the Company's insurance coverage may be inadequate and result in losses; currency fluctuations can result in unanticipated losses; reduction in share prices due to global financial conditions; outbreaks of diseases and public health crisis; and international conflict, geopolitical tensions or war. The foregoing list of risks, uncertainties, contingencies and other factors is not exhaustive; readers should consult the more complete discussion of the Company's business, financial condition and prospects that is provided in the AIF, the Q1 2025 Financial Disclosure, the 2024 Financial Disclosure and other Company Disclosure. Although the Company has attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from forward-looking statements. Forward-looking statements contained herein are made as of the date of this MD&A (or as otherwise expressly specified) and ASCU disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable securities laws. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements referenced or contained in the Q1 2025 Financial Disclosure are expressly qualified by these Cautionary Statements as well as the Cautionary Statements in the AIF, the 2024 PFS Technical Report, the 2024 PEA Technical Report, the 2024 Financial Disclosure and other Company Disclosure.

Preliminary Economic Assessments
The 2024 PEA referenced in the Q1 2025 Financial Disclosure and summarized in the 2024 PEA Technical Report is only a conceptual study of the potential viability of the Project and the economic and technical viability of the Project has not been demonstrated. The 2024 PEA is preliminary in nature and provides only an initial, high-level review of the Project's potential and design options; there is no certainty that the 2024 PEA will be realized. For further detail on the Project and the 2024 PEA, including applicable technical notes and cautionary statements, please refer to the Company's news release dated August 7, 2024 and the 2024 PEA Technical Report, both available on the Company's website at www.arizonasonoran.com and under its issuer profile at www.sedarplus.ca.

Mineral Resource Estimates
Until mineral deposits are actually mined and processed, copper and other mineral resources must be considered as estimates only. Mineral resource estimates that are not classified as mineral reserves do not have demonstrated economic viability. The estimation of mineral resources is inherently uncertain, involves subjective judgement about many relevant factors and may be materially affected by, among other things, environmental, permitting, legal, title, taxation, socio-political, marketing, or other known and unknown risks, uncertainties, contingencies and other factors described in the foregoing Cautionary Statements on Forward-Looking Statements. The quantity and grade of reported "inferred" mineral resource estimates are uncertain in nature and there has been insufficient exploration to define "inferred" mineral resource estimates as an "indicated" or "measured" mineral resource and it is uncertain if further exploration will result in upgrading "inferred" mineral resource estimates to an "indicated" or "measured" mineral resource category. Inferred mineral resource estimates may not form the basis of feasibility or pre-feasibility studies or economic studies except for preliminary economic assessments. The accuracy of any mineral resource estimate is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable

and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. It cannot be assumed that all or any part of a “inferred”, “indicated” or “measured” mineral resource estimate will ever be upgraded to a higher category including a mineral reserve. The mineral resource estimates declared by the Company were estimated, categorized and reported using standards and definitions in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves (the “CIM Standards”) in accordance with National Instrument 43-101 of the Canadian Securities Administrators (“NI 43-101”), which governs the public disclosure of scientific and technical information concerning mineral projects.

U.S. Readers

The terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” as disclosed by the Company are Canadian mining terms defined in the CIM Standards (collectively, the “CIM Definitions”) in accordance with NI 43-101. NI 43-101 establishes standards for all public disclosure that a Canadian issuer makes of scientific and technical information concerning mineral projects. These Canadian standards differ from the requirements of the United States Securities and Exchange Commission (the “SEC”) applicable to United States domestic and certain foreign reporting companies under Subpart 1300 of Regulation S-K (“S-K 1300”). Accordingly, information describing mineral resource estimates for the Project may not be comparable to similar information publicly reported in accordance with the applicable requirements of the SEC, and so there can be no assurance that any mineral resource estimate for the Project would be the same had the estimates been prepared per the SEC’s reporting and disclosure requirements under applicable United States federal securities laws, and the rules and regulations thereunder, including but not limited to S-K 1300. Further, there is no assurance that any mineral resource or mineral reserve estimate that the Company may report under NI 43-101 would be the same had the Company prepared such estimates under S-K 1300.

APPROVAL

The Audit Committee on behalf of the Board of Directors of Arizona Sonoran Copper Company Inc. has approved the disclosure contained in this MD&A.