



Arizona Sonoran Copper Company Inc.

Interim Condensed Consolidated Financial Statements - March 31, 2023

(Expressed in thousands of United States dollars, except where otherwise indicated)

(unaudited)

Arizona Sonoran Copper Company Inc.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of United States dollars)

	Note	March 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash		\$ 27,705	\$ 19,862
Receivables		79	70
Prepaid expenses and other		536	90
		28,320	20,022
Other non current assets			
Exploration and evaluation assets	5	59,249	46,596
Marketable securities		158	164
Property and equipment	6	3,304	2,686
Right of use asset	7	98	110
Total assets		\$ 91,129	\$ 69,578
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 1,606	\$ 3,481
Current portion of lease liability	7	51	48
		1,657	3,529
Other Liabilities- long term			
Lease liability	7	53	67
		53	67
Total liabilities		1,710	3,596
SHAREHOLDERS' EQUITY			
Share capital	10	109,325	86,016
Contributed surplus	10	7,581	7,053
Deficit		(27,487)	(27,087)
Total shareholders' equity		89,419	65,982
Total liabilities and shareholders' equity		\$ 91,129	\$ 69,578

Commitments and contingencies (see Note 13)
Events after the reporting period (see Note 16)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Arizona Sonoran Copper Company Inc.**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****(Expressed in thousands of United States dollars)**

	March 31, 2023	March 31, 2022
Salaries and wages	188	1,273
Share based compensation	809	710
Professional fees	90	165
Directors fees	161	48
Marketing and administration	302	305
Loss from operations	1,550	2,501
Other (income) expenses		
Accretion	-	191
Finance expenses and FX	146	43
Depreciation, depletion and amortization	28	20
(Gain)/loss on extinguishment and modification of debt	-	(91)
Loss on marketable securities	6	-
Interest income	(191)	(16)
Other expense/(income)	4	(1)
(Gain)/loss on incentive plan	(1,143)	-
Loss and comprehensive loss for the period	400	2,647
Loss per share		
Basic and diluted	0.00	0.04
Weighted average number of common shares outstanding		
Basic and diluted	96,127,353	70,979,702

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Arizona Sonoran Copper Company Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of United States dollars)

	Number of common shares	Share capital \$	Contributed Surplus \$	Deficit \$	Total \$
Balance at December 31, 2021	70,819,420	58,675	5,369	(19,966)	44,078
Issue shares for cash	328,679	148	-	-	148
Options exercised	-	40	(40)	-	-
Warrants exercised	-	57	(57)	-	-
Option Reserve			544		544
RSU Reserve			352		352
DSU Reserve			454		454
Loss for the period	-	-	-	(2,647)	(2,647)
Balance at March 31, 2022	71,148,099	58,920	6,622	(22,613)	42,929
Balance at December 31, 2022	88,832,714	86,016	7,053	(27,087)	65,982
Issue shares for cash, net	16,229,140	22,929	-	-	22,929
Warrants exercised	600,670	127	(10)	-	116
Options exercised	107,649	253	(52)	-	201
Stock options reserve	-	-	1,169	-	1,169
RSUs reserve	-	-	16	-	16
LTIP Reserve	-	-	(843)	-	(843)
DSUs reserve	-	-	248	-	248
Loss for the period	-	-	-	(400)	(400)
Balance at March 31, 2023	105,770,173	109,325	7,581	(27,487)	89,419

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Arizona Sonoran Copper Company Inc.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Expressed in thousands of United States dollars except for per share amounts)

	March 31, 2023	March 31, 2022
Cash provided by (used in):		
Operating activities		
Loss for the period	(\$400)	(\$2,647)
Effect of non-cash items:		
Share-based compensation	1,185	623
Accretion	4	191
Depreciation, depletion and amortization	41	20
Long term incentive	(843)	275
Interest and finance expense, net	3	21
Director's fees paid in shares	248	454
Gain on extinguishment and modification of debt	-	(91)
Changes in working capital items		
Receivables	(3)	163
Prepaid expenses and other	(446)	(354)
Accounts payable and accrued liabilities	(1,878)	(1,171)
Net cash used in operating activities	(2,089)	(2,516)
Investing activities		
Expenditures on exploration and evaluation assets	(12,653)	(10,862)
Expenditures on equipment	(9)	(49)
Property payments	(637)	(641)
Net cash used in investing activities	(13,299)	(11,552)
Financing activities		
Proceeds from private placement, net	22,929	-
Proceeds from stock options exercise	117	54
Proceeds from warrants exercise	201	94
Lease payments	(16)	(15)
Net cash provided by financing activities	23,232	133
Change in cash	7,843	(13,935)
Cash at beginning of the period	19,862	27,307
Cash at the end of the period	\$27,705	\$13,372

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Description of Business

Arizona Sonoran Copper Company Inc. (“ASCU” or the “Company”) is a company focused on the assessment, consolidation, exploration, development, and eventual mining in the Santa Cruz Copper Mining District in southern Arizona. Its shares began trading on the Toronto Stock Exchange (“TSX”) under the symbol “ASCU”. On March 29, 2022, the Company began trading on the Over-the-Counter Markets (“OTCQX”) under the symbol “ASCUF”.

The Company is incorporated in British Columbia, Canada, and is the 100% parent company of Arizona Sonoran Copper Company USA Inc. (“ASCU USA”) and Cactus 110, LLC. ASCU USA is incorporated in the state of Delaware and is the entity with activities in the USA at the Cactus and Parks/Salyer properties. Cactus 110, LLC, a Delaware company, and holds titles to the Cactus and Parks/Salyer properties, and any additional public or private land leases, water rights and other real property as determined.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development projects will result in profitable mining operations. The recoverability of amounts shown for resource properties is dependent on several factors. These factors include the discovery of economically recoverable reserves, the ability to complete development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Ownership interests in mineral properties involve risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties. The Company has investigated ownership of its mineral properties, and to the best of its knowledge, ownership of its interests is in good standing.

The Company has no source of revenue and has significant cash requirements to meet its strategic exploration and development plans, administrative overhead, maintenance of its mineral interests, and its commitments, which includes fulfilling its option payments for purchase of land from LKY/Copper Mountain Investments Limited Partnership LLP (“LKY”) (Note 5), its commitments related to the agreement with Bronco Creek Exploration Inc (Note 5) and payments related to the purchase of the Mainspring Property (Note 5). The Company will need to obtain financing in the form of debt, equity, or a combination thereof to continue with its development and operational plans. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms.

2. Basis of Preparation

a) Statement of compliance

These unaudited interim condensed consolidated financial statements (the “interim financial statements”) have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) applicable to interim financial reports, including International Accounting Standard 34, “Interim Financial Reporting”. The interim financial statements do not include all the notes normally included in the annual financial statements. These interim financial statements should be read in conjunction with the audited

annual financial statements for the period ended December 31, 2022, which have been prepared in accordance with IFRS.

These interim financial statements have been authorized for issue by the Audit Committee on behalf of the Board of Directors of the Company on May 11, 2023.

c) Significant accounting judgments and sources of estimation uncertainty

The preparation of the interim financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

In preparing the interim condensed consolidated 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, 2022, except as noted below.

3. Significant Accounting Policies

The Company's accounting policies applied to all periods presented in these Financial Statements are the same as those applied by the Company in its annual consolidated financial statements as at and for the year ended December 31, 2022.

4. Accounting standard recently adopted or effective

Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

This amendment clarifies how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice. They narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

This amendment is effective for reporting periods beginning on or after January 1, 2023 and the Company has determined there to be no material impact to the interim financial statements.

5. Exploration and Evaluation Assets

Bronco Creek agreement

On February 9, 2022 (the "Registration Date"), the Company entered into an assumption and assignment agreement ("the Agreement") with Bronco Creek Exploration Inc ("Bronco Creek") under which Bronco Creek assigned an exploration permit ("the Permit") to the Company. The

Arizona Sonoran Copper Company Inc.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of United States dollars except for share and per share amounts)**

Permit relates to a portion of the Parks Salyer copper target, located southwest of the Sacaton open pit copper mine. The terms of the Agreement are as follows:

- The Company is to make a payment of \$5 upon execution of the Agreement.
- The Company is to pay \$195 upon transfer and registration of the Permit to Cactus 110 LLC.
- Bronco Creek will retain a 1.5% NSR royalty interest on the Permit and the Company can buy back one percent (1%) of the royalty for a payment of \$500.
- Bronco Creek will receive annual advance royalty ("AAR") payments of \$50. The AAR payments cease upon commencement of commercial production and can be bought out at any time for a payment of \$1,000.
- The Company will make milestone payments of \$1,500 upon declaration of a mineral resource containing 100 million pounds or more of copper and another payment of \$1,500 upon further declaration of an additional 100 million pounds of copper contained in a resource.
- In the two years following the Registration Date, the Company will make yearly exploration expenditures totaling \$2,000 prior to the first anniversary and a cumulative total of \$4,000 prior to the second anniversary.

A total of \$3,200 was capitalized to Exploration and Evaluation Assets related to this Agreement which is comprised of the cash payment of \$5 made upon execution of the Agreement, \$195 of cash paid after registration of the Permit and \$3,000 made following declaration of the Parks/Salyer mineral resource on September 28, 2022.

LKY Property

Pursuant to the LKY land purchase of 2021, at the Company's option, the total purchase price of \$20,000 is to be paid in three separate disbursements:

- \$8,114 was paid as at the closing date of February 10, 2022;
- \$7,950 was paid on the first anniversary of the closing date on February 10, 2023; and
- The final \$5,000 is to be paid on the fifth anniversary of the closing date.

As of March 31, 2023, the Company had paid a total of \$16,064 in non-refundable deposits in connection with the Copper Mountain agreement which was applied toward the first of these disbursements due on the closing date. From the \$16,064 paid, \$1,278 was allocated to surface rights and the balance was allocated to mineral rights.

Mainspring Property

On February 28, 2023, the Company announced ASCU's wholly owned subsidiary, Cactus 110 LLC had entered into a purchase and sale agreement ("PSA") for 523 acres of private land, contiguous to the Company's Parks/Salyer project (the "Mainspring Property") for total consideration of \$14,000 to be paid as below:

- Payment of a \$1,000 non-refundable deposit into an escrow account which was paid at the time of signing of the agreement (the "Effective Date");

Arizona Sonoran Copper Company Inc.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of United States dollars except for share and per share amounts)**

- Payment of \$2,000 on or prior to the expiry of the PSA due diligence date (such date being 5 months, subject to a one month extension at the option of ASCU) from the Effective Date;
- Payment of \$5,000 one year from the Effective Date. Title is then transferred to Cactus 110 LLC;
- Payment of \$6,000 together with accrued interest at 6% per annum, within 1 year from the Closing Date secured by way of a promissory note and deed of trust on the subject property. The promissory note may be repaid at any time prior to maturity (date to be agreed) with no penalties following which the deed of trust will be released.

The following is the detail of the Exploration and evaluation assets:

	Capitalized Exploration Costs Assets (\$)
Balance at 12/31/21	24,493
Additions	29,003
Royalty option exercised	(6,900)
Balance at 12/31/22	46,596
Additions	12,653
Balance at 3/31/23	59,249

The Company's mineral properties consist of capitalized exploration expenditures on the lands mentioned above as well as the acquisition costs of real property that make up the Cactus Project.

	3-Months		12-Months	
	March 31,		December 31,	
	2023		2022	
Exploration	\$	8,868	\$	15,954
Drilling		2,983		10,497
Salaries and wages		464		1,475
Operational		338		1,059
Sample and assay		-		18
	\$	12,653	\$	29,003

6. Property and Equipment

Following are the details of the property and equipment including surface rights from exploration and evaluation assets:

Arizona Sonoran Copper Company Inc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of United States dollars except for share and per share amounts)

	Surface rights (Land) (\$)	Mine Fleet Light Vehicles and Equipment (\$)	Office Furniture and Equipment (\$)	Total (\$)
Cost				
Balance at 12/31/21	1,826	169	11	2,006
Additions	641	133	-	774
Balance at 12/31/22	2,467	302	11	2,780

Accumulated depreciation, amortization and impairment

Balance at 12/31/21	-	(40)	(9)	(49)
Additions	-	(43)	(2)	(45)
Balance at 12/31/22	-	(83)	(11)	(94)
Net book value at 12/31/22	2,467	219	-	2,686

Cost

Additions	637	9	-	646
Balance at 3/31/23	3,104	311	11	3,426

Accumulated depreciation, amortization and impairment

Additions	-	(28)	-	(28)
Balance at 3/31/23	-	(111)	(11)	(122)
Net book value at 3/31/23	3,104	200	-	3,304

7. Leases

The Company has lease obligations and right-of-use assets in connection with office leases in Arizona. Total future lease payments over 12 months were discounted using a rate of 15%, which is considered to be the Company's incremental borrowing rate.

A continuity of the Company's right of use asset is as follows:

	(\$)
Balance, December 31, 2022	110
Amortization for the period	(12)
Balance, March 31, 2023	98

Arizona Sonoran Copper Company Inc.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of United States dollars except for share and per share amounts)**

The continuity of the Company's lease liability is as follows:

	(\$)
Balance, December 31, 2022	115
Payments	(15)
Accretion	4
Balance, March 31, 2023	104
Current portion	51
Non-current portion	53

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	March 31, 2023	December 31, 2022
Trade payables	\$ 1,236	\$ 995
Accrued liabilities	335	2,474
Other payables	35	12
	\$ 1,606	\$ 3,481

9. Asset Retirement Obligations

The purchase of the Cactus Project land parcel was finalized with the ASARCO Multi-state Environmental Custodial Trust (the "Trust") on July 13, 2020. The property clean-up has been completed and closure approvals are underway with the Arizona Department of Environmental Quality and the Environmental Protection Agency on behalf of the Department of Justice. An agreement with the Arizona Department of Environmental Quality was reached and executed on January 8, 2020, whereby ASCU will not be held liable for past environmental issues.

Once future construction plans are finalized and initiated, ASCU USA will be required to post a reclamation bond with Arizona Department of Environmental Quality estimated at \$3,900 and with the State of Arizona State Mine Inspector estimated at \$5,000 for future work.

On March 31, 2023, the Company was awarded its Mined Land Reclamation Permit ("MLRP"). The MLRP is the primary financial assurance document requiring the operator to bond for the full reclamation of the property after mining operations have concluded. To date, the Company does not have any reclamation liabilities relating to this or other permits, as a development decision has not been made.

10. Equity**a) Authorized share capital**

The Company is authorized to issue an unlimited number of common shares without par value. As at March 31, 2023, there were 105,770,173 common shares outstanding (December 31, 2022 – 88,832,714 common shares outstanding).

Arizona Sonoran Copper Company Inc.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of United States dollars except for share and per share amounts)**

b) Issued Shares

The following is a continuity of equity transactions in the quarter ended March 31, 2023:

- During January 2023, the Company issued 79,165 common shares as part of a warrant exercise for proceeds of \$25.

On January 25, 2023, the Company entered into an agreement with a syndicate of underwriters (the “Underwriters”), pursuant to which the Underwriters agreed to purchase 15,000,000 common shares (“Shares”) of the Company at a price of C\$2.00 per Share for aggregate gross proceeds of C\$30,000 \$(22,000) (the “February 2023 Offering”). The February 2023 Offering included an over-allotment option for an additional 3,600,000 Shares granted to the Underwriters.

The February 2023 Offering closed on February 16, 2023 pursuant to which the Company issued 15,000,000 Shares of the Company at a price of C\$2.00 per Share for gross proceeds of C\$30,000 \$(22,000) and net proceeds of C\$28,000 \$(21,000).

The Company closed a private placement with Nuton on March 31, 2023. In connection with the February 2023 Offering, Nuton LLC had indicated its intention to exercise its pre-emptive rights under the Nuton Investor Rights Agreement to maintain its ownership interest percentage in ASCU of 7.2%. Nuton subscribed for 1,229,140 common shares of the Company at a price of C\$2.00 per Common share for aggregate gross proceeds to the Company of C\$2,458 (\$1,817).

- In March 2023, the Company issued 521,505 common shares in a warrant exercise for proceeds of \$176 and 107,649 common shares for an option exercise for proceeds of \$116.

c) Stock Options

The following is a continuity of the Company’s stock options outstanding as at March 31, 2023:

<i>For the period and year ended</i>	March 31, 2023		December 31, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	3,130,357	\$ 1.21	1,722,301	\$ 0.77
Granted	2,617,751	1.47	1,543,483	1.58
Expired	-	-	(15,047)	0.45
Exercised	(107,649)	0.90	(120,380)	0.33
Options outstanding, end of period	5,640,459	\$ 1.34	3,130,357	\$ 1.21
Options exercisable, end of period	3,456,233	\$ 1.22	1,955,703	\$ 1.10

Arizona Sonoran Copper Company Inc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of United States dollars except for share and per share amounts)

Details of stock options outstanding as at March 31, 2023 are as follows:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
810,748	810,748	\$ 0.45	20-Jul-25
116,666	116,666	\$ 0.45	2-Oct-25
85,986	85,986	\$ 0.45	12-Nov-25
42,993	42,993	\$ 0.45	14-Dec-25
172,832	153,499	\$ 1.50	4-Jan-26
250,000	166,667	\$ 2.10	6-Jul-26
475,000	316,000	\$ 1.58	10-Jan-27
860,483	573,656	\$ 1.61	31-Jan-27
80,000	26,667	\$ 1.47	13-May-27
128,000	-	\$ 1.55	24-Jun-27
2,617,751	1,163,351	\$ 1.47	28-Feb-28
5,640,459	3,456,233	\$ 1.34	

As at March 31, 2023, outstanding stock options had a weighted average remaining life of 3.58 years (December 31, 2022 – 3.45 years).

The following Black Scholes assumptions were used in the valuation of stock options granted during the three-month period ended March 31, 2023 and year ended December 31, 2022:

<i>For the period and year ended</i>	March 31, 2023	December 31, 2022
Volatility	78%	65%
Expected life in years	5 years	5 years
Weighted average grant date share price	\$1.34	\$1.37
Weighted average exercise price	\$1.47	\$1.58
Dividend rate	0%	0%
Risk-free rate	4.18%	1.51% to 3.19%
Forfeiture rate	0%	0%

Total stock-based compensation recognized related to stock options during the three-month period ended March 31, 2023 was \$1,169 (year ended December 31, 2022 - \$1,132). Management issued options in relation to the long-term incentive plan in February 2023, this resulted in an update to the amount previously accrued at December 31, 2022, with a resulting gain recorded in the current period.

d) Restricted Share Units (“RSUs”)

As at March 31, 2023 and December 31, 2022, the Company had 203,111 RSUs outstanding.

Arizona Sonoran Copper Company Inc.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of United States dollars except for share and per share amounts)**

Total stock-based compensation recognized related to RSUs during the year ended March 31, 2023 was \$16 (year ended December 31, 2022 - \$250).

e) Warrants

During the three-month period ended March 31, 2023, warrant holders exercised 600,670 warrants with a fair value of \$52 for proceeds of \$204 (December 31, 2022- \$222).

As at March 31, 2023, the Company has the following warrants outstanding:

<i>For the period and year ended</i>	March 31, 2023		December 31, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of period	6,355,178	\$ 1.03	6,717,626	\$ 1.00
Exercised	(600,670)	0.34	(362,448)	0.43
Warrants outstanding, end of period	5,754,508	\$ 1.10	6,355,178	1.03

As at March 31, 2023 the Company had warrants outstanding to acquire common shares of the Company as follows:

Number of Warrants Outstanding	Exercise Price	Expiry Date
850,533	\$ 0.45	8-May-23
458,331	\$ 0.30	15-Jun-23
125,000	\$ 0.30	26-Jun-23
1,822,223	\$ 0.60	10-Jul-23
114,583	\$ 0.30	8-Jun-24
2,222,222	\$ 1.95	6-Jul-24
161,616	\$ 2.10	8-Sep-24
5,754,508	\$ 1.10	

As of March 31, 2023, outstanding warrants had a weighted average remaining life of 0.62 years (December 31, 2022 – 0.87 years).

f) Deferred Share Units (“DSUs”)

During the three-months ended March 31, 2023, the Company granted 167,677 (December 31, 2022 - 281,305) DSUs to the directors of the Company as part of their compensation for the year. The DSUs granted to the holders are to be held in a deferred share unit account until they become payable to the DSU holder on their termination date as a director.

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The fair value of each DSU was estimated using \$1.48 (December 31, 2022 - \$1.61), which was based on the value of the director's compensation on the date of the grant. The Company recognized a total of \$248 (December 31, 2022 - \$353) a prepaid share-based payment for the award of the DSUs during the period ended March 31, 2023.

As at March 31, 2023, the Company had 532,732 (December 31, 2022 - 355,055) DSUs outstanding of which Nil were vested and unissued (December 31, 2022 – Nil).

11. Related Party Transactions

As at March 31, 2023, no amounts were owed to or from the Company by key management personnel (December 31, 2022 – Nil).

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

	March 31, 2023	March 31, 2022
	(\$)	(\$)
Salaries and wages	\$ 639	\$ 899
Severance	-	495
Salaries and wages capitalized as exploration	309	247
Share-based compensation*	100	707
Directors' fees	144	48
	\$ 1,192	\$ 2,396

*Share-based compensation includes shares issued for services, stock options, RSUs and DSUs.

12. Commitments and ContingenciesTrust Lands

Based on the achievement of certain development milestones, the Company is obligated to make future payments to TAGC Ventures LLC of up to \$1,100 in connection with the purchase of Trust lands.

The Company has future exploration and evaluation expenditure obligations with respect to its other land agreements as follows (see Note 5):

Bronco Creek

- In the two years following the Registration Date, the Company will make yearly exploration expenditures totaling \$2,000 prior to the first anniversary and a cumulative total of \$4,000 prior to the second anniversary.

LKY

- The final \$5,000 due for the LKY Purchase on the fifth anniversary of the closing date of February 10, 2022.

Mainspring

- Payment of a \$1,000 non-refundable deposit into an escrow account which was paid at the time of signing of the agreement (the “Effective Date”);
- Payment of \$2,000 on or prior to the expiry of the PSA due diligence date (such date being 5 months, subject to one month’s extension at the option of ASCU) from the Effective Date;
- Payment of \$5,000 one year from the Effective Date. Title is then transferred to Cactus 110 LLC;
- Payment of \$6,000 together with accrued interest at 6% per annum, within 1 year from the Closing Date secured by way of a promissory note and deed of trust on the subject property. The promissory note may be repaid at any time prior to maturity (date to be agreed) with no penalties following which the deed of trust will be released.

13. Operating Segments

As of March 31, 2023, and December 31, 2022, the Company is operating its business in one reportable segment: mineral exploration and development in the United States of America. All of the Company’s non-current assets are situated in North America.

14. Supplemental Cash Flow Information

	March 31, 2023	December 31, 2022
	(\$)	(\$)
Non-Cash Investing and Financing Activities		
Sale of NSRs	-	6,900
Common shares issued for financing arrangement	-	1,068

15. Financial Instruments and Risk ManagementCurrency risk

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. At March 31, 2023, the Company is exposed to currency risk mainly through its cash denominated in Canadian dollars totaling \$23,038.

Based on the exposure as at March 31, 2023, 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 \$2,094 in the Company’s reported loss for the period.

Arizona Sonoran Copper Company Inc.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Expressed in thousands of United States dollars except for share and per share amounts)**

Credit risk

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 or US financial institutions. As a result, the Company concludes that there are negligible expected losses because it is cash.

Liquidity risk

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.

As at March 31, 2023, the contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

	Less than 6 months	6 – 12 Months	Between 1 – 2 years	Total contractual cash flows March 31, 2023
Financial liabilities at amortized cost:				
Accounts payable	1,236			1,236
Accruals	335			335
Lease liabilities	30	21	53	104
Other current liabilities	35			35
	1.636	21	53	1,710

As at March 31, 2023, the carrying values of all financial assets and financial liabilities approximate their fair value.

16. Events after the reporting period

As at May 10, 2023, the Company issued 2,931,088 common shares related to warrant exercises with expiries ranging from May 8, 2023 to July 10, 2023 for proceeds of \$1,554 and a weighted average exercise price of \$0.53 per unit.