Arizona Sonoran Copper Company Inc.

Interim Condensed Consolidated Financial Statements - September 30, 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		September 30, 2023		December 31, 2022
ASSETS					
Current assets					
Cash	1	$	11,997	$	19,862
Receivables			31		70
Prepaid expenses and other			327		90
			12,355		20,022
Other non current assets					
Exploration and evaluation assets	5		84,763		46,596
Marketable securities			134		164
Property and equipment	6		3,500		2,686
Right of use asset	7		74		110
Total assets		$	100,826	$	69,578
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	8,12	$	7,675	$	3,481
Current portion of lease liability	7		64		48
			7,739		3,529
Other Liabilities- long term					
Other long-term liabilities	5		5,532		-
Lease liability	7		16		67
			5,548		67
Total liabilities			13,287		3,596
SHAREHOLDERS’ EQUITY					
Share capital	10		111,270		86,016
Contributed surplus	10		7,962		7,053
Deficit			(31,693)		(27,087)
Total shareholders' equity			87,539		65,982
Total liabilities and shareholders' equity		$	100,826	$	69,578

Commitments and contingencies (Note 12)
Description of the Business and Going Concern (Note 1)

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)

	Three months ended		Nine months ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Salaries and wages	$ 276	$ 637	$ 746	$ 2,625
Share based compensation	380	224	1,608	1,156
Professional fees	102	(19)	295	555
Directors fees	155	135	487	406
Marketing and administration	157	170	657	864
Loss from operations	1,070	1,147	3,793	5,606
Other (income) expenses				
Accretion	212	-	212	193
Finance expenses and FX	326	162	28	221
Depreciation, depletion and amortization	16	23	47	67
(Gain)/loss on extinguishment and modification of debt	-	-	-	(39)
Loss on marketable securities	12	29	30	81
Interest income	(243)	(109)	(722)	(147)
Other expense/(income)	-	4	-	14
Loss on transaction	35	-	2,361	-
(Gain)/loss on incentive plan	-	-	(1,143)	-
Loss and comprehensive loss for the period	$ 1,428	$ 1,256	$ 4,606	$ 5,996
Loss per share				
Basic and diluted	0.01	0.01	0.04	0.07
Weighted average number of common shares outstanding				
Basic and diluted	109,026,260	88,703,015	104,284,704	80,095,495

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

(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	16,788,084	25,977	-	-	25,977
Shares issued to settle debt	711,916	1,068	-	-	1,068
Transaction costs	-	(51)	-	-	(51)
Options exercised for cash	120,380	94	(40)	-	54
Warrants exercised for cash	243,015	175	(66)	-	109
Option reserve	-	-	953	-	953
RSU reserve	30,466	31	170	-	201
DSU reserve	-	-	453	-	453
Long-term incentive plan	-	-	994	-	994
Loss for the period	-	-	-	(5,996)	(5,996)
Balance at September 30, 2022	88,713,281	85,969	7,833	(25,962)	67,840
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	3,856,757	2,198	(347)	-	1,851
Options exercised	107,649	127	(10)	-	117
Stock options reserve	-	-	1,935	-	1,935
RSUs reserve	-	-	32	-	32
LTIP reserve	-	-	(843)	-	(843)
DSUs reserve	-	-	142	-	142
Loss for the period	-	-	-	(4,606)	(4,606)
Balance at September 30, 2023	109,026,260	111,270	7,962	(31,693)	87,539

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

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

	Nine months ended September 30, 2023	Nine months ended September 30, 2022
Cash provided by (used in):		
Operating activities		
Loss for the period	($4,606)	($5,996)
Effect of non-cash items:		
Share-based compensation	1,966	1,606
Accretion	(190)	232
Depreciation, depletion and amortization	83	67
Long term incentive	(843)	991
Interest and finance expense, net	3	35
Director's fees paid in shares	142	454
Mainspring PSA	(5,437)	-
Gain on extinguishment and modification of debt	-	52
Changes in working capital items		
Receivables	69	185
Prepaid expenses and other	(237)	(66)
Accounts payable and accrued liabilities	(524)	2,194
Net cash used in operating activities	(9,574)	(246)
Investing activities		
Expenditures on exploration and evaluation assets	(22,279)	(24,461)
Expenditures on equipment	(9)	(49)
Property payments	(852)	(641)
Net cash used in investing activities	(23,140)	(25,151)
Financing activities		
Proceeds from private placement, net	22,929	25,926
Repayment of loans	-	-
Proceeds from stock options exercise	117	29
Proceeds from warrants exercise	1,851	135
Lease payments	(48)	(48)
Net cash provided by financing activities	24,849	26,042
Change in cash	(7,865)	645
Cash at beginning of the period	19,862	27,307
Cash at the end of the period	$11,997	27,952

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

1. Description of Business and Going Concern

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 November 16, 2021 and 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 as 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 is a Delaware company and holds titles to the Cactus and Parks/Salyer properties, in addition to any 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 the 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 are in good standing.

The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The financial statements were prepared on a going concern basis and 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 has $11,997 of cash as at September 30, 2023. Amounts included in commitments and contingencies (Note 12) are both contractually required based on events in 2023 or potentially required based on future events if they arise. Such payments would have an impact on the future cash requirements of the company to meet its obligations as they arise based on the operating plans currently in place.

The Company has incurred significant operating losses and negative cash flows from operations and has limited working capital due to its commitments falling due within the next twelve months. The Company can adjust its discretionary expenditures to ensure it will continue as a going concern while pursuing additional financing alternatives.

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. While the Company currently expects to raise additional funds to fund ongoing operations and its commitments, the outcome remains unknown, and these material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. While management believes that the Company will be able to meet its funding requirements in the ordinary course, there can be no assurance of that outcome.

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 November 9, 2023.

b) 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 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.

3. Significant Accounting Policies

The Company's accounting policies applied to all periods presented in these interim financial statements are consistent with the Company's annual consolidated financial statements as at and for the year ended December 31, 2022 and has considered any new accounting standards, as described below.

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

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

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

	Capitalized Exploration Costs Assets ($)
Balance at 12/31/21	24,493
Additions	29,003
Royalty option exercised	(6,900)
Balance at December 31, 2022	46,596
Additions	38,167
Balance at August 31, 2023	84,763

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

	9-Months September 30, 2023	12-Months December 31, 2022
Exploration	$ 12,487	$ 15,954
Mainspring Property	13,541	-
Drilling	8,939	10,497
Salaries and wages	2,363	1,475
Operational	837	1,059
Sample and assay	-	18
	$ 38,167	$ 29,003

Material property agreements with activity in the nine-month period are as follows:

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

- The Company made 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; the Company may 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, comprised of the $5 cash payment 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/Copper Mountain Investments Limited Partnership LLP ("LKY") land purchase agreement 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 September 30, 2023, the Company had paid a total of $16,064 in two non-refundable deposits in connection with the LKY/Copper Mountain agreement. 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 o 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");
- Payment of $2,000 on or prior to the expiry of the PSA due diligence date on July 28, 2023 (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 ("Closing Date");
- 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 the maturity date of February 28, 2025 with no penalties following which the deed of trust will be released.

As of September 30, 2023, the Company had paid a total of $3,200 in non-refundable deposits in connection with the Mainspring PSA. From the $3,200 paid, $215 was allocated to surface rights and the balance was allocated to mineral rights.

The Company is bound as at the Effective Date to pay the remaining committed payments. As such, the Company recognized a provision of $4,718 for the payment to be made at the Closing Date of February 28, 2024 in accrued liabilities with accretion of $106 to September 30, 2023 (see Note 8). The Company also recognized a provision of $5,437 for the promissory note due at the one-year anniversary of the Closing Date with accretion of $95 to September 30, 2023 in other long-term liabilities. The provisions have been calculated using a discount rate of 10.35% based on an average of industry peers. The promissory note is currently estimated to have a 1-year maturity to February 28, 2025.

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

6. Property and Equipment

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

	Surface rights (Land) ($)	Mine Fleet Light Vehicles and Equipment ($)	Office Furniture and Equipment ($)	Total ($)
Cost				
Balance at December 31, 2021	1,826	169	11	2,006
Additions	641	133	-	774
Balance at December 31, 2022	2,467	302	11	2,780
Accumulated depreciation, amortization and impairment				
Balance at December 31, 2021	-	(40)	(9)	(49)
Additions	-	(43)	(2)	(45)
Balance at December 31, 2022	-	(83)	(11)	(94)
Net book value at December 31, 2022	2,467	219	-	2,686
Cost				
Additions	852	9	-	861
Balance at September 30, 2023	3,319	311	11	3,641
Accumulated depreciation, amortization and impairment				
Additions	-	(47)	-	(47)
Balance at September 30, 2023	-	(130)	(11)	(141)
Net book value at September 30, 2023	3,319	181	-	3,500

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:

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

		Right of Use Asset
Balance, December 31, 2021	$	149
Amortization for the period		(39)
Balance, December 31, 2022		110
Amortization for the period		(36)
Balance, September 30, 2023	**$**	**74**

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

		Lease Liability
Balance, December 31, 2021	$	149
Payments		(47)
Accretion		13
Balance, December 31, 2022		115
Payments		(48)
Accretion		13
Balance, September 30, 2023	**$**	**80**

		Lease Liability
Current portion	$	64
Non-current portion	$	16

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

		September 30, 2023		December 31, 2022
Trade payables (a)	$	2,394	$	995
Accrued liabilities (b)		5,272		2,474
Other payables		9		12
	$	7,675	$	3,481

a) On July 26, 2023, the Company was made aware of a liability resulting from a cyber security incident that led to payments being made in June and July 2023 to a third party, for costs incurred in May and June 2023, in the aggregate amount of $2,361. The Company continues to review if all or a portion of such payments may be recovered, but has recognized the vendor liability as at September 30, 2023, and reflected the loss on transaction in the statement of loss and comprehensive loss.

b) The Company recognized a provision of $4,718 with accretion of $106 for the payment to be made at the Closing Date of the Mainspring PSA in accrued liabilities at September 30, 2023.

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 April 3, 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. A surety bond for $5,000 was posted with the Arizona State Mine Inspector on June 1, 2023. 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 September 30, 2023, there were 109,026,260 common shares outstanding (December 31, 2022 – 88,832,714 common shares outstanding).

b) Issued Shares

The following is a continuity of equity transactions in the nine-months ended September 30, 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 LLC ("Nuton") on March 31, 2023. In connection with the February 2023 Offering, Nuton 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).

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

- In the nine-months ended September 30, 2023, the Company issued 3,856,757 common shares in a warrant exercise for proceeds of $1,851 (see Note 10e) and 107,649 common shares for an option exercise for proceeds of $117.

c) Stock Options

The following is a continuity of the Company's stock options outstanding as at September 30, 2023:

For the period and year ended	**September 30, 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	3,290,678		1.31	1,543,483		1.58
Cancelled	(29,892)		1.47	-		-
Expired	-		-	(15,047)		0.45
Exercised	(107,649)		0.90	(120,380)		0.33
Options outstanding, end of period	6,283,494	$	1.27	3,130,357	$	1.21
Options exercisable, end of period	4,042,915	$	1.22	1,955,703	$	1.16

Details of stock options outstanding as at September 30, 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	172,832	$	1.50	4-Jan-26
250,000	250,000	$	2.10	6-Jul-26
475,000	316,000	$	1.58	10-Jan-27
860,483	642,382	$	1.61	31-Jan-27
80,000	53,334	$	1.47	13-May-27
128,000	38,400	$	1.55	24-Jun-27
2,587,859	1,329,144	$	1.32	28-Feb-28
564,471	141,667	$	1.26	22-Jun-28
42,763	42,763	$	1.24	5-Jul-23
65,693	-	$	1.23	19-Sep-23
6,283,494	4,042,915	$	1.27	

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

As at September 30, 2023, outstanding stock options had a weighted average remaining life of 3.0 years (December 31, 2022 – 3.45 years).

The following Black Scholes assumptions were used in the valuation of stock options granted during the nine-month period ended September 30, 2023 and year ended December 31, 2022:

For the period and year ended	**September 30, 2023**	**December 31, 2022**
Volatility	78%	65%
Expected life in years	5 years	5 years
Weighted average grant date share price	\$1.31	\$1.37
Weighted average exercise price	\$1.27	\$1.58
Dividend rate	0%	0%
Risk-free rate	4.03% - 4.51%	1.51% - 3.19%
Forfeiture rate	0%	0%

Total stock-based compensation recognized related to stock options during the nine-month period ended September 30, 2023 was $1,935 (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 September 30, 2023 and December 31, 2022, the Company had 203,111 RSUs outstanding.

Total stock-based compensation recognized related to RSUs during the nine-month period ended September 30, 2023 was $37 (year ended December 31, 2022 - $250).

e) Warrants

During the nine-month period ended September 30, 2023, warrant holders exercised 3,856,757 warrants with a fair value of $352 for proceeds of $1,852 (December 31, 2022- $222).

As at September 30, 2023, the Company has the following warrants outstanding:

For the period and year ended	**September 30, 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	(3,856,757)		0.48	(362,448)		0.43
Warrants outstanding, end of period	2,498,421	$	1.88	6,355,178		1.03

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

As at September 30, 2023 the Company had warrants outstanding to acquire common shares of the Company as follows:

Number of Warrants Outstanding		Exercise Price	Expiry Date
114,583	$	0.30	8-Jun-24
2,222,222	$	1.95	6-Jul-24
161,616	$	2.10	8-Sep-24
2,498,421	$	1.88	

As of September 30, 2023, outstanding warrants had a weighted average remaining life of 0.80 years (December 31, 2022 – 0.87 years).

f) Deferred Share Units ("DSUs")

During the nine-months ended September 30, 2023, the Company granted 190,850 (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.

The fair value of each DSU was estimated using $1.48 and $1.23 (December 31, 2022 - $1.61), which was based on the value of the director's compensation on the date of the grants. The Company recognized a total of $278 (December 31, 2022 - $353) as prepaid share-based payment for the award of the DSUs during the period ended September 30, 2023.

As at September 30, 2023, the Company had 467,315 (December 31, 2022 - 355,055) DSUs outstanding (December 31, 2022 – Nil). On June 21, 2023, 11,492 DSUs were cancelled on departure of a director and 67,098 were vested and paid in cash for a value of $112.

11. Related Party Transactions

As at September 30, 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:

		September 30, 2023 ($)		September 30, 2022 ($)
Salaries and wages	$	1,019	$	2,039
Severance		-		495
Salaries and wages capitalized as exploration		528		447
Share-based compensation*		1,146		1,155
Directors' fees		487		406
	$	3,180	$	4,542

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

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

12. Commitments and Contingencies

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 $1,050 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 on February 9, 2024. A total of $4,319 has been spent as at September 30, 2023 on the Bronco Creek property satisfying this commitment.

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 $5,000 one year from the Effective Date. Title is then transferred to Cactus 110 LLC (“Closing Date”);
- 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 the maturity date of February 28, 2025 with no penalties following which the deed of trust will be released.

13. Operating Segments

As of September 30, 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

Non-Cash Investing and Financing Activities	September 30, 2023 ($)	December 31, 2022 ($)
Sale of NSRs	-	6,900
Common shares issued for financing arrangement	-	1,068

15. Financial Instruments and Risk Management

Currency 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 September 30, 2023, the Company is exposed to currency risk mainly through its cash denominated in Canadian dollars totaling C$15,707.

Based on the exposure as at September 30, 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 $1,200 in the Company's reported loss for the three-month period.

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 September 30, 2023, the contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

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

	Less than 6 months	6 – 12 Months	Between 1 – 2 years	Total contractual cash flows September 30, 2023
Financial liabilities at amortized cost:				
Accounts payable	2,394	-	-	2,394
Accruals	5,272	-	5,532	10,804
Lease liabilities	32	32	16	80
Other current liabilities	9	-	-	9
	7,707	32	5,548	13,287

As at September 30, 2023, the carrying values of all financial assets and financial liabilities approximate their fair value with the exception of the Mainspring PSA provisions noted in Note 5 at amortized cost.