ARIZONA SONORAN
COPPER COMPANY

Arizona Sonoran Copper Company Inc.

Consolidated Financial Statements - December 31, 2023

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

Independent auditor's report

To the Shareholders of Arizona Sonoran Copper Company Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Arizona Sonoran Copper Company Inc. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flow for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T.: +1 416 863 1133, F.: +1 416 365 8215, Fax to mail: ca_toronto_18_york_fax@pwc.com

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Assessment of indicators of impairment related to exploration and evaluation assets *Refer to note 2(e) – Significant accounting judgments and sources of estimation uncertainty – Exploration and evaluation assets, note 3(c) – Material accounting policy information – Exploration and evaluation assets and note 5 – Exploration and evaluation assets to the consolidated financial statements.* The carrying value of exploration and evaluation assets amounted to $90 million as at December 31, 2023. Management reviews the Company's exploration and evaluation assets for an indication of impairment at each consolidated statement of financial position date. If any such indicator exists, management compares the carrying values of the exploration and evaluation assets to their recoverable amounts. Factors considered by management in their assessment of impairment include, but are not limited to, (i) whether there has been a significant adverse change in the legal, regulatory, accessibility, title and environmental or political factors that could affect the assets' value;	Our approach to addressing the matter included the following procedures, among others: • Assessed the judgment made by management in its assessment of indicators of impairment, which included the following: – Evaluated whether there has been a significant adverse change in the legal, regulatory, accessibility, title and environmental or political factors that could affect the assets' value by obtaining, for a sample of mining claims, by reference to government registries and other regulatory bodies, evidence to support (i) the right to explore the area; and (ii) the current active status of mining claims. – Assessed whether exploration activities produced results that are not promising, such that no more work is being planned in the foreseeable future by (i) considering changes in reserve and resource estimates based on the most recent technical report; (ii) reading the Board of Directors' minutes, and obtaining budget approvals to evidence continued and planned

(ii) whether exploration activities produced results that are not promising, such that no more work is being planned in the foreseeable future; and (iii) whether the Company has the necessary funds to be able to maintain its interest in the mineral properties. No impairment indicators were identified by management as at December 31, 2023.

We considered this a key audit matter due to the significance of the exploration and evaluation assets and the judgments by management in its assessment of indicators of impairment related to exploration and evaluation assets, and these have resulted in a high degree of subjectivity in performing procedures related to these judgments applied by management.

substantive exploration expenditures; and (iii) evaluating the results of management's current year work programs and longer term plans.

– Assessed whether the Company has the necessary funds to maintain its interest in the capitalized exploration costs assets and whether there are other factors that could be considered as indicators of impairment by considering evidence obtained in other areas of the audit.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Kristine Doherty.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 12, 2024

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

	Note		December 31, 2023		December 31, 2022
ASSETS					
Current assets					
Cash and cash equivalents	1	$	10,494	$	19,862
Receivables	6		10,071		70
Prepaid expenses and other			157		90
			20,722		20,022
Other non current assets					
Exploration and evaluation assets	5		89,751		46,596
Marketable securities			-		164
Property and equipment	7		3,544		2,686
Right of use asset	8		63		110
Total assets		$	114,080	$	69,578
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	9,13	$	8,322	$	3,481
Current portion of lease liability	8		64		48
			8,386		3,529
Other Liabilities- long term					
Other long-term liabilities	5		5,671		-
Nuton deposit	6		4,853		-
Nuton option	6		10,000		-
DSU liability	11		620		-
Lease liability	8		3		67
			21,147		67
Total liabilities			29,533		3,596
SHAREHOLDERS' EQUITY					
Share capital	11		111,167		86,016
Contributed surplus	11		7,456		7,053
Deficit			(34,076)		(27,087)
Total shareholders' equity			84,547		65,982
Total liabilities and shareholders' equity		$	114,080	$	69,578

Description of the Business and Going Concern (Note 1)
Commitments and contingencies (see Note 13)
Events after the reporting year (see Note 19)

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

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

		December 31, 2023	December 31, 2022
Salaries and wages		$ 2,220	$ 3,234
Share based compensation		1,936	1,371
Professional fees		566	712
Directors fees		660	548
Marketing and administration		959	1,098
Loss from operations		6,341	6,963
Other (income) expenses			
Accretion		492	193
Finance expenses and foreign exchange		(52)	182
Depreciation, depletion and amortization		63	84
Loss/(Gain) on extinguishment and modification of debt		-	(39)
Loss on marketable securities		11	60
Interest income		(859)	(316)
Other expense/(income)		-	(6)
Loss on transaction	9	2,359	-
(Gain)/loss on incentive plan	11	(1,366)	-
Loss and comprehensive loss for the period and year		$ 6,989	$ 7,121
Loss per share			
Basic and diluted		0.07	0.09
Weighted average number of common shares outstanding			
Basic and diluted		105,487,376	82,276,370

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

Arizona Sonoran Copper Company Inc.
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	16,788,084	25,977	-	-	25,977
Shares issued to settle obligation	711,916	1,068	-	-	1,068
Transaction costs	-	(51)	-	-	(51)
Options exercised for cash	120,380	94	(40)	-	54
Warrants exercised for cash	362,448	222	(67)	-	155
Option reserve	-	-	1,132	-	1,132
RSU reserve	30,466	31	205	-	236
DSU reserve	-	-	454	-	454
Long-term incentive plan	-	-	-	-	-
Loss for the year	-	-	-	(7,121)	(7,121)
Balance at December 31, 2022	88,832,714	86,016	7,053	(27,087)	65,982
Balance at December 31, 2022	88,832,714	86,016	7,053	(27,087)	65,982
Issue shares for cash, net	16,229,140	22,776	-	-	22,776
Shares issued to settle obligation	41,076	50	-	-	50
Warrants exercised	3,856,757	2,198	(347)	-	1,851
Options exercised	107,649	127	(10)	-	117
Stock options reserve	-	-	2,259	-	2,259
RSU reserve	-	-	42	-	42
LTIP reserve	-	-	(843)	-	(843)
DSU reserve	-	-	(698)	-	(698)
Loss for the year	-	-	-	(6,989)	(6,989)
Balance at December 31, 2023	109,067,336	111,167	7,456	(34,076)	84,547

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

Arizona Sonoran Copper Company Inc.
CONSOLIDATED STATEMENTS OF CASH FLOW
(Expressed in thousands of United States dollars except for per share amounts)

	December 31, 2023	December 31, 2022
Cash provided by (used in):		
Operating activities		
Loss for the year	($6,989)	($7,121)
Effect of non-cash items:		
Share-based compensation	2,301	1,821
Accretion	(462)	233
Depreciation, depletion and amortization	111	83
Long term incentive	(843)	-
Interest and finance expense, net	3	35
Director's fees paid in shares	(77)	454
Shares issued to settle obligation	50	-
Unrealized loss on foreign exchange	82	180
Mainspring PSA	(5,671)	-
Gain on extinguishment and modification of debt	-	52
Changes in working capital items		
Receivables	163	166
Prepaid expenses and other	(67)	28
Accounts payable and accrued liabilities	(125)	515
Net cash used in operating activities	(11,524)	(3,554)
Investing activities		
Expenditures on exploration and evaluation assets	(26,374)	(29,025)
Expenditures on equipment	(9)	(133)
Property payments	(912)	(641)
Net cash used in investing activities	(27,295)	(29,799)
Financing activities		
Proceeds from private placement, net	22,776	25,926
Proceeds from Nuton deposit	4,853	-
Proceeds from stock options exercise	117	28
Proceeds from warrants exercise	1,851	182
Lease payments	(64)	(48)
Net cash provided by financing activities	29,533	26,088
Change in cash	(9,286)	(7,265)
Effect of exchange rate changes on cash and cash	(82)	(180)
Cash at beginning of the year	19,862	27,307
Cash at the end of the year	10,494	19,862

The accompanying notes are an integral part of these 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 $10,494 of cash as at December 31, 2023. Amounts included in commitments and contingencies (Note 13) are both contractually required based on events in 2024 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.

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

2. Basis of Preparation

a) Statement of compliance

These consolidated financial statements of the Company as at and for the year ended December 31, 2023 with comparative information as at and for the year ended December 31, 2022, have been prepared in accordance with International Financial Reporting Standards 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").

b) Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value as determined at each reporting date. The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving judgment or complexity, or areas where assumptions and estimates are significant and could affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year, are discussed in note 2 (e) below.

These consolidated financial statements were authorized for issuance on March 12, 2024 by the Board of Directors.

c) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that control ceases. Control is achieved when the Company is exposed to or has rights to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the entity.

The principal subsidiaries of the Company, their activities, and their geographic locations as at December 31, 2023 were as follows:

Name of Subsidiary	Place of Operation	Ownership Interest	Principal Activity
Arizona Sonoran Copper Company (USA) Inc.	Delaware, United States	100%	Mineral exploration
Cactus 110 LLC	Delaware, United States	100%	Mineral exploration

All transactions and balances among the entities in the consolidated group are eliminated upon consolidation.

d) Foreign currency translation

The functional and reporting currency of the Company and its subsidiaries is the US dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated. Foreign currency translation differences are recognized in profit or loss.

e) Significant accounting judgments and sources of estimation uncertainty

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 revenues and expenditures during the year 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. The significant areas of estimation and uncertainty considered by management in preparing the consolidated financial statements for the years ended December 31, 2023 and 2022 are noted below.

The preparation of the consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies, reported amounts and disclosures. Actual results could differ from those estimates, and these differences may be material.

The areas that require significant judgements and estimations or where measurements are uncertain are as follows:

<u>Nuton Transaction</u>

The Company has identified that the option to joint venture with Nuton represents a derivative liability and has been designated as at fair value through profit or loss on initial recognition. Transaction costs related to financial instruments designated as at fair value through profit or loss are expensed as incurred. The amount recorded represents the fair value of the liability for the year ended December 31, 2023. The Company believes any change in fair value due to the company’s own credit risk or changes in factors contributing to the fair value of the Option Agreement are not deemed to be significant.

<u>Exploration and evaluation assets</u>

The application of the Company’s accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is impaired in the statement of loss and comprehensive loss during the year the new information becomes available.

Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, and environmental or political factors that could affect the assets' value; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future on mineral properties; and whether the Company has the necessary funds to be able to maintain its interest in the mineral properties.
Management has performed an impairment indicator assessment on the Company's exploration and evaluation assets and has concluded that no impairment indicators existed as at December 31, 2023.

Share-Based Payments

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and common share purchase warrants ("warrants") granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the fair value of stock-based compensation expenses reported.

3. Material Accounting Policy Information

The significant accounting policies described below have been applied consistently throughout the years presented in these consolidated financial statements.

a) Cash

The Company's cash includes amounts held in banks in deposit accounts and high-interest savings accounts with maturities of 90 days or less. As of December 31, 2023 and 2022, the Company did not have any cash equivalents.

b) Property and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment charges. Land is not depreciated.

Where an item of property and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment.

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

Mineral properties and mine development costs are stated at cost less accumulated depreciation and impairment losses. When production commences, these costs are amortized using the units of production (“UOP”) method, based on recoverable pounds from the estimated proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted to proven and probable reserves. Capitalization of costs incurred ceases when the mining property is capable of commencement of mining operations in the manner intended by management. Costs incurred prior to this point, including depreciation of related plant and equipment, are capitalized. The Company applies judgment in its assessment of when a mine is capable of operating in the manner intended by management which takes account of the design of the mine and the nature of the initial commissioning phase of the mine. Non-recoverable costs for projects determined not to be commercially feasible are expensed in the year in which the determination is made or when the carrying value of the project is determined to be impaired.

Depreciation is charged over the estimated useful lives as follows:

Depreciation item:	**Useful life**
Computer equipment and software	2 years
Vehicles	3-5 years

The depreciation method, useful life and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Impairment

The Company's property, plant and equipment are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized in profit and loss for the year. Impairment losses recognized in respect of cash-generating units are allocated to the cash-generating units carrying amount.

The recoverable amount is the greater of the asset's fair value less costs of disposal. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of Impairment

An impairment loss is reversed whenever events or changes in circumstance indicate that the impairment may be reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

c) Exploration and evaluation assets

Direct costs related to the acquisition, exploration and evaluation of mineral properties held or controlled by the Company are capitalized on an individual property basis until the property is put into production, sold, abandoned, or determined to be impaired. Administration costs and general exploration costs are expensed as incurred.

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation costs are tested for impairment and subsequently transferred to property and equipment. When a property is placed into production, capitalized costs will be depreciated using the units-of-production method.

When a determination is made that there will be no future benefit from the exploration activities, the costs will be written off and expensed to the consolidated statement of loss and comprehensive loss.

Proceeds from the sale of properties, or cash proceeds received from royalty agreements are recorded as a reduction of the related mineral interest, with any excess proceeds accounted for in net income (loss).

The Company's exploration and evaluation assets are reviewed for an indication of impairment at each statement of financial position date. This review generally is made by reference to the timing of exploration work, work programs proposed, and the exploration results achieved by the Company. When indicators of impairment exist, the carrying value of a property is compared to its net recoverable amount and a write down is made for the decline in fair value. The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete the exploration programs.

d) Provisions

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset.

A liability for decommissioning and restoration is recorded in the year in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect a time value in the estimated future cash flows (accretion expense) considered in the initial measurement. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the year in which these estimates are revised.

As of December 31, 2023 and 2022, the Company has determined that it does not have any significant decommissioning and restoration obligations.

e) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the Consolidated Statement of Comprehensive Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis, or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

f) Financial instruments

Financial instruments are recognized in the statement of financial position when the Company becomes a party to a contractual obligation. At initial recognition, the Company classifies and measures its financial instruments as one of the following:

- At amortized cost if they are held to collect contractual cash flows which solely represent payments of principal and interest;
- Financial instruments measured at amortized cost are initially recognized at fair value plus or minus transaction costs and subsequently carried at amortized cost less any impairment;
- Otherwise, they are classified at fair value through profit or loss (“FVTPL”).

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligations specified in the contract are discharged, cancelled or they expire.

At each reporting date, the Company uses the expected credit losses model to assess the impairment of its loans and receivables. The expected losses represent possible outcomes weighted by the probability of their occurrence, and the model focuses on the risk of default rather than whether a loss has been incurred. If there has been a significant increase in credit risk, an allowance would be recognized in the statement of loss.

g) Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

h) Share-based payments

The fair value of stock options granted to directors, officers, employees, and consultants is calculated using the Black Scholes option pricing model and are expensed over the vesting years. If and when the stock options are exercised, the value attributable to the stock options is transferred to share capital.

Several contractors have accepted Company stock in exchange for services. These transactions have been recorded, as required under IFRS 2, in equity of the Company with the offsetting entry going to stock-based compensation.

i) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options, warrants, and convertible debentures, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

4. Accounting standard recently adopted or effective

These amendments are effective for reporting periods beginning on or after January 1, 2023 and the Company has determined there to be no material impact to the consolidated financial statements.

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.

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

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	43,155
Balance at December 31, 2023	89,751

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.

		December 31, 2023		December 31, 2022
Exploration	$	14,983	$	15,954
Mainspring Property		13,818		-
Drilling		10,242		10,497
Salaries and wages		3,043		1,475
Operational		1,069		1,059
Sample and assay		-		18
	$	43,155	$	29,003

Material property agreements with activity in the year are as follows:

Trust Lands

Properties known as AR Sacaton LLC, under the management of the ASARCO Multi-state Environmental Custodial Trust (the "Trust"), were purchased for $6,000 on July 13, 2020.

Additional properties have been purchased that were once part of the Sacaton Unit and are contiguous with the Trust properties. These properties consist of the following:

- From the Merrill Property Division on July 10, 2020, land parcels to the south of the property, known as "Parks/Salyer", was purchased for $1,600.
- From Copper Mountain on February 10, 2022, land made up of 5 parcels was purchased for $2,600.

The Trust properties were brought to the Company's attention by the consulting group, TAGC Ventures LLC ("TAGC"). An initial founder's fee amount of $200 was paid on July 10, 2020. In addition, three incremental payments totaling $1,050 are due to TAGC if the following performance achievements are met, as follows:

- Due upon completion of permitting $300
- Due upon start of commercial production $500
- Due upon first anniversary of production start $250

The Company paid $100 of the amount due upon the completion of permitting on October 23, 2023. The current amount outstanding to TAGC is $950. The founder's fee amounts are capitalized as part of the land acquisition costs above. The balance of payments will be recorded if and when the Company undertakes and completes the milestones stipulated in the agreement.

On February 2, 2021, and subsequently amended on May 17, 2021, the Company executed an agreement with Arcus Copper Mountain Holdings LLC and several other owners to purchase land adjacent to the Cactus Project. The total purchase price of $6,000 was paid during the year ended December 31, 2021. The consideration paid includes an amount of $1,826 allocated to surface rights and the balance was allocated to mineral rights.

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 made a payment of $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 made two milestone payments in 2022 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 for a total of $3,000 combined.
- In the two years following the Registration Date, the Company made yearly exploration expenditures totaling $2,000 prior to the first anniversary and a cumulative total of $4,000 prior to the second anniversary achieved in July 2023.

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 $21,064 inclusive of fees 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 December 31, 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 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 on February 28, 2023 (the "Effective Date");
- Payment of $2,000 on or prior to the expiry of the PSA due diligence date on July 28, 2023 from the Effective Date;
- Payment of $5,000 one year from the Effective Date. Title is then transferred to Cactus 110 LLC ("Closing Date") This payment will be reduced by the amount spent by the Company on drilling activity on the Mainspring property;
- 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 December 31, 2023, the Company had paid a total of $3,000 in non-refundable deposits and incurred $1,100 in drilling activity in connection with the Mainspring PSA. From the $4,100 paid, $275 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 $244 to December 31, 2023. An amount of $615 was subsequently paid on February 28, 2024 net of $4,400 of drilling fees incurred.

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 $234 to December 31, 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.

6. Nuton Option to Joint Venture

On December 14, 2023, the Company entered into an Option to Joint Venture Agreement (the “Option Agreement”) with Nuton LLC ("Nuton") and two of ASCU’s wholly-owned subsidiaries, Arizona Sonoran Copper Company (USA) Inc. (“ASUSA”) and Cactus 110 LLC (“Cactus”) to advance land acquisition, development and exploration at the Cactus Project in Arizona. Under the Option Agreement, ASUSA has granted Nuton the exclusive right and option (the “Option”) to acquire between a 35.0% to 40.0% interest in the Company’s Cactus Project on the terms and conditions contained in the Option Agreement. In addition, Nuton will evaluate the potential commercial deployment of its heap leaching technologies at the site.

The Option Agreement provides for total funding of up to $33,000 in cash, comprised of the following:

- $10,000 payable by Nuton to ASUSA within 30 days of the signing of the Option Agreement (cash payment received by ASUSA on January 10, 2024);
- Up to $11,000 available to be drawn by ASUSA in the form of a pre-payment towards the Option Exercise Price (defined below) to be used for certain land payments with an amount of $5,000 drawn on December 29, 2023 (the “Option Exercise Price Pre-Payment Amount”); and
- Up to $12,000 payable to ASCU for funding costs associated with continued Nuton Phase 2 test work required to produce the Integrated Nuton Case PFS (defined below).

The stages of the Option Agreement are set out below.

Phase 1

The Parties entered into a Material Testing Agreement effective March 21, 2022, under which Nuton is progressing Phase 1 test work of the amenability of the Nuton™ Technologies to ore samples collected from the Cactus Mine and the Parks/Salyer Project (“Material Testing Agreement”).

Phase 2

Upon receiving notice from ASUSA, Nuton will provide notice to the Company whether Nuton elects to proceed with Stage 2, upon which Nuton will pay up to twelve million U.S. dollars ($12,000) for agreed-upon metallurgical and evaluation test work required to produce the

Integrated Nuton Case PFS (defined below). Notice was provided to Nuton on January 31, 2024 with Phase 2 drilling and test work ongoing.

Grant of Option

Should the following criteria be satisfied (the “Trigger Events”), Nuton shall have the option to acquire between 37.5% to 40.0% of the Cactus Project by payment of the Option Exercise Price (defined below):

(i) the prefeasibility study prepared by the Company in conjunction with Nuton for the Cactus Project (the "Integrated Nuton Case PFS") indicates that the net present value (the "NPV") of the Cactus Project after applying the Nuton technologies (the "Nuton Case") is at least 1.39 times the NPV of the Cactus Project without applying the Nuton technologies (the "Standalone Case");

(ii) ASCU's equity contribution to project capital costs under the Nuton Case shall remain equal to or less than its equity contribution to project capital costs under the Standalone Case (assuming 50% of the Standalone Case capital costs are financed with debt); and

(iii) Nuton shall have made all payments required under the Option Agreement.

Should the Mainspring Property, which is currently the subject of exploration efforts, have positive economics to ASCU and be incorporated in a prefeasibility study in addition to the Cactus Project (the "Standalone Case with Mainspring") the Trigger Event (i) above shall be as amended and Nuton shall have the option to acquire between 35.0% to 40.0% of the Cactus Project (including the Mainspring Property) by payment of the Option Exercise Price in the event that the Nuton Case PFS with the Mainspring Property is at least 1.20 times the NPV of the Standalone Case with Mainspring.

Upon notice by ASCU to Nuton that the Trigger Events have been met, the parties will determine the exercise price (the "Option Exercise Price") pursuant to mechanics outlined in the Option Agreement and based on the product of (x) Nuton's ownership percentage in the Joint Venture Corporation (the "Initial Nuton Ownership Percentage"), (y) the NPV of the Standalone Case (as referenced in the Integrated Nuton Case PFS) and (z) a multiple of 0.65.

Following such determination, if Nuton elects to exercise its option, Nuton will pay to ASUSA the Option Exercise Price net of any Option Exercise Price Pre-Payment Amount and accrued interest at an annual rate equal to the Secured Overnight Financing Rate plus 4.25% ("Interest") within 30 days of a notice to exercise.

Nuton will have the right to terminate the Option Agreement and be repaid amounts paid by Nuton under the Option Agreement if there is a change of control transaction in respect of ASCU during the term of the Option Agreement.

Status of the Option Agreement Components

The Company has determined that the Option Agreement represents a derivative liability which has been recorded at its fair value of $10,000 as at December 31, 2023. Fair value was determined based on the option payment of $10,000 and will be re-evaluated at each period end with any changes to fair value recorded through profit & loss. Based on the terms of the agreement, the Company recorded a receivable for this amount as at December 31, 2023 which was subsequently received January 10, 2024.

In addition, the company drew $5,000 as the option pre-payment to fund the milestone payment associated with the Mainspring acquisition due February 28, 2024 (see note 5). These funds were received on December 29, 2023 and the amount was credited as a current liability. If the Option Agreement trigger events aren't met, the Company must repay this amount in cash or convertible debenture at Nuton's election. The amount recorded represents the fair value of the liability for the year ended December 31, 2023 net of transaction costs.

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

7. 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	912	9	-	921
Balance at December 31, 2023	3,379	311	11	3,701
Accumulated depreciation, amortization and impairment				
Additions	-	(63)	-	(63)
Balance at December 31, 2023	-	(146)	(11)	(157)
Net book value at December 31, 2023	3,379	165	-	3,544

8. 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.

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

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

		Right of Use Asset
Balance, December 31, 2021	$	149
Amortization for the year		(39)
Balance, December 31, 2022		110
Amortization for the year		(47)
Balance at December 31, 2023	**$**	**63**

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		(64)
Accretion		16
Balance at December 31, 2023	**$**	**67**

9. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

		December 31, 2023		December 31, 2022
Trade payables a)	$	1,189	$	995
Accrued liabilities b)		7,012		2,474
Other payables		121		12
	$	8,322	$	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 $2,359. The Company reflected the loss on transaction in the statement of loss and comprehensive loss and remaining amounts to the vendor of $786 in trade payables.

b) The Company recognized a provision of $4,718 with accretion of $244 for the payment to be made at the Closing Date of the Mainspring PSA in accrued liabilities at December 31, 2023.

10. 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, ASUSA 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 $4,800 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.

11. Equity

a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2023, there were 109,067,336 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 year ended December 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 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).

- In the year ended December 31, 2023, the Company issued 3,856,757 common shares in a warrant exercise for proceeds of $1,851 (see Note 11e), 107,649 common shares for an option exercise for proceeds of $117 and 41,076 common shares for $50.

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

c) Stock Options

On July 7, 2020 (amended July 21, 2021), the Board of Directors implemented equity incentive plan under which the Company is authorized to grant a combination of stock options and restricted shares up to 10% of the total number of common shares issued and outstanding at any given time.

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

For the year ended	**December 31, 2023**		**December 31, 2022**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of year	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	-	-
Forfeited	(79,952)	2.02	-	-
Expired	-	-	(15,047)	0.45
Exercised	(182,886)	0.90	(120,380)	0.33
Options outstanding, end of year	6,128,305	$ 1.28	3,130,357	$ 1.21
Options exercisable, end of year	3,930,032	$ 1.23	1,955,703	$ 1.18

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

Number of options outstanding	**Number of options exercisable**	**Exercise Price**	**Expiry Date**
735,511	735,511	$ 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
827,495	620,390	$ 1.61	31-Jan-27
80,000	53,334	$ 1.47	13-May-27
128,000	38,400	$ 1.55	24-Jun-27
2,540,895	1,313,490	$ 1.32	28-Feb-28
564,471	141,667	$ 1.26	22-Jun-28
42,763	42,763	$ 1.24	5-Jul-28
65,693	-	$ 1.23	19-Sep-28
6,128,305	3,930,032	$ 1.28	

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

As at December 31, 2023, outstanding stock options had a weighted average remaining life of 2.83 years (December 31, 2022 – 3.45 years).

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

For the year ended	**December 31, 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 year ended December 31, 2023 was $2,259 (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 year.

d) Restricted Share Units ("RSUs")

RSUs can be settled in either cash, shares, or a combination thereof at the sole discretion of the Company. Such a decision is to be made on each vesting date. The Company considers these RSUs as equity-settled share-based payments and has no history of settling in cash to-date.

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

Total stock-based compensation recognized related to RSUs during the year ended December 31, 2023 was $42 (year ended December 31, 2022 - $250).

e) Warrants

During the year ended December 31, 2023, warrant holders exercised 3,856,757 warrants with a fair value of $352 for proceeds of $1,851 (December 31, 2022- $222).

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

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

For the year ended	**December 31, 2023**			**December 31, 2022**		
	Number of warrants		**Weighted average exercise price**	**Number of warrants**		**Weighted average exercise price**
Warrants outstanding, beginning of year	6,355,178	$	1.03	6,717,626	$	1.00
Exercised	(3,856,757)		0.48	(362,448)		0.43
Warrants outstanding, end of year	2,498,421	$	1.88	6,355,178	$	1.03

As at December 31, 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 December 31, 2023, outstanding warrants had a weighted average remaining life of 0.55 years (December 31, 2022 – 0.87 years).

f) Deferred Share Units ("DSUs")

DSUs can be settled in either cash, shares, or a combination thereof at the discretion of the participant. During the year ended December 31, 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 $1.26 (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 year ended December 31, 2023.

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. As this was the first instance of cash settlement, the Company has reclassified its DSU reserve as a liability and revalued the outstanding DSUs at December 31, 2023, with a resulting gain of $224 in the statement of loss and comprehensive loss. As at December 31, 2023, the Company had 467,315 (December 31, 2022 - 355,055) DSUs outstanding (December 31, 2022 – Nil).

12. Related Party Transactions

Tembo acquired 2,833,717 Common Shares at a price of $2.00 per share in the February 2023 Offering.

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

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

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

	December 31, 2023	December 31, 2022
Salaries and wages	$ 628	$ 1,233
Severance	741	495
Salaries and wages capitalized as exploration	1,381	547
Share-based compensation*	1,469	1,161
Directors' fees	660	524
	$ 4,879	$ 3,960

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

13. 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 $950 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 December 31, 2023 on the Bronco Creek property satisfying this commitment.

LKY

- The final $5,000 is due for the LKY Purchase on the fifth anniversary of the closing date on February 10, 2027.

14. Operating Segments

As of December 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.

15. Supplemental Cash Flow Information

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

16. 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 December 31, 2023, the Company is exposed to currency risk mainly through its cash denominated in Canadian dollars totaling C$8,816.

Based on the exposure as at December 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 $651 in the Company's reported loss for the three-month year.

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 December 31, 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)

	< 6 months	6 – 12 months	1 - 2 years	Total cash flows at December 31, 2023
Financial liabilities at fair value:				
Nuton deposit	$ -	$ 4,853	$ -	$ 4,853
DSU liability	-	-	620	620
Financial liabilities at amortized cost:				
Accounts payable	1,189	-	-	1,189
Accruals	7,012	-	5,671	12,683
Lease liabilities	32	32	3	67
Other current liabilities	121	-	-	121
	$ 8,354	$ 4,885	$ 6,294	$ 19,533

As at December 31, 2023, the carrying values of all financial assets and financial liabilities approximate their fair value with the exception of the long-term Mainspring PSA provision noted in Note 5 at amortized cost.

17. Capital Management

The Company considers its capital to consist of debt and equity, the latter comprising share capital, reserves, and deficit. The Company's objectives are to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, pursuit of accretive opportunities, and to maximize shareholder return through enhancing the share value. 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 investing and financing activities.

To maintain its objectives, the Company may issue new shares, adjust capital spending, acquire, or dispose of assets. There is no assurance that these initiatives will be successful. The Company is currently not exposed to any externally imposed capital requirements.

18. Income Taxes

The tax expense at statutory rates for the Company can be reconciled to the reported loss per the statement of loss and comprehensive loss as follows:

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

		December 31, 2023		**December 31, 2022**
Loss before income taxes	$	(6,989)	$	(7,121)
Canadian federal and provincial income tax rates		27.00%		27.00%
Income tax expense (recovery) computed at statutory tax rate		(1,887)		(1,923)
Change in unrecognized tax benefit of deferred income tax assets		1,388		1,043
Items note deductible for income tax purposes		523		370
FX and other		236		500
Difference in tax rates in other jurisdictions		69		23
Financing cost		(329)		(13)
Total income taxes	$	-	$	-

The Company's unrecognized deferred income tax assets are as follows:

		December 31, 2023		**December 31, 2022**
Unrecognized deferred income tax assets (liabilities):				
Non-capital losses carried forward	$	9,687	$	11,239
Loans		-		-
Financing cost		612		556
Mineral properties		593		(2,798)
Total unrecognized deferred income tax assets	$	10,892	$	8,997

The Company has non-capital losses available of $37,317 that may be carried forward to reduce future taxable income. These losses are with respect to Canadian and US operations, and if not utilized, will expire as follows:

Expiry	**USA**	**Canada**
2039	2,298	5
2040	6,938	1,537
2041	10,572	4,773
2042	3,829	3,860
2043	2,275	1,230
	25,912	11,405

19. Events after the reporting period

(a) Mainspring Land Acquisition

On February 28, 2024, the Company made payment of $616 for the Mainspring PSA and closing costs net of $4,400 deducted for drilling fees incurred upon which title was transferred to Cactus 110 LLC (see note 5 for further details for remaining commitments).