



ARIZONA SONORAN
COPPER COMPANY

Arizona Sonoran Copper Company Inc.

Consolidated Financial Statements - December 31, 2025

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

Independent auditor's report

To the shareholders of
Arizona Sonoran Copper Company Inc.

Opinion

We have audited the consolidated financial statements of **Arizona Sonoran Copper Company Inc.** and its subsidiaries [the "Group"], which comprise the consolidated statement of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS Accounting Standards"] as issued by the International Accounting Standards Board.

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 are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our auditor's report.

Other information

Management is responsible for the other information. The other information comprises 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, 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.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. 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 in this auditor's report. 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the purposes 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 Blake Langill.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 30, 2026



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

<i>As at</i>	Notes	December 31, 2025	December 31, 2024
ASSETS			
Current assets			
Cash	1	\$ 104,754	\$ 31,741
Receivables		772	123
Prepaid expenses and other		580	170
		106,106	32,034
Non-current assets			
Exploration and evaluation assets	5	137,456	99,148
Property and equipment	7	104,353	4,267
Right-of-use asset		57	16
		241,866	103,431
Total assets		\$ 347,972	\$ 135,465
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 6,397	\$ 2,591
Other current liabilities	7	5,935	5,980
Nuton liabilities	6	14,836	-
Current portion of lease liability		57	16
		27,225	8,587
Non-current Liabilities			
Other long-term liabilities	7	87,857	-
Nuton liabilities	6	4,563	11,484
Nuton option	6	-	10,000
DSU liability	10	2,490	785
		94,910	22,269
Total liabilities		122,135	30,856
SHAREHOLDERS' EQUITY			
Share capital	10	262,244	137,424
Contributed surplus	10	10,074	8,701
Deficit		(46,481)	(41,516)
Total shareholders' equity		225,837	104,609
Total liabilities and shareholders' equity		\$ 347,972	\$ 135,465

Description of business (Note 1)
Commitments and contingencies (Note 12)
Subsequent events (Note 17)

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, except for per share amounts)

<i>For the years ended</i>	Notes	December 31, 2025	December 31, 2024
Expenses			
Salaries and wages		\$ 3,031	\$ 1,769
Share-based compensation	10	1,259	1,197
Professional fees		760	613
Directors' fees	11	821	596
Marketing and administration		1,730	1,226
Loss before other items		7,601	5,401
Other expenses/(income)			
Accretion		965	1,262
Finance (income) expenses and foreign exchange	14	(1,309)	1,587
Depreciation and amortization		31	66
Interest income		(1,065)	(600)
Gain on transaction		(80)	(96)
Nuton settlement	6	(2,996)	-
Incentive plan expense (gain)	10	1,818	(180)
		(2,636)	2,039
Loss and comprehensive loss for the year		\$ 4,965	\$ 7,440
Loss per share			
Basic and diluted		0.03	0.06
Weighted average number of common shares outstanding			
Basic and diluted		165,727,134	115,092,409

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 January 1, 2024	109,067,336	111,167	7,456	(34,076)	84,547
Shares issued for cash, net	25,956,259	25,982	-	-	25,982
Options exercised	299,552	148	(68)	-	80
Warrants exercised	114,583	46	(12)	-	34
RSUs vesting	86,222	81	(81)	-	-
Stock options reserve	-	-	1,172	-	1,172
RSU reserve	-	-	234	-	234
Loss for the year	-	-	-	(7,440)	(7,440)
Balance at December 31, 2024	135,523,952	137,424	8,701	(41,516)	104,609
Balance at January 1, 2025	135,523,952	137,424	8,701	(41,516)	104,609
Shares issued for cash, net	70,525,158	120,821	-	-	120,821
Shares issued for land	1,549,487	3,000	-	-	3,000
Options exercised	905,480	748	(341)	-	407
DSU settled	152,282	251	-	-	251
Stock options reserve	-	-	1,413	-	1,413
RSU reserve	-	-	301	-	301
Loss for the year	-	-	-	(4,965)	(4,965)
Balance at December 31, 2025	208,656,359	262,244	10,074	(46,481)	225,837

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

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

<i>For the years ended</i>	Notes	December 31, 2025	December 31, 2024
Cash used in:			
Operating activities			
Loss for the year		(\$4,965)	(\$7,440)
Adjustments to reconcile loss to net cash flows:			
Nuton settlement	6	(3,049)	-
Directors' fees paid in shares	11	1,956	165
Share-based compensation	10	1,373	1,407
Accretion	6	965	644
Depreciation and amortization		31	118
Shares to settle obligation	7	3,000	-
Unrealized (gain)/loss on foreign exchange	14	(673)	1,184
Changes in working capital items			
Receivables		(649)	(52)
Prepaid expenses and other current assets		(410)	(13)
Accounts payable and other liabilities		3,886	(5,732)
Net cash provided/(used) in operating activities		1,465	(9,719)
Investing activities			
Adjustments to reconcile loss to net cash flows:			
Land acquisition	7	(12,309)	-
Expenditures on exploration and evaluation assets	5,6	(38,308)	(21,088)
Expenditures on equipment		(18)	-
Property payments		-	(794)
Net cash used in investing activities		(50,635)	(21,882)
Financing activities			
Proceeds from sale of shares, net of expenses	10	120,821	25,982
Payments received from Nuton	6	-	28,000
Proceeds from stock options exercise		748	80
Proceeds from warrants exercise		-	34
Lease payments		(59)	(64)
Net cash provided by financing activities		121,510	54,032
Net increase in cash		72,340	22,431
Effect of exchange rate changes on cash		673	(1,184)
Cash at beginning of the year		31,741	10,494
Cash at the end of the year		\$104,754	\$31,741

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

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

1. Description of Business

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

The Company is incorporated in British Columbia, Canada and is the parent company of its direct and indirect wholly-owned subsidiaries Arizona Sonoran Copper Company USA Inc. (“ASUSA”) and Cactus 110, LLC (“Cactus 110”). ASUSA and Cactus 110 are incorporated in the State of Delaware and the entities with activities in the USA at the Cactus Project, which is a brownfield copper porphyry project, entirely on private and State land in Pinal County, Arizona, comprised of the Cactus East, Cactus West and Parks/Salyer properties and underlying copper deposits (including surface and mineral rights), among other private and State landholdings, water rights and other assets (the “Project” or the “Cactus Project”). 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 mineral resource properties is dependent on several factors. These factors include the discovery of economically recoverable mineral 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 mineral interests as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties. The Company has investigated ownership of its mineral properties and to the best of its knowledge, ownership of its interests is in good standing.

The 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 consolidated 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 the consolidated statement of financial position classifications that would be necessary if the going concern assumption was deemed inappropriate. These adjustments could be material.

The Company has incurred significant operating losses (a net loss of \$4,965 for the year ended December 31, 2025) and has yet to achieve profitable operations resulting in an accumulated deficit of \$46,481 as at December 31, 2025. The Company had \$104,754 of cash as at December 31, 2025 (December 31, 2024 - \$31,741) and working capital of \$78,881 (December 31, 2024 - \$23,447). Based on the Company’s liquidity position as at December 31, 2025, management has forecasted its cash flow requirements and believes that it has sufficient cash resources to support its planned committed operations for the next twelve months from December 31, 2025. The Company has further discretionary exploration and development activities which, if undertaken, are expected to result in the Company needing to obtain further financing in the form of debt, equity, or a combination thereof before December 31, 2026. Notwithstanding the Company’s recent financings (see note 10) and historic funding, there is a risk that sufficient additional financing may not be available to the Company on acceptable terms, or at all.

2. Basis of Preparation

a) Statement of compliance

These consolidated financial statements of the Company as at and for the year ended December 31, 2025 with comparative information as at and for the year ended December 31, 2024, have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting 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.

These consolidated financial statements were authorized for issuance on March 30, 2026 by the Board of Directors.

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.

c) Basis of 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, 2025 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 the consolidated statements of loss and comprehensive 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 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, 2025 and 2024 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:

Exploration and Evaluation assets

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 consolidated 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 during the year ended December 31, 2025.

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

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

options and future dividend yields. Consequently, there is significant measurement uncertainty in the fair value of stock-based compensation expenses reported.

Discount rate for deferred land acquisition payments liability

Management's determination of the initial carrying amount of the deferred land acquisition payments liability involves significant judgement to determine the appropriate discount rate that is applied to the future cash outflows of the related vendor loans. The Company has estimated a market discount rate to be 9.12% based on Secured Overnight Financing Rate ("SOFR") data and publicly available peer transactions.

3. Material Accounting Policy Information

The material accounting policy information 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, 2025 and 2024, the Company did not have any cash equivalents.

b) Property and equipment

Property 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 (commonly referred to as maintenance and repairs) are recognized in profit or loss as incurred.

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 will be amortized using the units of production ("UOP") method, based on recoverable pounds from the estimated proven and probable mineral reserves and a portion of measured and indicated mineral resources that are reasonably expected to be converted to proven and probable mineral 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 property and equipment, are capitalized. Non-recoverable costs for

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

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
Office furniture and equipment	2-5 years
Mine fleet light vehicles and equipment	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 and equipment are reviewed to the extent that indicators of impairment exist at each consolidated 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. 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.

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

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 statements 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 loss.

The Company's exploration and evaluation assets are reviewed for indicators of impairment at each consolidated 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 recoverable amount and a write down is made to the extent the carrying amount exceeds the recoverable amount. 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 and evaluation expenditures represent amounts paid to explore and evaluate the extent of mineralization at 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.

e) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

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 not probable that the related tax benefit will be realized.

f) Financial instruments

Financial instruments are recognized in the consolidated statements 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”).

The Company uses various valuation techniques and assumptions when measuring the fair value of its financial assets and financial liabilities. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

The Company’s fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs are based on quoted prices (unadjusted) in active markets that are accessible at the reporting date for identical assets or liabilities;

Level 2 – Inputs are based on quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs are based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurement.

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

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 consolidated statements of loss and comprehensive 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.

h) Share-based payments

The Company has share-based equity settled compensation plans for stock options and restricted share units ("RSUs"), and a cash-settled share-based plan for deferred share units ("DSU"). The plans comprise part of the compensation for certain employees, directors and executive management as part of the Company's 2020 Equity Incentive Plan effective June 21, 2021 ("LTIP") and the Directors Deferred Share Unit Plan of the Company effective July 6, 2021 ("DSU Plan"). The Company recognizes the cost of share-based compensation based on the estimated fair value of new stock options, RSUs and DSUs granted to certain employees, consultants, officers and directors.

Stock Options

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.

RSUs

The fair value of RSUs is recognized based on the market value of the Company's common shares on the date prior to the date of the grant. 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.

DSUs

The fair value of DSUs is recognized based on the market value of the Company's common shares on the date prior to the date of the grant. DSUs can be settled in either cash, shares, or a combination thereof at the discretion of the participant. 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 Company considers these DSUs as cash-settled share-based payments based on a history of settling in cash to-date.

i) Loss per share

Basic loss per share is computed by dividing the net 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 shares at the average market price during the reporting years.

4. Accounting standard recently adopted or effective

There were no material new or amended accounting standards that are effective for reporting periods beginning on or after January 1, 2025 affecting these consolidated financial statements.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 18 - Presentation and disclosure in financial statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Company is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

Arizona Sonoran Copper Company Inc.
CONSOLIDATED FINANCIAL STATEMENTS
 (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 December 31, 2023	89,751
Additions	9,397
Balance at December 31, 2024	99,148
Additions	38,308
Balance at December 31, 2025	137,456

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.

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:

- 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 certain 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 and another \$200 on February 20, 2024 upon the completion of subsequent permitting. The current amount outstanding to TAGC is \$750. 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.

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

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 "BCE Permit") to the Company.

The BCE 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 BCE 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.

On December 30, 2024, the Company completed a buyback of 1% of the Bronco Creek net smelter royalty ("BCE NSR") for a cash payment of \$500, reducing the NSR on the BCE Permit from 1.5% to a remaining 0.5% NSR. The BCE NSR applies to the BCE Permit which comprises a portion of the Parks/Salyer deposit on the Cactus Project.

LKY Property

Pursuant to the LKY/Copper Mountain Investments Limited Partnership LLP ("LKY") real estate purchase and sale agreement dated May 21, 2021 (as amended in February 2022), the total purchase price of \$21,064 inclusive of fees and interest 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 on February 10, 2027.

As of December 31, 2024, 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.

Parks Salyer South (formerly 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 ("MainSpring 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 was paid on July 28, 2023 from the Effective Date;
- Payment of \$5,000 one year from the Effective Date which transferred title to Cactus 110 LLC ("Closing Date"). This payment was reduced by the amount spent by the Company on drilling activity on the MainSpring property and was completed on February 28, 2024 as detailed below;
- 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 was repaid on January 31, 2025 prior to the maturity date of February 28, 2025.

As of January 31, 2025, the Company had paid a total of \$14,015 in cash deposits and drilling fees combined in connection with the MainSpring PSA to close the MainSpring transaction and acquire title.

6. Nuton Option to Joint Venture and Termination

On December 14, 2023, the Company, and two of ASCU's wholly-owned subsidiaries, ASUSA and Cactus entered into an Option to Joint Venture Agreement with Nuton LLC, a Rio Tinto venture ("Nuton") to advance land acquisition, development and exploration at the Cactus Project (the "Option Agreement"), a copy of which is available on SEDAR+ (www.sedarplus.ca) under the Company's issuer profile.

Under the Option Agreement, Nuton was granted the exclusive right and 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.

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

- An amount of \$10,000 payable by Nuton to ASUSA within 30 days of the signing ("Option Exclusivity Payment") of the Option Agreement (cash payment received by ASUSA on January 10, 2024). The Company has determined that the fair value of the derivative liability is approximately \$10,000 as at December 31, 2024 considering cash value of the Option Agreement to be the best indicator of fair value in the early stages of the Nuton 'Phase 2' test work and given that the trigger events had not yet been met. The Option Exclusivity payment is considered a level 3 instrument in the fair value hierarchy as one or more of the significant inputs is not based on observable market data. This is the case for unlisted instruments where risk could give rise to a significant unobservable adjustment.
- Up to \$11,000 available to be drawn by ASUSA in the form of a pre-payment towards the Option Exercise Price (as defined in the Option Agreement) to be used for certain land

payments. An amount of \$5,000 was drawn on December 29, 2023 and an additional amount of \$6,000 was drawn on December 13, 2024 to fund the MainSpring PSA closing. The deposited amounts are credited as a non-current liability for the Nuton Deposit (as defined in the Option Agreement). If the Option Agreement trigger events are not met, the Company must repay this amount in cash or a convertible debenture at Nuton's election within 9 months upon receiving notice from Nuton.

- Up to \$12,000 payable to ASCUSA for funding costs associated with continued Nuton 'Phase 2' test work required to produce the Integrated Nuton Case PFS. As at December 31, 2024, an amount of \$12,000 for Nuton 'Phase 2' test work and \$400 over and above the Option Agreement requirements as mutually agreed to assist in funding a standalone preliminary economic assessment ("PEA") on the Cactus Project had been received. These funds were spent on Nuton 'Phase 2' test work and on the PEA in 2024. The amounts spent were credited against exploration and evaluation spending.

On December 29, 2025, the Company announced that it had entered into discussions to terminate the Option Agreement. On February 17, 2026, the Company announced that it, ASCUSA and Cactus, and Nuton, had had entered into an agreement dated February 16, 2026 to effect the termination of the Option Agreement ("Termination Agreement), as well as the termination of Nuton's investor rights agreement with the Company, effective immediately, resulting in the following payments from ASCUSA to Nuton:

1. \$15,000 on signing the Termination Agreement;
2. a deferred payment to Nuton of \$5,000 to be paid at the earlier of the 1-year anniversary of signing of the Termination Agreement or consummation of a change of control transaction; and
3. a deferred cash payment to Nuton of \$14,958 payable only on consummation of a change of control transaction that is publicly announced or subject to a definitive agreement within 24 months of signing of the Termination Agreement.

Under the Termination Agreement, Nuton agreed to provide Arizona Sonoran with all non-interpretative results of (i) completed analyses of Cactus Project ore samples and (ii) any completed 'Phase 2' metallurgical testing performed by or on behalf of Nuton under the Option Agreement prior to its termination.

Management derecognized the liabilities under the Option Agreement at December 31, 2025 and recognized the new obligations of the Termination Agreement. The liability for the upfront payment of \$15,000 and deferred payment of \$5,000 were initially measured at \$19,399 based on applying a discount based on the December 31, 2025 SOFR rate plus 4.25%. Management considers the contingent payment of \$14,958 to not be probable at December 31, 2025.

7. Property and equipment

The following is the detail of the total property and equipment of the Company:

Arizona Sonoran Copper Company Inc.
CONSOLIDATED FINANCIAL STATEMENTS

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

	Surface rights (Land) (\$)	Mine Fleet Light Vehicles and Equipment (\$)	Office Furniture and Equipment (\$)	Total (\$)
Cost	3,379	311	11	3,701
Additions	794	-	-	794
Balance at December 31, 2024	4,173	311	11	4,495

Accumulated depreciation, amortization and impairment

Depreciation	-	(71)	-	(71)
Balance at December 31, 2024	-	(217)	(11)	(228)
Net book value at December 31, 2024	4,173	94	-	4,267

Cost

Additions	100,101	48	-	100,149
Disposals	-	(30)	-	(30)
Balance at December 31, 2025	104,274	329	11	104,614

Accumulated depreciation, amortization and impairment

Depreciation	-	(33)	-	(33)
Balance at December 31, 2025	-	(250)	(11)	(261)
Net book value at December 31, 2025	104,274	79	-	104,353

The Company completed the acquisition of 2,123 acres of land for the Project on August 29, 2025 comprised of 2,043 acres from a consortium (“Consortium Land”) of related private corporate landowners and 80 acres from a single private landowner (collectively “2025 Purchased Lands”).

The 80-acre parcel includes 100% of both surface and mineral rights. The 80-acre purchase price was \$30,000 per acre, with \$1,200 paid in cash on closing, with the remaining \$1,200 deferred subject to a non-interest-bearing Vendor Loan, to be paid in full in cash by maturity on June 27, 2026, with Cactus 110 having the right to pre-pay such loan, in whole or in part, at any time, without penalty. The deferred payment has been discounted to its initial carrying amount of \$1,149.

The Consortium Land includes 100% of the surface rights to such lands as well as all mineral rights held by the Consortium Vendors. The purchase price for the Consortium Land was comprised of cash on closing of \$2,000 and \$105 in transaction costs and 1,549,487 common shares with an accounting value of \$3,000 based on the share price on the date of issuance, and further deferred payments (the “Vendor Loans”) as follows:

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

2026	\$5,000 (up to \$3,000 in ASCU common shares, at Cactus 110's sole option)
2027	\$5,000 (up to \$2,000 in ASCU common shares, at Cactus 110's sole option)
2028	\$5,000 (up to \$2,000 in ASCU common shares, at Cactus 110's sole option)
2029	\$82,152 price plus accrued interest.

The Vendor Loans bear interest of 6% per annum accruing and capitalized annually, and is payable on maturity on August 28, 2029, with Cactus 110 having the right to pre-pay such loans, in whole or in part, at any time, without penalty. The initial carrying amount of the Vendor Loans of \$90,276 was determined using a discount rate of 9.12% based on SOFR data and publicly available peer transactions.

The Vendor Loans had a carrying value of \$93,792 at December 31, 2025 including accretion of \$2,368. The amount is included in other current liabilities and other long-term liabilities on consolidated statement of financial position. Each of the Vendor Loans are secured by deed of trust on their respectively sold portions of the Consortium Land (and fixtures thereon) and a deed of trust on the ~750 acre ARCUS lands already owned by Cactus 110. In addition, one of the Consortium Vendors will hold additional security for its Vendor Loan pursuant to a modified deed of trust on 1,000 acres purchased by Cactus 110 in 2022.

In addition to the Consortium Purchase Price, an aggregate 0.5% net smelter returns royalty ("NSR") on the Consortium Land was granted to a designee of the Consortium Vendors, on terms consistent with other NSRs on the Cactus Project. Cactus 110 has a right of first refusal on any sale, transfer, assignment or other conveyance of the NSR by the Consortium Vendors' designee, other than to an affiliate.

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	December 31,	December 31,
	2025	2024
Trade payables	\$ 1,325	\$ 467
Accrued liabilities	4,720	2,018
Other payables	352	106
	\$ 6,397	\$ 2,591

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.

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

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.

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

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2025, there were 208,656,359 common shares outstanding (December 31, 2024 – 135,523,952 common shares outstanding).

b) Issued Shares

The following is a continuity of equity transactions in the year ended December 31, 2024:

- In the year ended December 31, 2024, the Company issued 86,222 common shares in relation to RSUs that vested in the year (see Note 10d), 114,583 common shares related to a warrant exercise and 75,237 common shares for an option exercise that occurred in December 2023 and 224,315 exercised in 2024 for combined 299,552 common shares for options exercised.
- On October 9, 2024, the Company closed a bought deal financing of 23,805,000 common shares in the capital of the Company at a price of C\$1.45 per Common Share, for gross proceeds to the Company of C\$34,517 (\$25,215) (the “October 2024 Offering”) less \$1,464 of transaction costs. On November 13, 2024, the Company closed a non-brokered private placement financing in respect of the exercise by Nuton of its pre-emptive rights under its Investor Rights Agreement relating to the October 2024 Offering. Nuton subscribed for 2,151,259 common shares of the Company at a price of C\$1.45 per Common Share for aggregate gross proceeds to the Company of C\$3,119 (\$2,231).

The following are the equity transactions that occurred in the year ended December 31, 2025:

- On January 31, 2025, the Company closed a private placement with Hudbay Minerals Inc. (“Hudbay”) of 11,955,270 common shares at a price of C\$1.68 for gross proceeds to the Company of C\$20,085 (\$13,837). Additionally, Nuton exercised its pre-emptive rights in respect of the Hudbay Placement, pursuant to the terms of its investor rights agreement to maintain its 7.2% equity interest in the Company by acquiring 929,887 shares of the Company for gross proceeds of C\$1,562 (\$1,078).
- On June 20, 2025, the Company closed a bought deal financing of 25,875,000 common shares in the capital of the Company at a price of C\$2.00 per Common Share, for gross proceeds to the Company of C\$51,750 (\$37,697) (the “June 2025 Offering”) less C\$3,209 (\$2,340) of transaction costs. Additionally, Hudbay exercised its pre-emptive rights in respect of the June 2025 Offering, pursuant to the terms of its investor rights agreement

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

to maintain its 9.9% equity interest in the Company by acquiring 2,907,612 shares of the Company for gross proceeds of C\$5,815 (\$4,247).

- On August 29, 2025, the Company issued 1,549,487 common shares at a price of \$2.66 per common share in connection with the acquisition of the Consortium Land.
- The Company issued 905,480 common shares related to stock option exercises and 152,282 common shares related to DSU settlement.
- On December 2, 2025, the Company closed a bought deal financing of 25,746,300 common shares in the capital of the Company at a price of C\$3.35 per Common Share, for gross proceeds to the Company of C\$86,250 (\$61,669) (the "November 2025 Offering") less C\$4,107 (\$2,936) of transaction costs. Additionally, Hudbay exercised its pre-emptive rights in respect of the November 2025 Offering, pursuant to the terms of its investor rights agreement to maintain its 9.9% equity interest in the Company by acquiring 3,111,089 shares of the Company for gross proceeds of C\$10,422 (\$7,570) on December 12, 2025 via non-brokered private placement.

c) Stock Options

Under the terms of the LTIP, the Company is authorized to grant a combination of stock options and restricted share units 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 and for the year ended December 31, 2025 and 2024:

<i>For the years ended</i>	December 31, 2025		December 31, 2024	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of year	7,201,739	\$ 1.25	6,128,305	\$ 1.28
Granted	2,649,968	1.32	1,900,257	1.15
Forfeited	(58,990)	1.32	-	-
Expired	(1,063,445)	1.25	(602,508)	1.48
Exercised	(905,480)	0.66	(224,315)	0.45
Options outstanding, end of year	7,823,792	\$ 1.34	7,201,739	\$ 1.25
Options exercisable, end of year	6,071,981	\$ 1.34	5,296,781	\$ 1.26

Details of stock options outstanding as at December 31, 2025 are as follows:

Arizona Sonoran Copper Company Inc.
CONSOLIDATED FINANCIAL STATEMENTS

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

Range	Outstanding	Weighted Average Contractual Life	Weighted Average Exercise Price	Exercisable
\$0.75-\$1.15	2,271,836	2.96	\$1.15	1,793,549
\$1.15-\$1.48	5,301,956	3.61	\$1.39	4,028,432
\$1.48-\$2.00	250,000	0.51	\$1.89	250,000
Totals	7,823,792	3.32	\$1.34	6,071,981

The following Black Scholes assumptions were used in the valuation of stock options granted during the years ended December 31, 2025 and 2024:

<i>For the years ended</i>	December 31, 2025	December 31, 2024
Volatility	49.87%	51.94%
Expected life in years	5 years	5 years
Weighted average grant date share price	\$1.88	\$1.34
Weighted average exercise price	\$1.88	\$1.55
Dividend rate	0%	0%
Risk-free rate	2.24%	4.22%
Forfeiture rate	0%	0%

Total stock-based compensation recognized related to stock options during the year ended December 31, 2025 was \$1,413 (December 31, 2024: \$963).

d) Restricted Share Units (“RSUs”)

Under the terms of the LTIP, 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.

The Company had the following RSUs outstanding as at and for the year ended December 31, 2025 and 2024:

<i>For the years ended</i>	December 31, 2025		December 31, 2024	
	Number of RSUs	Weighted average price	Number of RSUs	Weighted average price
RSUs outstanding, beginning of year	894,054	\$ 1.18	203,111	\$ 1.41
Granted	274,743	1.31	777,165	\$ 1.15
Exercised	-	-	(86,222)	\$ 1.44
Forfeited	(144,624)	1.15	-	-
RSUs outstanding, end of year	1,024,173	\$ 1.21	894,054	\$ 1.18

Total stock-based compensation recognized related to RSUs during the year ended December 31, 2025 was \$301 (December 31, 2024: \$234).

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

e) Warrants

As at December 31, 2025 the Company had no warrants outstanding.

f) Deferred Share Units (“DSUs”)

Under the terms of the DSU Plan, DSUs can be settled in either cash, shares, or a combination thereof at the discretion of the Board of Directors. 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 Company considers these DSUs as cash-settled share-based payments based on a history of settling in cash to-date. The DSU liability was revalued at December 31, 2025, with a resulting expense of \$382 (December 31, 2024: \$914) recognized in the consolidated statements of loss and comprehensive loss under gain on incentive plan for the year.

The Company had the following DSUs outstanding as at and for the year ended December 31, 2025:

<i>For the years ended</i>	December 31, 2025		December 31, 2024	
	Number of DSUs	Weighted average price	Number of DSUs	Weighted average price
DSUs outstanding, beginning of year	768,321	\$ 1.39	467,315	\$ 1.55
Settled	(152,282)	\$ 1.65	-	-
Cancelled	(8,484)	\$ 1.31	-	-
Granted	106,382	1.31	301,006	1.15
DSUs outstanding, end of year	713,937	\$ 1.38	768,321	\$ 1.39

The fair value of each DSU granted was estimated to be \$1.31, which was based on the value of the director’s compensation on the date of the grants.

11. Related Party Transactions

The following are the related party transactions:

As at December 31, 2025, no material amounts were owed to or from the Company by key management personnel and directors.

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

<i>For the years ended</i>	December 31, 2025		December 31, 2024	
Salaries and wages	\$	1,286	\$	1,108
Salaries and wages capitalized as exploration		488		508
Share-based compensation*		825		952
Directors’ fees		821		596
	\$	3,420	\$	3,164

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

12. Commitments and Contingencies

The Company has future exploration and evaluation expenditure obligations with respect to its land agreements as follows (see Note 5 and 6):

Trust Lands

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

LKY

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

Nuton

- In the event that change of control occurs, such that the Termination Agreement deferred payment is triggered, the Company will have to repay \$14,958 and the \$5,000 as detailed in note 6.

13. Operating Segments

As of December 31, 2025 and 2024, the Company is operating its business in one operating and 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. 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, 2025, the Company is exposed to currency risk mainly through its cash denominated in Canadian dollars totaling C\$3,703 (December 31, 2024 – C\$31,681).

Based on the exposure as at December 31, 2025, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of approximately \$270 in the Company's reported loss for the 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 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 the holdings are in cash.

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

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

	< 6	6 – 12	1 - 5	Total cash flows at December 31, 2025
	months	months	years	
Financial liabilities at fair value:				
DSU liability	-	-	2,490	2,490
Financial liabilities at amortized cost:				
Accounts payable	1,325	-	-	1,325
Accruals	4,720	-	-	4,720
Nuton liabilities	14,836	4,563	-	19,399
Other current liabilities	409	5,935	-	6,344
Other long-term liabilities	-	-	87,857	87,857
	21,290	10,498	90,347	122,135

As at December 31, 2025, the carrying values of all financial assets and financial liabilities approximate their fair value. The DSU Liability is considered a level 1 instrument in the fair value hierarchy as its inputs use quoted share prices and exchange rates for remeasurement.

15. 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.

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

16. Income Taxes

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

	December 31, 2025	December 31, 2024
Loss before income taxes	\$ (4,965)	\$ (7,441)
Canadian federal and provincial income tax rates	27.00%	27.00%
Income tax expense (recovery) computed at statutory tax rate	(1,341)	(2,009)
Change in unrecognized tax benefit of deferred income tax assets	1,039	1,741
Items not deductible for income tax purposes	340	316
FX and other	-	238
Difference in tax rates in other jurisdictions	(38)	43
Financing cost	-	(329)
Total income taxes	\$ -	\$ -

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

	December 31, 2025	December 31, 2024
Unrecognized deferred income tax assets (liabilities):		
Non-capital losses carried forward	\$ 14,049	\$ 11,889
Financing cost	1,563	684
Mineral properties	(5,783)	(5,285)
Accretion and Others	676	-
Total unrecognized deferred income tax assets	\$ 10,505	\$ 7,288

The Company has combined federal non-capital losses available of \$58,516 that may be carried forward to reduce future taxable income. All US federal net operating loss carryforwards in the amount of \$36,060 have an indefinite life. State net operating loss carryforwards in the amount of \$10,676 have a 20 year carryforward period and will begin expiring in 2044. These losses are with respect to Canadian operations, and if not utilized, will expire as follows:

Expiry	Canada
2039	5
2040	1,537
2041	5,157
2042	3,860
2043	882
2044	3,385
2045	7,629
	22,455

17. Events after the reporting period

(a) Nuton Termination Agreement

On February 17, 2026, the Company announced that it had terminated the Option Agreement pursuant to the Termination Agreement. See note 6 for details of recognition of the Termination Agreement as at December 31, 2025.

Arizona Sonoran Copper Company Inc.

CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Acquisition of Control

On March 2, 2026, the Company announced that it entered into a definitive arrangement agreement pursuant to which Hudbay has agreed to acquire all of the issued and outstanding common shares of ASCU, not already owned by Hudbay and its affiliates, for consideration of 0.242 of a common share of Hudbay per common share of ASCU. If completed, the Transaction will result in Hudbay owning a 100% interest in ASCU.