Arizona Sonoran Copper Company Inc.

Interim condensed consolidated financial statements - September 30, 2024

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

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

	Note		September 30, 2024		December 31, 2023
ASSETS					
Current assets					
Cash and cash equivalents	1	$	8,477	$	10,494
Receivables	6		31		10,071
Prepaid expenses and other	10 (f)		344		157
			8,852		20,722
Other non current assets					
Exploration and evaluation assets	5		93,468		89,751
Property and equipment	7		4,284		3,544
Right of use asset			27		63
Total assets		$	106,631	$	114,080
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	8	$	1,503	$	8,322
Current portion of Nuton deposit			1,032		-
Other current liabilities	5		6,092		-
Current portion of lease liability			29		64
			8,656		8,386
Other Liabilities- long term					
Other long-term liabilities	5		-		5,671
Nuton deposit	6		5,325		4,853
Nuton option	6		10,000		10,000
DSU liability	10 (f)		865		620
Lease liability			-		3
			16,190		21,147
Total liabilities			24,846		29,533
SHAREHOLDERS' EQUITY					
Share capital	10		111,531		111,167
Contributed surplus	10		8,907		7,456
Deficit			(38,653)		(34,076)
Total shareholders' equity			81,785		84,547
Total liabilities and shareholders' equity		$	106,631	$	114,080

Description of the business and going concern (Note 1)
Commitments and contingencies (Note 12)
Events after the reporting period (Note 15)

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

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

	Three months ended		Nine months ended	
	September 30, 2024	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Expenses				
Salaries and wages	$ 246	$ 276	$ 731	$ 746
Share based compensation	560	380	1,402	1,608
Professional fees	183	102	474	295
Directors fees	143	155	450	487
Marketing and administration	362	157	862	657
Loss before other items	1,494	1,070	3,919	3,793
Other expenses/(income)				
Accretion	313	212	912	212
Finance expenses and FX	(27)	326	206	28
Depreciation, depletion and amortization	16	16	49	47
Loss on marketable securities	-	12	-	30
Interest income	(102)	(243)	(409)	(722)
Other expense/(income)	-	-	-	-
Loss on transaction	-	35	-	2,361
(Gain)/loss on incentive plan	147	-	(100)	(1,143)
Loss/(Income) from other expenses	347	358	658	813
Loss and comprehensive loss for the period	$ 1,841	$ 1,428	$ 4,577	$ 4,606
Loss per share				
Basic and diluted	0.02	0.01	0.04	0.04
Weighted average number of common shares outstanding				
Basic and diluted	109,516,209	109,026,260	109,359,557	104,284,704

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

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

	Number of common shares	Share capital	Contributed Surplus	Deficit	Total
		$	$	$	$
Balance at December 31, 2022	88,832,714	86,016	7,053	(27,087)	65,982
Issue shares for cash	16,229,140	22,929	-	-	22,929
Warrants exercised	3,856,757	2,198	(347)	-	1,851
Options exercised	107,649	127	(10)	-	117
Stock options reserve	-	-	1,935	-	1,935
RSU reserve	-	-	32	-	32
LTIP reserve	-	-	(843)	-	(843)
DSU reserve	-	-	142	-	142
Loss for the period	-	-	-	(4,606)	(4,606)
Balance at September 30, 2023	109,026,260	111,270	7,962	(31,693)	87,539
Balance at December 31, 2023	109,067,336	111,167	7,456	(34,076)	84,547
Warrants exercised	114,583	46	(12)	-	34
Options exercised	299,552	209	(76)	-	133
RSUs vesting	86,222	109	(109)	-	-
Stock options reserve	-	-	1,386	-	1,386
RSUs reserve	-	-	262	-	262
Loss for the period	-	-	-	(4,577)	(4,577)
Balance at September 30, 2024	109,567,693	111,531	8,907	(38,653)	81,785

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

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

	Nine months ended	
	September 30, 2024	**September 30, 2023**
Cash provided by (used in):		
Operating activities		
Loss for the period	($4,577)	($4,606)
Effect of non-cash items:		
Share-based compensation	1,857	1,966
Accretion	728	(190)
Depreciation, depletion and amortization	90	83
Long term incentive	-	(843)
Interest and finance expense, net	3	3
Director's fees paid in shares	245	142
Mainspring PSA	-	(5,437)
Changes in working capital items		
Receivables	49	69
Prepaid expenses and other	(187)	(237)
Accounts payable and accrued liabilities	(6,826)	(524)
Net cash used in operating activities	(8,618)	(9,574)
Investing activities		
Expenditures on exploration and evaluation assets	(14,914)	(22,279)
Expenditures on equipment	-	(9)
Property payments	(794)	(852)
Net cash used in investing activities	(15,708)	(23,140)
Financing activities		
Proceeds from private placement, net	-	22,929
Nuton Deposit	22,399	-
Proceeds from stock options exercise	(76)	117
Proceeds from warrants exercise	34	1,851
Lease payments	(48)	(48)
Net cash provided by financing activities	22,309	24,849
Change in cash	(2,017)	(7,865)
Cash at beginning of the period	10,494	19,862
Cash at the end of the period	$8,477	11,997

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

1. Description of the 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 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 claims as well as the potential for problems arising from the frequently ambiguous 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 had $8,477 of cash as at September 30, 2024, which includes $1,032 of cash for the Nuton Phase 2 work (see Note 6). 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 ($25,570). Amounts included in commitments and contingencies (Note 12) are both contractually required based on events in 2024 or potentially required based on future events if they arise. Such payments will 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 further financing in the form of debt, equity, or a combination thereof before the end of the fiscal year 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 in the near term, the outcome remains unknown, and these material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. While management believes that the Company will be able to meet its funding requirements in the ordinary course, there can be no assurance of that outcome.

2. Basis of Preparation

a) Statement of compliance

These unaudited interim condensed consolidated financial statements (the "interim financial statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. The interim financial statements do not include all the notes normally included in the annual financial statements. These interim financial statements should be read in conjunction with the audited annual financial statements for the period ended December 31, 2023, which have been prepared in accordance with IFRS Accounting Standards.

These interim financial statements have been authorized for issue by the Audit Committee on behalf of the Board of Directors of the Company on November 7, 2024.

b) Significant accounting judgments and sources of estimation uncertainty

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

In preparing the interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the annual audited consolidated financial statements for the year ended December 31, 2023.

3. Material Accounting Policy Information

The Company's accounting policies applied to all periods presented in these interim financial statements are consistent with the Company's annual consolidated financial statements as at and for the year ended December 31, 2023. The Company has considered any new accounting standards, as relevant.

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

4. Accounting standards 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, 2024 affecting these interim condensed consolidated financial statements.

5. Exploration and evaluation Assets

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

	Capitalized Exploration Costs Assets ($)
Balance at December 31, 2022	46,596
Additions	43,155
Balance at December 31, 2023	89,751
Additions	3,717
Balance at September 30, 2024	93,468

Material property agreements with activity in the period 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", were 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 on October 23, 2023 and another $200 on February 20, 2024 upon the completion of 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.

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 "BC Agreement") with Bronco Creek Exploration Inc. ("Bronco Creek") under which Bronco Creek assigned an exploration permit (the "BC Permit") to the Company. The BC 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 BC Agreement are as follows:

- The Company made a payment of $5 upon execution of the BC Agreement.
- The Company made a payment of $195 upon transfer and registration of the BC Permit to Cactus 110 LLC.
- Bronco Creek will retain a 1.5% NSR royalty interest on the BC 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 the BC Agreement, comprised of the $5 cash payment made upon execution of the Agreement, $195 of cash paid after registration of the BC 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 September 30, 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, $1,408 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 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 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 detailed below.

As of February 28, 2024, the Company had paid a total of $8,015 in cash deposits and drilling fees combined in connection with the Mainspring PSA to close the Mainspring transaction and acquire title. From the $8,015 paid, $939 was allocated to surface rights and the balance was allocated to mineral rights. Of the $5,000 Closing Date payment, $4,400 was paid as drilling fees deducted against the final closing payment, of which was $615 inclusive of closing costs.

The Company also maintains a $6,092 promissory note due at the one-year anniversary of the Closing Date with accretion of $669 to September 30, 2024 in other current liabilities. The promissory note value has 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:

- 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 Option Exclusivity Payment represents a derivative liability which has been recorded at its fair value of $10,000 as at December 31, 2023. The Company has determined that the fair value of the derivative liability is approximately $10,000 as at September 30, 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 (defined below) have 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 (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") to fund the Mainspring PSA closing (see note 5). These funds were received on December 29, 2023 and the amount was credited as a non-current liability. If the Option Agreement trigger events aren't 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. The amount recorded represents the amortized cost of the liability for the period ended September 30, 2024.

- 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). As at September 30, 2024, an amount of $12,000 for Nuton Phase 2 test work and $400 to assist in funding a preliminary economic assessment ("PEA") had been received, and $10,968 was spent on Nuton Phase 2 test work and $400 was spent on the PEA, respectively. The amounts spent were reduced against the liability for Nuton deposits.

The stages of the Option Agreement are set out below.

Phase 1

The Company and Nuton entered into a Material Testing Agreement effective March 21, 2022, under which Nuton progressed 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

Nuton provided notice to the Company that Nuton elected to proceed with Stage 2, upon which Nuton is to fund 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).

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

(ii) 1.39 times the NPV of the Cactus Project without applying the Nuton technologies (the “Standalone Case”);

(iii) 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

(iv) 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.

7. Property and Equipment

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

(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	2,467	302	11	2,780
Additions	912	9	-	921
Balance at December 31, 2023	3,379	311	11	3,701
Accumulated depreciation, amortization and impairment				
Depreciation	-	(63)	-	(63)
Balance at December 31, 2023	-	(146)	(11)	(157)
Net book value at December 31, 2023	3,379	165	-	3,544
Cost				
Additions	794	-	-	794
Balance at September 30, 2024	4,173	311	11	4,495
Accumulated depreciation, amortization and impairment				
Depreciation	-	(54)	-	(54)
Balance at September 30, 2024	-	(200)	(11)	(211)
Net book value at September 30, 2024	4,173	111	-	4,284

8. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	September 30, 2024	December 31, 2023
Trade payables	$ 894	$ 1,189
Accrued liabilities	454	7,012
Other payables	155	121
	$ 1,503	$ 8,322

As at December 31, 2023, the Company had recognized a provision in accrued liabilities of $4,718 plus accretion of $274 for the payment to be made for the Mainspring PSA on the Closing Date of February 28, 2024. This amount was settled on the Closing Date.

On July 26, 2023, the Company was made aware of a liability resulting from a cyber security incident that led to payments being made in June and July 2023 to a third party, for costs incurred in May and June 2023, in the aggregate amount of $2,361. The Company reflected the loss on transaction in the comparative statement of loss and comprehensive loss.

9. Asset Retirement Obligations

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

Once future construction plans are finalized and initiated, 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 September 30, 2024, there were 109,567,693 common shares outstanding (December 31, 2023 – 109,067,336 common shares outstanding).

b) Issued Shares

The following is a continuity of equity transactions in the period ended September 30, 2024:

- In the period ended September 30, 2024, the Company issued 86,222 common shares in relation to RSUs that vested in the period (see Note 11d), 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 ($25,570).

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.

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

For the period and year ended	**September 30, 2024**		**December 31, 2023**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Options outstanding, beginning of period	6,128,305	$ 1.28	3,130,357	$ 1.21
Granted	1,650,257	1.15	3,290,678	1.31
Cancelled	-	-	(29,892)	1.47
Expired	(602,508)	-	(79,952)	2.02
Exercised	(224,315)	0.45	(182,886)	0.90
Options outstanding, end of period	6,951,739	$ 1.26	6,128,305	$ 1.28
Options exercisable, end of period	5,213,448	$ 1.27	3,930,032	$ 1.23

The following is a continuity of the Company's stock options outstanding as at September 30, 2024:

Details of stock options outstanding as at September 30, 2024 are as follows:

Number of options outstanding	**Number of options exercisable**	**Exercise Price**	**Expiry Date**
627,862	627,862	$ 0.45	20-Jul-25
85,986	85,986	$ 0.45	12-Nov-25
42,993	42,993	$ 0.45	14-Dec-25
96,666	96,666	$ 1.50	4-Jan-26
250,000	250,000	$ 2.10	6-Jul-26
475,000	475,000	$ 1.58	10-Jan-27
621,319	621,319	$ 1.61	31-Jan-27
80,000	80,000	$ 1.47	13-May-27
128,000	76,800	$ 1.55	24-Jun-27
2,220,729	1,607,024	$ 1.32	28-Feb-28
564,471	327,901	$ 1.26	22-Jun-28
42,763	42,763	$ 1.24	5-Jul-28
65,693	21,898	$ 1.23	19-Sep-28
1,650,257	857,236	$ 1.15	14-Mar-29
6,951,739	5,213,448	$ 1.26	

As at September 30, 2024, outstanding stock options had a weighted average remaining life of 2.26 years (December 31, 2023 – 2.83 years).

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

The following Black Scholes assumptions were used in the valuation of stock options granted during the period ended September 30, 2024 and year ended December 31, 2023:

For the period and year ended	**September 30, 2024**	**December 31, 2023**
Volatility	52%	78%
Expected life in years	5 years	5 years
Weighted average grant date share price	$1.34	$1.31
Weighted average exercise price	$1.55	$1.27
Dividend rate	0%	0%
Risk-free rate	4.22%	4.03% - 4.51%
Forfeiture rate	0%	0%

Total stock-based compensation recognized related to stock options during the three and nine-month period ended September 30, 2024 was $423 and $1,140, respectively (year ended December 31, 2023 - $2,259).

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 September 30, 2024, the Company has the following RSUs outstanding:

For the period and year ended	**September 30, 2024**		**December 31, 2023**	
	Number of RSUs	**Weighted average price**	**Number of RSUs**	**Weighted average price**
RSUs outstanding, beginning of period	203,111	$ 1.41	203,111	$ 1.41
Granted	777,165	1.15	-	-
Vested	(86,222)	1.44	-	-
RSUs outstanding, end of period	894,054	$ 1.18	203,111	$ 1.41

Total stock-based compensation recognized related to RSUs during the three and nine-month period ended September 30, 2024 was $137 and $262, respectively (year ended December 31, 2023 - $42).

e) Warrants

As at September 30, 2024, details of warrants outstanding are as follows:

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

For the period and year ended	September 30, 2024			December 31, 2023		
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Warrants outstanding, beginning of period	2,498,421	$	1.88	6,355,178	$	1.03
Expired	(2,383,838)	$	1.96			
Exercised	(114,583)		0.30	(3,856,757)		0.48
Warrants outstanding, end of period	-		-	2,498,421	$	1.88

As at September 30, 2024 the Company had no warrants outstanding.

f) Deferred Share Units ("DSUs")

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. The DSU liability was revalued at September 30, 2024, with a resulting gain of $100 recognized in the statement of loss and comprehensive loss under (gain)/loss on incentive plan for the nine-month period.

As at September 30, 2024, details of DSUs outstanding are as follows:

For the period and year ended	September 30, 2024			December 31, 2023		
	Number of DSUs		Weighted average price	Number of DSUs		Weighted average price
DSUs outstanding, beginning of period	467,315	$	1.55	355,055	$	1.60
Granted	301,006		1.15	190,850		1.45
Cancelled	-		-	(11,492)		1.48
Vested	-		-	(67,098)		1.58
DSUs outstanding, end of period	768,321	$	1.39	467,315	$	1.55

The fair value of each DSU granted was estimated to be $1.15 (year ended December 31, 2023 - $1.45), which was based on the value of the director's compensation on the date of the grants.

The Company recognized a total of $346 (December 31, 2023 - $278) as prepaid share-based payment for the award of the DSUs during the nine-month period ended September 30, 2024.

11. Related Party Transactions

As at September 30, 2024, no material amounts were owed to or from the Company by key management personnel and directors (December 31, 2023 – Nil).

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

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

		September 30, 2024		September 30, 2023
Salaries and wages	$	1,119	$	1,019
Salaries and wages capitalized as exploration		456		528
Share-based compensation*		623		1,146
Directors' fees		450		487
	$	2,647	$	3,180

*Share-based compensation includes stock options and RSUs for executive management.

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

- As at September 30, 2024, an amount of $2,649 has been received for Phase 2 work that will have to be repaid if not spent on Nuton Phase 2 test work. On July 30, 2024, an amount of $2,798 has been received for Nuton Phase 2 work.

- In the event that change of control occurs, such that the Option Agreement is terminated, the Company will have to repay the $10,000 Option Exclusivity Payment.

13. Operating Segments

As of September 30, 2024 and December 31, 2023, the Company is operating its business in one reportable segment: mineral exploration and development in the United States of America. All of the Company's non-current assets are situated in North America.

14. Financial Instruments and Risk Management

Currency risk

The Company is exposed to financial risk due to changes in foreign exchange rates. The Company operates in the United States and Canada, and a portion of its expenses are incurred in Canadian dollars. A significant change in the exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At September 30, 2024, the Company is exposed to currency risk mainly through its cash denominated in Canadian dollars totaling C$4,045.

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

Based on the exposure as at September 30, 2024, 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 $300 in the Company's reported loss for the three-month period.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and cash equivalents and receivables. The Company's cash is held in large Canadian or US financial institutions. As a result, the Company concludes that there are negligible expected losses.

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.

As at September 30, 2024, the contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

	< 6 months	**6 – 12 months**	**1 - 2 years**	**Total cash flows at September 30, 2024**
Financial liabilities at fair value:				
Current portion of Nuton deposit	-	1,032	-	1,032
DSU liability	-	-	865	865
Financial liabilities at amortized cost:				
Accounts payable	894	-	-	894
Accruals	454	-	-	454
Nuton deposit	-	-	5,325	5,325
Lease liabilities	29	-	-	29
Other current liabilities	155	6,092	-	6,247
	1,532	7,124	6,190	14,846

The Company will pursue additional equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favorable terms. See Description of the Business and Going Concern (Note 1).

As at September 30, 2024, the carrying values of all financial assets and financial liabilities approximate their fair value with the exception of the current Mainspring PSA promissory note detailed in Note 5 at amortized cost, which has a fair value at September 30, 2024 of $5,327. In the event that change of control occurs, such that the Option Agreement is terminated, the Company will have to repay the $10,000 Option Exclusivity Payment.

The Option Exclusivity Payment is considered a level 3 instrument in the fair value hierarchy as one or more of the significant inputs is not based on observable market data. This is the case for unlisted instruments where risk could give rise to a significant unobservable adjustment. See Note 6 for details.

15. Events after the reporting period

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 ($25,570).