

Axo Copper Corp.

Interim Unaudited Condensed
Consolidated Financial Statements
December 31, 2025
(expressed in Canadian dollars)

February 27, 2026

Management's Report

The accompanying interim unaudited condensed consolidated financial statements of **Axo Copper Corp.** (the "Company") are the responsibility of management and have been approved by the Board of Directors. The interim unaudited condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The interim unaudited condensed consolidated financial statements include certain amounts and assumptions that are based on management's best estimates and have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to provide reasonable assurance that the financial records are reliable for the preparation of the interim unaudited condensed consolidated financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's interim unaudited condensed consolidated financial statements and recommended their approval by the Board of Directors.

These interim unaudited condensed consolidated financial statements have not been reviewed by the external auditors of the Company.

(signed) "*Jonathan Egilo*"
Chief Executive Officer
Halifax, Nova Scotia

(signed) "*Keith Abriel*"
Chief Financial Officer
Halifax, Nova Scotia

Axo Copper Corp.

Unaudited Interim Condensed Consolidated Statements of Financial Position

As at December 31, 2025 and June 30, 2025

(expressed in Canadian dollars)

	December 31, 2025 \$	June 30, 2025 \$
Assets		
Current assets		
Cash and cash equivalents	2,951,010	10,037,047
Sales tax recoverable	267,508	93,337
Prepaid expenses and other assets	881,903	313,226
Loan receivable (note 11)	751,660	-
	<u>4,852,081</u>	<u>10,443,610</u>
Resource properties (note 5)	<u>19,184,576</u>	<u>15,035,903</u>
	<u>24,036,657</u>	<u>25,479,513</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	<u>996,495</u>	<u>1,438,293</u>
Equity (note 8)	<u>23,040,162</u>	<u>24,041,220</u>
	<u>24,036,657</u>	<u>25,479,513</u>
Commitments (note 5)		
Subsequent events (note 11)		

Approved by the Board of Directors

Signed "Glenn Jessome", Director

Signed "Douglas Reid", Director

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

Axo Copper Corp.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity

For the six month periods ended December 31, 2025 and 2024

(expressed in Canadian dollars)

	Number of shares #	Share capital \$	Contributed surplus \$	Warrants \$	Deficit \$	Total \$
Balance – June 30, 2025	130,295,233	23,710,783	1,149,000	1,056,000	(1,874,563)	24,041,220
Net loss and comprehensive loss for the period	-	-	-	-	(1,213,058)	(1,213,058)
Stock-based compensation (note 8)	-	-	212,000	-	-	212,000
Balance – December 31, 2025	130,295,233	23,710,783	1,361,000	1,056,000	(3,087,621)	23,040,162
Balance – June 30, 2024	108,385,933	14,034,690	497,000	165,000	(450,787)	14,245,903
Net loss and comprehensive loss for the period	-	-	-	-	(696,330)	(696,330)
Shares issued pursuant to the La Galina Rights Option Agreement (notes 5)	1,000,000	400,000	-	-	-	400,000
Stock-based compensation (note 8)	-	-	447,000	-	-	447,000
Balance – December 31, 2024	109,385,933	14,434,690	944,000	165,000	(1,147,117)	14,396,573

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

Axo Copper Corp.

Unaudited Interim Condensed Consolidated Statements of Net Loss and Comprehensive Loss For the three and six month periods ended December 31, 2025 and 2024

(expressed in Canadian dollars)

	Three Months ended December 31, 2025 \$	Three Months ended December 31, 2024 \$	Six Months ended December 31, 2025 \$	Six Months ended December 31, 2024 \$
Operating expenses				
Consulting fees (note 7)	53,750	15,624	107,500	35,156
Dues and fees	24,175	361	30,866	361
Insurance	40,528	9,987	81,056	17,998
Office and other	9,078	15,105	13,290	21,199
Professional fees	93,327	43,327	121,590	86,621
Shareholder communication	219,499	14,997	447,578	29,993
Stock-based compensation (note 8)	122,000	206,000	212,000	447,000
Travel	24,983	14,972	38,491	22,817
Wages and benefits	61,792	55,645	225,144	119,275
	649,132	376,018	1,277,515	780,420
Other expenses (income)				
Interest income	(28,224)	(34,293)	(87,057)	(79,376)
Foreign exchange loss (gain)	18,032	(6,907)	22,600	(4,714)
	(10,192)	(41,200)	(64,457)	(84,090)
Net loss and comprehensive loss for the periods	638,940	334,818	1,213,058	696,330
Loss per share – Basic and diluted	0.00	0.00	0.01	0.01
Weighted average outstanding common shares – Basic and diluted	130,295,233	108,951,150	130,295,233	108,668,542

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

Axo Copper Corp.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the six month periods ended December 31, 2025 and 2024

(expressed in Canadian dollars)

	2025 \$	2024 \$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the periods	(1,213,058)	(696,330)
Charges to net loss and comprehensive loss not affecting cash		
Stock-based compensation (note 8)	212,000	447,000
	(1,001,058)	(249,330)
Changes in non-cash working capital balances related to operations		
Sales tax recoverable	(174,171)	(10,232)
Prepaid expenses	(568,677)	(221,960)
Accounts payable and accrued liabilities	407,662	281,382
	(1,336,244)	(200,140)
Investing activity		
Advances on loan receivable (note 11)	(751,660)	-
Expenditures on resource properties (notes 5 and 9)	(4,317,673)	(2,104,748)
	(5,069,333)	(2,104,748)
Financing activities		
Proceeds from issuance of common shares (notes 8)	-	3,750
Share issue costs paid (note 8 and 9)	(680,460)	(666)
	(680,460)	3,084
Change in cash and cash equivalents during the periods	(7,086,037)	(2,301,804)
Cash and cash equivalents – Beginning of periods	10,037,047	4,870,348
Cash and cash equivalents – End of periods	2,951,010	2,568,544

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

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

1 Nature of operations

Axo Copper Corp. (the “Company”, “Axo” or “Axo Copper”) was incorporated under the Canada Business Corporations Act on April 15, 2021. The Company’s common shares began trading on the TSX Venture Exchange (“TSX-V”) on June 4, 2025 under the trading symbol AXO. The Company’s registered office is located at 2446 Purcells Cove Road, Halifax, Nova Scotia. The Company has one reportable and one geographic segment.

The Company is a mineral exploration company engaged in locating and acquiring high quality projects and exploring for copper and other base metals. To date, the Company has not generated any revenue and is considered to be in the exploration stage. The Company is in the process of exploring and evaluating its resource properties in Mexico. The recoverability of amounts spent for the acquisition, exploration and development of the resource properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The operations of the Company will require various licenses and permits from governmental authorities, which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to comply with these conditions may render the licenses liable to forfeiture.

2 Basis of presentation

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”), as applicable to interim financial statements including International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information normally included in the annual financial statements prepared in accordance with IFRS Accounting Standards have been omitted or condensed. The preparation of financial statements in accordance with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in note 2 of the Company’s consolidated annual financial statements for the year ended June 30, 2025. These financial statements should be read in conjunction with the Company’s consolidated annual financial statements for the year ended June 30, 2025.

The Board of Directors approved the unaudited interim condensed consolidated financial statements for issue on February 27, 2026.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

3 Material accounting policies

These financial statements have been prepared using the same accounting policies and methods of computation as the annual financial statements of the Company for the year ended June 30, 2025. Refer to note 3 – Material accounting policies and note 4– Changes in accounting policies and disclosures and future accounting policy changes, of the Company’s annual consolidated financial statements for the year ended June 30, 2025, for information on accounting policies and new accounting standards not yet effective.

4 Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The Company considers capital to be total equity, which, as at December 31, 2025 totalled \$23,040,162 (June 30, 2025 – \$24,041,220). The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. The Company is not subject to externally imposed capital requirements.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

5 Resource properties

	La Gallina \$	Los Juanes \$	Total \$
Balance – June 30, 2024			
Exploration and property costs incurred	5,204,623	4,681,831	9,886,454
	<u>1,872,600</u>	<u>658,862</u>	<u>2,531,462</u>
Balance – December 31, 2024	<u>7,077,223</u>	<u>5,340,693</u>	<u>12,417,916</u>
Balance – June 30, 2025	8,677,848	6,358,055	15,035,903
Exploration and property costs incurred	<u>1,890,748</u>	<u>2,257,925</u>	<u>4,148,673</u>
Balance – December 31, 2025	<u>10,568,596</u>	<u>8,615,980</u>	<u>19,184,576</u>

On November 10, 2022, the Company entered into an agreement (the “Rights Option Agreement”) which provides the exclusive option to acquire 100% of the rights to the La Gallina concession (“La Gallina”) of the La Huerta copper project (“La Huerta”). The La Gallina concession is located in the state of Jalisco, Mexico and covers approximately 11,306 hectares. As consideration, the Company agreed to make the following cash payments and common share issuances:

	Cash US\$	Common Share #
At inception	1,000,000	-
Due 1 year after signing, paid monthly	1,500,000	1,000,000
Due 2 years after signing, paid monthly	1,500,000	1,000,000
Due 3 years after signing, paid monthly	1,500,000	1,000,000
Due 4 years after signing, paid monthly	<u>2,500,000</u>	<u>2,000,000</u>
	<u>8,000,000</u>	<u>5,000,000</u>

The Company made a payment of US\$1,000,000 at inception of the Rights Option Agreement. Pursuant to the Rights Option Agreement, the annual amounts owing subsequent to inception are payable in equal monthly installments which commenced in November 2023. As of December 31, 2025, 26 monthly payments of US\$125,000 (June 30, 2025 – 20 monthly payments of US\$125,000) have been made pursuant to the Rights Option Agreement. During the year ended June 30, 2025, 1,000,000 common shares were issued pursuant to the Rights Option Agreement and recorded as a resource property cost at a value of \$0.40 per common share (note 8). The Company can terminate the Rights Option Agreement at anytime by providing 60 days written notice.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

5 Resource properties (continued)

On May 4, 2023, the Company entered into an agreement (the “Rights Assignment Agreement”) which provides for the assignment of 100% of the exclusive rights to the Los Juanes concession (“Los Juanes”) of the La Huerta copper project. The Los Juanes concession is located in the state of Jalisco, Mexico and covers approximately 25 hectares. The Rights Assignment Agreement required the Company to make a one-time payment of MxP350,000, which was paid on May 14, 2024.

Upon signing of the Rights Assignment Agreement on May 4, 2023, payments due pursuant to a commercial agency agreement (the “Commercial Agency Agreement”) signed on January 15, 2022 became effective. Pursuant to the Commercial Agency Agreement, the Company has agreed to make the following cash payments:

	Cash US\$
At inception	600,000
During 1 st year after signing, paid monthly	500,000
During 2 nd year after signing, paid monthly	500,000
During 3 rd year after signing, paid monthly	500,000
During 4 th year after signing, paid monthly	500,000
During 5 th year after signing, paid monthly	500,000
	<u>3,100,000</u>

In accordance with the Commercial Agency Agreement, the annual amounts are being paid in equal monthly installments over each year. The Company can terminate the Commercial Agency Agreement at any time if it no longer wishes to acquire and maintain an interest in the Los Juanes concession. As of December 31, 2025, 29 monthly payments of US\$41,667 (June 30, 2025 – 23 monthly payments of US\$41,667) have been paid pursuant to the Commercial Agency Agreement and at both December 31, 2025 and June 30, 2025, two monthly payments due pursuant to the Commercial Agency Agreement have been recorded in accounts payable and accrued liabilities.

6 Accounts payable and accrued liabilities

	December 31, 2025 \$	June 30, 2025 \$
Accounts payable	331,495	1,325,793
Accrued liabilities	665,000	112,500
	<u>996,495</u>	<u>1,438,293</u>

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

7 Related party transactions

Consulting services were provided during the period ended December 31, 2025 by a corporation owned by the Executive Chair of the Company. The cost of these consulting services during the period was \$45,000 (December 31, 2024 – \$nil). The Company recorded these costs to consulting fees.

Consulting services were provided during the period ended December 31, 2025 by a corporation owned by the Chief Financial Officer of the Company. The cost of these consulting services during the period was \$62,500 (December 31, 2025 – \$35,150). The Company recorded these costs to consulting fees.

8 Shareholders' equity

Capital stock

Authorized

Unlimited number of common shares, without nominal or par value

Issued and outstanding

	Number of shares #	Amount \$
Balance – June 30, 2025 and December 31, 2025	130,295,233	23,710,783
Balance – June 30, 2024	108,385,933	14,034,690
Shares issued pursuant to the La Gallina Rights Options Agreement (note 5)	1,000,000	400,000
Balance - December 31, 2024	109,385,933	14,434,690

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

8 Shareholders' equity (continued)

On June 4, 2025, the Company completed an initial public offering (the "IPO") pursuant to which the Company's common shares began trading on the TSX-V under the trading symbol AXO. In connection with the IPO, the Company completed an offering (the "IPO Offering") of units ("Unit" or "Units") pursuant to which the Company issued 20,909,300 Units at a price of \$0.55 per Unit for total gross proceeds of \$11,500,115. Each Unit consisted of one common share and one-half of one common share warrant ("IPO Warrant"), whereby each whole IPO Warrant entitles the holder to purchase one common share at a price of \$0.70 at anytime prior to the close of business on June 4, 2027 (2 years from the completion of the IPO), subject to certain adjustments. Pursuant to the closing of the IPO Offering, the Company paid Underwriters' commissions of \$490,116, which have been recorded as share issue costs. In addition to the Underwriters' commissions, the Company incurred professional and listing fees of \$842,906 in connection with the IPO Offering which have also been recorded as share issue costs. The estimated fair value of the IPO Warrants issued pursuant to the IPO Offering was estimated to be \$891,000, or approximately \$0.085 per IPO Warrant, calculated using the residual value method; accordingly, \$891,000 of the gross proceeds of the IPO Offering have been allocated to the IPO Warrants. Immediately following the completion of the IPO Offering, 107,385,933 common shares (representing 82.4% of the issued and outstanding shares on that date) were held in escrow pursuant to securities and listing regulations and are scheduled for release over a 36 month period following the Company's TSX-V listing on June 4, 2025. At December 31, 2025, 57,639,682 common shares (representing 44.0% of the issued and outstanding shares) remained in escrow. These common shares rank equally with other common shares but are subject to resale restrictions until released from escrow.

During the year ended June 30, 2025, 1,000,000 common shares (2024 – 1,000,000 common shares) were issued pursuant to the Rights Option Agreement and recorded as a resource property cost at a value of \$0.40 per common share (2024 - \$040 per common share).

At December 31, 2025, pursuant to the La Gallina Right Options Agreement 3,000,000 common shares are held in trust for the benefit of the La Gallina concession titleholders and will be released to the La Gallina concession titleholders in accordance with the installment schedule disclosed in note 5. These common shares have been treated as treasury shares and deducted from common shares outstanding as at December 31, 2025 and June 30, 2025.

Stock options

The Company has a common share purchase option plan (the "Plan") for directors, officers, employees and consultants. The total number of options issued and outstanding at any time cannot exceed 10% of the issued and outstanding common shares of the Company unless shareholder and regulatory approvals are obtained. Options granted under the Plan have a ten-year term. Options are granted at a price no lower than the market price of the common shares less any discounts allowed by the Exchange at the time of the grant. In determining the stock-based compensation expense, the fair value of options issued is estimated using the Black-Scholes option pricing model. Expected volatility is based on actual volatility of similar companies.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

8 Shareholders' equity (continued)

The following weighted average assumptions were used in the Black-Scholes option pricing model:

	December 31, 2025	December 31, 2024
Risk-free interest rate	-	3.39%
Expected volatility	-	112%
Expected dividend yield	-	-
Expected life	-	10 years

The following table summarizes the changes in the Company's stock options during the periods ended December 31, 2025 and 2024:

	Weighted average exercise price \$	Number of options #	Weighted average remaining life (years)
Balance – June 30, 2024	0.37	3,200,000	9.6
Granted during the period	0.40	<u>300,000</u>	9.6
Balance – December 31, 2024	0.38	<u>3,500,000</u>	9.2
Balance – June 30, 2025 and December 31, 2025	0.38	<u>3,500,000</u>	8.1

As at December 31, 2025, 9,529,523 options remained available for future grants under the Plan. Options vested and exercisable as at December 31, 2025 totaled 3,400,000 with an average exercise price of \$0.37 per share. The weighted average grant date estimated fair value per option was \$0.37 for the stock options granted during the period ended December 31, 2024. The Company charged \$77,000 in stock-based compensation related to stock options to the unaudited interim condensed consolidated statements of net loss and comprehensive loss for the period ended December 31, 2025 (December 31, 2024 – \$447,000).

Immediately following the completion of the IPO Offering, 2,400,000 stock options were held in escrow pursuant to securities and listing regulations and are scheduled for release over a 36-month period following the Company's TSX-V listing on June 4, 2025. At December 31, 2025, 2,160,000 stock options remain in escrow.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

8 Shareholders' equity (continued)

Contributed surplus

	\$
Balance – June 30, 2024	497,000
Stock-based compensation related to stock options	<u>447,000</u>
Balance – December 31, 2024	<u>944,000</u>
Balance – June 30, 2025	1,149,000
Stock-based compensation related to stock options	77,000
Stock-based compensation related to deferred share units	<u>135,000</u>
Balance – December 31, 2025	<u>1,361,000</u>

Deferred share units

The Company has a deferred share unit plan (the “DSU Plan”) whereby participants (“Participants”) may elect to receive all or a portion of their annual compensation or bonus compensation, if any, in deferred share units (“DSUs”). The election, if it is made, must be for a minimum of 10%, or a multiple thereof, of such compensation in DSUs. The number of DSUs received is equal to the amount of compensation elected to be received in DSUs, divided by the volume-weighted average trading price of the common shares on the TSX for the 5 trading days immediately prior to the payment date. DSUs awarded under the DSU Plan in lieu of annual or bonus compensation will vest immediately.

In addition, the Board of Directors has the authority to make discretionary awards of DSU's to Participants under the DSU Plan. DSUs granted pursuant to discretionary awards will vest in accordance with the vesting schedule determined by the Board of Directors. Generally, DSUs will vest equally over three years, with one-third of the awarded DSUs vesting on each of the first, second and third anniversaries of the date of the award.

All unvested DSUs will vest immediately in the case of a change of control of the Company. In addition, in the event of the death or termination without cause of a Participant that received DSUs, the Participant's DSUs will vest immediately. The Board of Directors may at any time shorten the vesting period of any or all DSUs.

At December 31, 2025, 11,529,523 DSUs remained available for future grants under the Plan. Each DSU held by a Participant must be redeemed by the Company within 10 years of the grant for DSU Plan shares issued from treasury. Each vested DSU held by a Participant who ceases to be an eligible employee, director or officer shall be redeemed by the Company effective as at the separation date for DSU Plan shares issued from treasury.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

8 Shareholders' equity (continued)

The fair value of the DSU's is determined based on the Company's trading price of its common shares on the day of the grant.

The Company recognized \$135,000 (period ended December 31, 2024 - \$nil) in stock-based compensation expense to the unaudited interim condensed consolidated statements of net loss and comprehensive loss for the period ended December 31, 2025 in relation to the outstanding DSUs.

The following table summarizes the changes in the Company's DSUs for the periods ended December 31, 2025 and 2024:

	Number #
Balance – June 2024 and December 31, 2024	<u>nil</u>
Balance – June 30, 2025	-
Granted during the period	<u>1,500,000</u>
Balance – December 31, 2025	<u>1,500,000</u>
Exercisable at December 31, 2025	<u>nil</u>

Warrants

The following table summarizes the Company's warrants during the periods ended December 31, 2025 and 2024:

	Weighted average exercise price \$	Number of warrants #	Ascribed Value \$
Balance – June 30, 2024 and December 31, 2024	0.40	<u>569,926</u>	<u>165,000</u>
Balance – June 30, 2025 and December 31, 2025	0.68	<u>11,024,576</u>	<u>1,056,000</u>

The estimated fair value of the IPO Warrants issued during the year ended June 30, 2025 was \$0.085 per IPO Warrant, estimated using the residual value. The estimated fair value of the Compensation Warrants issued during the year ended June 30, 2024 was \$0.29 per Compensation Warrant, estimated using the Black-Scholes option pricing model. Expected volatility is based on actual volatility of similar companies.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

8 Shareholders' equity (continued)

The following weighted average assumptions were used in the Black-Scholes option pricing model:

	2024
Risk-free interest rate	3.95%
Expected volatility	112%
Expected dividend yield	-
Expected life	3.5 years

The IPO Warrants and Compensation Warrants expire on June 4, 2027.

9 Supplemental cash flow information

As at December 31, 2025, the Company's accounts payable included expenditures on resource properties of \$300,000 (June 30, 2025 – \$469,000) and share issue costs of \$nil (June 30, 2025 – \$680,460).

10 Financial instruments and other

Credit risk

The Company manages credit risk by holding its cash and cash equivalents with high quality financial institutions in Canada, where management believes the risk of loss to be low. The Company also has approximately \$2,350,000 of Mexican VAT receivable as at December 31, 2025 (June 30, 2025 – \$1,690,000). The Company has recorded the VAT to resource properties. The Company is pursuing collection, but given anticipated delays in processing and collection, management has determined that it is appropriate to reclassify this amount to the resource property to which the VAT paid is related. The timing and amount of the VAT ultimately collectible could be materially different from the amount recorded in the interim unaudited condensed consolidated financial statements.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

Management concluded that the Company has sufficient cash on hand to meet its obligations as they become due for the next 12 months, considering the Company's planned exploration activities on its resource properties. The Company has the ability to scale its exploration activities, and will do so as necessary, based on cash availability. The Company will need to raise further financing to fund future additional exploration and mine development activities.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

10 Financial instruments and other (continued)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

- Interest rate risk

The Company has no interest-bearing debt and is not exposed to any significant interest rate risk.

- Foreign currency risk

The Company operates in Mexico and incurs significant purchases in Canadian dollars, US dollars and Mexican Pesos, giving rise to foreign currency risk.

As at December 31, 2025, the Company held the following financial instruments in foreign currencies:

	US\$ (in US\$)	Pesos (in MxP)
Cash	37,248	43,860
Accounts payable and accrued liabilities	200,092	337,889

As at June 30, 2025, the Company held the following financial instruments in foreign currencies:

	US\$ (in US\$)	Pesos (in MxP)
Cash	568	-
Accounts payable and accrued liabilities	277,023	1,898,294

- Price risk

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

11 Subsequent events

- a) On January 27, 2026, the Company closed its previously announced acquisition of Sapuchi Minera S. de R.L. de C.V. (“Sapuchi Minera”) pursuant to (i) a definitive purchase agreement (the “Purchase Agreement”) dated November 21, 2025 to acquire Sapuchi Minera S. de R.L. de C.V. (“Sapuchi Minera”) from Osisko Development Corp. (“Osisko Development”) (the “Transaction”) and (ii) a share issuance agreement with OR Royalties International Ltd. (“OR International”), a wholly-owned subsidiary of OR Royalties Inc. (the “Share Issuance Agreement”) also dated November 21, 2025. Sapuchi Minera holds a 100% economic interest in the San Antonio Gold Project (“San Antonio” or the “Project”). The San Antonio Gold Project is a brownfield open-pit project located in Sonora, Mexico, with a history as a past-producing oxide copper mine from 2011 to 2018. Upon closing of the Transaction, Sapuchi Minera and OR International entered into an amended and restated stream agreement (the “Amended Stream Agreement”).

In accordance with the terms of the Purchase Agreement, the Company will acquire from Osisko Development all the issued and outstanding shares of Sapuchi Minera, which has a 100% economic interest in the Project. The consideration payable to Osisko Development under the Purchase Agreement consisted of the 15,325,841 common shares of the Company, resulting in Osisko Development owning 9.99% of the issued and outstanding common shares of the Company on January 27, 2026, upon completion of the Transaction. In addition, Osisko Development is entitled to the following contingent payments: (i) a cash payment equal to 70% of any Mexican value-added tax refund due and owing to Sapuchi Minera in respect of any period of time ending on or before the completion of the Transaction; (ii) contingent payments of up to \$4,000,000 in the aggregate, payable as follows: (A) \$2,000,000 payable in cash or Axo Copper common shares, at the Company’s option, upon the filing of a feasibility study on the San Antonio property prepared in accordance with NI 43-101, subject to a maximum number of 5,521,699 Axo Copper common shares, with any remaining difference to be paid in cash; and (B) \$2,000,000 payable in cash or Axo Copper common share, at Osisko Development’s option, upon the first gold pour being completed at the San Antonio property; and (iii) in the event that the Company completes one or more equity financings that result in aggregate gross proceeds of at least US\$10,000,000, the Company will issue to Osisko Development such number of Axo Copper common shares that would result in Osisko Development retaining its 9.99% interest in the Company on the initial US\$10,000,000 raised.

In accordance with the terms of the Share Issuance Agreement, in consideration for entering into the Amended Stream Agreement, Axo Copper issued 7,655,250 Axo Copper common shares, resulting in OR International owning 4.99% of the issued and outstanding Axo Copper common share on January 27, 2026, upon completion of the Transaction. In addition, following the completion of the Transaction, in the event that the Company completes one or more equity financings that result in aggregate gross proceeds of at least US\$10,000,000, the Company will issue to OR International such number of Axo Copper common shares that would result in OR International retaining its 4.99% interest in the Company on the initial US\$10,000,000 raised.

In connection with the Axo Copper common shares to be issued under the Transaction, each of Osisko Development and OR International has: (i) entered into a lock-up agreement providing for restrictions on the transfer of such Axo Copper common share for 12 months following the completion of the Transaction;

Axo Copper Corp.

Notes to Unaudited Interim Condensed Consolidated Financial Statements

For the six month period ended December 31, 2025

(expressed in Canadian dollars)

11 Subsequent events (continued)

and (ii) provided voting support for certain matters presented at meetings of the shareholders of the Company for 24 months following the completion of the Transaction.

In connection with the Transaction, the Company agreed to provide a non-interest bearing loan to Sapuchi Minera in order for it to satisfy any payments or obligations to the ejido community in respect of any parcel of the Project subject to ejidal or communal ownership that may become due or payable prior to the completion of the Transaction. At December 31, 2025, Axo Copper had advanced \$751,660 to Sapuchi Minera, which has been recorded as a non-interest bearing loan receivable.

Upon completion of the bought deal financing (the "Financing") described in Note 11 b) below and pursuant to the Purchase Agreement, the Company issued 2,363,516 Axo Copper common shares, for no cash consideration, to Osisko Development and pursuant to the Share Issuance Agreement, the Company issued 1,181,575 Axo Copper common shares, for no cash consideration to OR Royalties, representing 9.99% and 4.99% interests, respectively, in the initial US\$10,000,000 of the Financing.

- b) On February 19, 2026, the Company closed the Financing of 57,500,000 units at a price of \$0.70 per unit for gross proceeds of \$40,250,000. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$1.00 for a period of 18 months, subject to certain accelerator conditions, following the closing of the Financing.
- c) Subsequent to December 31, 2025, 1,000,000 common shares were released from trust pursuant to the La Gallina Rights Option Agreement.
- d) Subsequent to December 31, 2025, 475,000 IPO Warrants were exercised for total gross proceeds of \$332,500.
- e) On February 23, 2026, the Company granted 3,975,000 stock options to officers, directors and consultants of the Company having an exercise price of \$0.92 with a term of 10 years and vesting over 3 years.

