ARIZONA SONORAN
COPPER COMPANY

Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated)

Interim Condensed Consolidated Financial Statements

June 30, 2021

(Unaudited and expressed in thousands of United States Dollars, except where indicated)

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

	Note		June 30, 2021		December 31, 2020
ASSETS					
Current assets					
Cash		$	4,459	$	7,248
Restricted cash	4		200		-
Receivables			123		76
Prepaid expenses and other			88		24
Reclamation trust fund	7		-		2,028
			4,870		9,376
Other non current assets					
Mineral properties, plant & equipment, net	4,5		15,332		8,614
Right of use asset	6		20		-
Total assets		$	20,222	$	17,990
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	3,683	$	4,570
Lease liability	6		22		-
Debentures	3		7,368		-
			11,073		4,570
Other Liabilities- long term					
Debentures	3		-		6,345
Other long-term liabilities			-		88
			-		6,433
Total liabilities			11,073		11,003
SHAREHOLDERS' EQUITY					
Share capital	8		18,780		11,617
Reserves	8		3,662		2,277
Deficit			(13,293)		(6,907)
Total shareholders' equity			9,149		6,987
Total liabilities and shareholders' equity		$	20,222	$	17,990

Description of business and going concern (Note 1)
Commitments and contingencies (Note 10)
Subsequent events (Note 13)

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

Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in thousands of United States dollars, except share data)
(Unaudited)

		Three months ended		Six months ended	
		June 30,	June 30,	June 30,	June 30,
	Note	2021	2020	2021	2020
Salaries and wages	9	$ 1,367	$ 189	$ 1,736	521
Share based compensation	9	1,148	-	1,353	-
Professional fees		361	274	464	303
Directors fees		121	38	233	88
Investor relations and pre-IPO costs		301	52	712	108
Office and general expenses		42	107	72	145
Loss from operations		3,340	660	4,570	1,165
Other (income) expenses					
Accretion	3, 6	529	52	1,028	52
Finance expenses		261	88	521	287
Depreciation, depletion and amortization	4, 6	19	-	36	9
Loss on extinguishment of debt	8	-	-	325	-
Interest income		(2)	-	(4)	-
Government loan forgiveness		-	-	(90)	-
Loss and comprehensive loss for the period		$ 4,147	$ 800	$ 6,386	$ 1,513
Loss per share					
Basic and diluted		$ 0.10	$ 0.06	$ 0.16	$ 0.11
Weighted average number of common shares outstanding					
Basic and diluted		41,832,572	14,155,179	38,860,495	14,155,179

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

Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Expressed in thousands of United States dollars)
(Unaudited)

		Six months ended	
		June 30, 2021	**June 30, 2020**
Cash provided by (used in):			
Operating activities			
Loss for the period	$	(6,386)	$ (1,513)
Add back non-cash items:			
Share-based compensation		1,353	-
Accretion		1,028	-
Depreciation, depletion and amortization		36	9
Long-term incentive plan compensation		331	-
Changes in non-cash operating working capital items			
Receivables		(47)	34
Prepaid expenses and other		(64)	(381)
Accounts payable and accrued liabilities		(119)	853
Net cash used in operating activities		(3,868)	(998)
Investing activities			
Expenditures on mineral properties, plant and equipment		(4,698)	(613)
Escrow deposit for Arcus Copper Mountain Holdings LLC and LKY/Copper Mountain Investments Limited Partnership L.L.L.P.		(200)	-
Net cash used in investing activities		(4,898)	(613)
Financing activities			
Repayment of loans		(88)	-
Proceeds from private placement		1,935	38
Debt financing and transaction costs		-	1,573
Proceeds from Tembo/RCF pre-emptive rights		4,169	-
Transaction costs for private placements		(16)	-
Lease payments		(23)	-
Net cash provided by financing activities		5,977	1,611
Change in cash and cash equivalents		(2,789)	-
Cash at beginning of period		7,248	47
Cash at the end of period	$	4,459	$ 47

Supplemental cash flow information (Note 12)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in thousands of United States dollars, except share data)
(Unaudited)

	Number of common shares (Note 1)	Share capital	Contributed Surplus	Accumulated loss	Total
Balance at December 31, 2019	15,270,829	3,626	-	(1,803)	1,823
Issue shares for cash	31,577	38	-	-	38
Issue shares for service	52,083	63	-	-	63
Warrant reserve	-	-	51	-	51
CD equity reserve	-	-	28	-	28
Loss for the period	-	-	-	(1,513)	(1,513)
Balance at June 30, 2020	15,354,489	3,727	79	(3,316)	490
Balance at December 31, 2020	34,308,391	11,617	2,277	(6,907)	6,987
Issue shares for cash	6,869,981	6,107	-	-	6,107
Fair valuation of shares issued for cash	-	144			144
Transaction costs	-	(16)	-	-	(16)
Issue shares for service	868,170	928	-	-	928
Warrant reserve	-	-	148	-	148
Stock options reserve	-	-	222	-	222
RSUs reserve	-	-	684	-	684
Long-term incentive plan	-	-	331	-	331
Loss for the period	-	-	-	(6,386)	(6,386)
Balance at June 30, 2021	42,046,542	18,780	3,662	(13,293)	9,149

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

Note 1 – Description of Business and Going Concern

Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated) ("ASCU" or the "Company") is a private company focused on the assessment, consolidation, exploration, development, and eventual mining of the Santa Cruz Copper Mining District in southern Arizona. The Company changed its name to Arizona Sonoran Copper Company Inc. on July 12, 2021.

The Company was incorporated in British Columbia, Canada on April 3, 2019, and is the 100% parent company of both Arizona Sonoran Copper Company USA Inc. (formerly Elim Mining (USA) Inc.) ("ASCU USA") and Cactus 110, LLC. ASCU USA was incorporated in the state of Delaware in April 2019 and is the entity with activities in the US Cactus/Park Salyer mining area. Cactus 110, LLC, a Delaware company, was incorporated in May 2019 and holds titles to the Cactus/Park Salyer mining properties, and any additional 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 Company has no source of revenue and has significant cash requirements to meet its exploration plans and commitments, development activities, administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These factors include the discovery of economically recoverable reserves, the ability to complete development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Ownership interests in mineral properties involve risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral properties. The Company has investigated ownership of its mineral properties, and to the best of its knowledge, ownership of its interests is in good standing.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least twelve months from June 30, 2021. The Company has incurred operating losses and negative cash flows from operations since inception. In order to continue as a going concern, the Company must secure additional capital or otherwise pursue strategic restructuring, refinancing or other transactions to provide it with additional liquidity.

As at June 30, 2021, the Company had a working capital deficiency of $6,203. Included in current liabilities is $8,786 in debenture loans which are due within 12 months of June 30, 2021 (Note 3). During the six months ended June 30, 2021, the Company incurred a loss of $6,386 (six months ended June 30, 2020: $1,513) and used cash for operating activities of $3,868 (six months ended June 30, 2020: $998). The Company's financial position and the requirement for funding give rise to material uncertainties that may cast significant doubt upon the going concern assumption.

There can be no assurances that sufficient funding, will be available to maintain the US Cactus and Parks/Salyer mining areas and to cover general and administrative expenses necessary for the maintenance of the Company for at least twelve months from June 30, 2021.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the company be unable to continue as a going concern. Such adjustments could be material.

COVID-19 has caused many countries to implement measures to reduce the spread of the virus. As at the date of these consolidated financial statements, work stoppages and slowdowns are still impacting the world economy. The continuing impact and duration of COVID-19 and ongoing government responses to it remain uncertain. Consequently, the Company cannot predict the effect of unknown adverse changes to its business plans, financial position, cash flows, and results of operations during 2021 and beyond.

Note 2 – Basis of Preparation

These unaudited interim condensed consolidated financial statements (the "interim financial statements") have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") applicable to interim financial reports, including International Accounting Standard 34, "Interim Financial Reporting". The interim financial statements do not include all the notes normally included in the annual financial statements. These interim financial statements should be read in conjunction with the audited annual financial statements for the period ended December 31, 2020, which have been prepared in accordance with IFRS.

These interim financial statements have been authorized for issue by the Board of Directors of the Company on October 5, 2021.

Subsequent to the June 30, 2021 period end, the Company consolidated its share capital on a 3:1 basis. All share and per share amounts have been restated for the periods presented to reflect this consolidation.

Note 3 – Debentures

On July 10, 2020, the Company, Tembo Capital Mining GP III Fund ("Tembo"), and Resource Capital Fund ("RCF"), along with the assistance of Haywood Securities Inc. ("Haywood"), closed a $19,100 financing (the "Financing") comprising the following components:

- $5,100 equity investment (units comprising one share and one warrant);
- $8,786 debenture loan bearing interest at a 12% annual rate (with a bonus 0.64% net smelter royalty "NSR"*);
- $5,100 purchase of a 1.27% NSR; and
- $100 purchase of a 1.27% NSR purchase option with a $8,800 exercise price;

*The NSRs apply to all of the Company's currently owned mineral properties.

Both Tembo and RCF are considered related parties to ASCU due to their significant shareholding in the Company. As at June 30, 2021, Tembo and RCF owned 34.7% and 11.1%, respectively, of the outstanding shares of the Company.

(Unaudited and expressed in thousands of US Dollars, except for share data)

Debenture loan

As part of the Financing, the Company received $8,786 as a result of issuing debenture notes payable (the "Debenture Loan") bearing interest at a 12% annual rate, fully secured by the Company and its subsidiaries, and a January 17, 2022 maturity date. The Company has the option to pay the quarterly interest in cash or in shares, whereby the shares would be issued by converting the interest owed at $0.45 per share.

As part of the consideration for the Debenture Loan, a subsidiary of the Company provided a 0.64% NSR (the "Bonus NSR") to the lenders, which was determined to have a fair value of $2,500 based on the purchase price for the 1.27% NSR. The Bonus NSR fair value amount was recorded as a transaction cost directly against the Debenture Loan with the offset credited to mineral properties on the Statement of Financial Position. In addition, $779 of transaction costs were recorded against the debt.

	($)
Proceeds	8,786
Less: Bonus NSR	(2,547)
Less: transaction costs	(779)
Inception fair value - July 2020	5,460
Accretion	885
Carrying Value, December 31, 2020	6,345
Accretion	1,023
Carrying Value, June 30, 2021	7,368

Note 4 - Mineral Properties, Land and Water Rights

Lands known as AR Sacaton LLC, under the management of the ASARCO Multi-state Environmental Custodial Trust (the "Trust"), consisting of approximately 2,035 acres were purchased for $6,000, of which $2,000 was deposited in an escrow account (Note 7).

Additional lands have been purchased that were once part of the Sacaton Unit and are contiguous with the Trust lands. These lands consist of 423 acres as follows:

- From the Merrill Property Division, 160 acres to the south of the property, known as "Parks/Salyer", was purchased for $1,600.
- From Copper Mountain, 263 acres made up of 5 parcels was purchased for $2,600. Of this amount, $800 plus interest of $56 was paid on September 29, 2021.

The Trust lands were brought to the Company's attention by a consulting group TAGC Ventures LLC ("TAGC"). TAGC will be paid the remaining founder's fees of $1,100 if the following performance achievements are met, as follows:

Due upon completion of permitting	$300
Due upon start of commercial production	$500

(Unaudited and expressed in thousands of US Dollars, except for share data)

Due upon first anniversary of production start	$300

The founder's fee amounts will be capitalized as part of the land costs above. The first $200 was paid on July 10, 2020. 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 for an option to purchase 750 acres of land adjacent to the Cactus Mine. The total purchase price of $6,000 is currently scheduled to be paid in two separate disbursements; the first was paid on August 30, 2021, and the other is scheduled to be paid on September 30, 2021. For a deposit of $100, the agreement provided for a ninety-day due diligence period which expired May 3, 2021, at which time the $100 deposit became non-refundable.

On May 20, 2021, the Company's wholly owned subsidiary, Cactus 110 LLC, entered into an agreement with LKY/Copper Mountain Investments Limited Partnership LLP for an option to purchase 1,000 acres of land adjacent to the Cactus Mine. The agreement stipulates that the total purchase price of $20,000 be paid in three separate disbursements during the period commencing from the closing date of the agreement to the fifth anniversary of such closing date.

(Unaudited and expressed in thousands of US Dollars, except for share data)

Following is the detail of the mineral properties, plant and equipment:

	Mineral Properties - Land ($)	Capitalized Exploration Costs Assets ($)	Mine Fleet Light Vehicles and Equipment ($)	Office Furniture and Equipment ($)	Total ($)
Cost					
Balance as of 01/01/20	10,345	1,670	-	9	12,024
Additions/(Disposals)	(6,733)	5,218	149	-	(1,366)
Reclamation fund and additional land cost	(2,028)	-	-	-	(2,028)
Balance at 12/31/20	1,584	6,888	149	9	8,630
Accumulated depreciation, amortization and impairment					
Balance as of 01/01/20	-	-	-	-	-
Additions	-	-	(7)	(9)	(16)
Balance at 12/31/20	-	-	(7)	(9)	(16)
Net book value at 12/31/20	1,584	6,888	142	-	8,614
Cost					
Additions	2,152	4,563	19	-	6,734
Balance at 06/30/21	3,736	11,451	168	9	15,364
Accumulated depreciation, amortization and impairment					
Additions	-	-	(16)	-	(16)
Balance at 06/30/21	-	-	(23)	(9)	(32)
Net book value at 06/30/21	3,736	11,451	145	-	15,332

Following is the detail of net book value on June 30, 2021:

	($)
Mineral and land	
Cactus property	10,837
Parks/Salyer	1,568
Merrill 263	2,582
TAGC founders fee	200
Total accumulated costs	15,187
Vehicles and equipment and office furniture purchased	177
Less: accumulated depreciation	(32)
Net book value of Mineral Property, plant and equipment	15,332

Note 5 - Capitalized Exploration Expenditures

(Unaudited and expressed in thousands of US Dollars, except for share data)

The Company's mineral properties consist of capitalized exploration expenditures on the lands mentioned above as well as the real property that will make up the Cactus consolidation.

	($)
Balance December 31, 2019	1,670
Drilling	2,793
Exploration	654
Salaries and wages	627
Sample and assay	413
Geology	245
Operational	223
Engineering	135
Environmental	109
Travel	14
Office	5
Balance December 31, 2020	6,888
Drilling	1,768
Exploration	1,325
Salaries and wages	423
Sample and assay	658
Geology	92
Operational	192
Environmental	94
Travel	1
Office	8
Safety	2
Balance June 30, 2021	11,451

Note 6 – Leases

During the six months ended June 30, 2021, the Company recognized $40 as lease obligation and right-of-use asset, in connection with its office lease in Arizona. Total future lease payments over 12 months were discounted using a rate of 12%, which is the Company's incremental borrowing rate.

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

	($)
Initial recognition	40
Payments	(23)
Accretion	5
Balance June 30, 2021	22
Current portion	(22)
Non-current portion	-

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

(Unaudited and expressed in thousands of US Dollars, except for share data)

	($)
Initial recognition	40
Amortization	(20)
Balance June 30, 2021	20

Note 7 – Asset Retirement Obligations

Asset retirement obligations arise from the acquisition, construction and normal operation of mining property, plant and equipment, due to government controls and regulations that protect the environment and are primarily related to closure and reclamation of mining properties. The exact nature of environmental issues and costs, if any, which the Company may encounter in the future are subject to change, primarily due to the unknown impact of technology changes and because of the changing character of environmental requirements that may be enacted by governmental authorities.

The mitigation of environmental risk was a key factor in the acquisition of the Cactus property. The purchase of the approximate 2,035-acre 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. The Company intends to revitalize this property, without assuming any of the past liability, and bring it back into production. 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.

The Company had reached an agreement with the Trust whereby the current water pond that services activities at the mine site and the waste rock dump would not be closed until the Company made an economic decision whether to process the ore in the waste dump. As a result, $2,000 of the $6,000 million acquisition price was deposited in an escrow account to be used to reclaim the waste rock dump if the Company decided that there is no economic benefit in processing it.

On March 24, 2021, the Company provided written notice to the Asarco Multi-State Environmental Custodial Trust that ASCU had elected to proceed towards reprocessing the overburden and waste rock materials in accordance with the escrow agreement executed on July 10, 2020 in connection with the acquisition. As a result of such election, the Trust was entitled to receive a distribution of all the escrowed funds subject to this agreement. Upon issuing such notice, the Company reclassified the $2,000 escrow balance that had been recorded as additions to Mineral Properties.

Once future production plans are finalized and initiated, ASCU USA will be required to post a reclamation bond with the State of Arizona for future work. To date the Company does not have any reclamation liabilities.

Note 8 – Equity

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value. As at June 30, 2021, there were 42,046,542 common shares outstanding (December 31, 2020 – 34,308,391 common shares outstanding).

b) Issued Shares

The Company had the following share transactions during the six months ended June 30, 2020:

- During January and February 2020, the Company issued 52,083 common shares with a fair value of $63 for services.
- During March 2020, the Company issued 22,508 common shares for gross proceeds of $27.
- During April 2020, the Company issued 9,169 common shares for services valued at $11.

The Company had the following share transactions during the six months ended June 30, 2021:

- During January 2021, the Company issued 124,444 common shares for directors' fees outstanding as of December 31, 2020 of $56. The fair value of the shares issued was $0.90 per share, or $112, resulting in a loss on debt extinguishment of $56.
- During February 2021, the Company settled financing interest of $269 by issuing 596,851 shares (Note 9). The fair value of the shares issued was $0.90 per share, or $537, resulting in a loss on extinguishment of debt of $269.
- During March 2021, the Company completed a private placement by issuing 2,119,444 common shares for gross proceeds of $1,907. Transaction costs associated with these issuances were $16.
- During March 2021, the Company issued 4,632,621 common shares for gross proceeds of $4,169 as a result of Tembo and RCF exercising their pre-emptive rights (Note 9).
- During May 2021, the Company issued 48,125 common shares with a value of $72 pursuant to an employment agreement.
- During June 2021, the Company issued 114,583 units (consisting of one common share and one warrant with a $0.30 exercise price and three year term) to an employee for gross proceeds of $28. These shares were issued below fair value, resulting in an additional $144 being recorded as share based compensation. Also, during June 2021, the Company issued 98,750 common shares with a value of $207 pursuant to an employment agreement.

Stock Options

On July 7, 2020 (amended July 21, 2021), the Board of Directors implemented a stock option 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.

During the six months ended June 30, 2021, the Company granted 280,481 stock options to officers and consultants of the Company with a weighted average exercise price of $1.10 per option. The total fair value of the options granted was $218.

As at June 30, 2021, the Company has the following stock options outstanding:

(Unaudited and expressed in thousands of US Dollars, except for share data)

	Number of options outstanding		Weighted average exercise price
Balance, December 31, 2019	-	$	-
Granted	1,320,799		0.45
Balance, December 31, 2020	1,320,799	$	0.45
Granted	280,481		1.27
Balance, June 30, 2021	1,601,280	$	0.59

Details of stock options outstanding as at June 30, 2021 are as follows:

Date of grant	Expiry date	Exercise price	June 30, 2021 outstanding	June 30, 2021 exercisable
July 20, 2020	July 20, 2025	$0.45	903,182	387,048
July 20, 2020	July 20, 2025	$0.45	171,972	171,972
October 2, 2020	October 2, 2025	$0.45	116,666	116,666
November 12, 2020	November 12, 2025	$0.45	85,986	25,796
December 14, 2020	December 14, 2025	$0.45	42,993	42,993
January 4, 2021	January 4, 2026	$0.90	107,649	107,649
May 27, 2021	January 4, 2026	$1.50	76,166	45,700
May 27, 2021	January 4, 2026	$1.50	96,666	29,000
			1,601,280	926,824

As at June 30, 2021, outstanding stock options had a weighted average remaining life of 4.2 years (December 31, 2020 – 4.6 years).

The following assumption were used in a Black Scholes model for the valuation of stock options granted during the six months ended June 30, 2021:

	June 30, 2021
Annualized volatility	100%
Expected life in years	4.6 to 5 years
Dividend rate	0.00%
Risk-free rate	0.39% to 0.90%
Forfeiture rate	0.00%

Total stock-based compensation recognized related to stock options during the six months ended June 30, 2021 was $222 (six months ended June 30, 2020 - $nil).

c) Restricted Share Units

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

The 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.

During January 2021, the Company awarded 110,553 RSUs to the officers and directors of the Company. The fair value of the RSUs awarded was $99. The RSUs were valued based on the estimated $0.90 share price as at the date of grant. 30% of the RSUs vested immediately with the remaining 70% vesting over time based on certain financing and operational milestones being achieved.

During May 2021, the Company awarded 362,163 RSUs to the officers and directors of the Company. The fair value of the RSUs awarded was $438. The RSUs were valued based on the estimated $1.50 share price as at the date of grant. 229,516 of the RSUs vested immediately, with the remaining vesting over time based on certain financing and operational milestones being achieved.

As at June 30, 2021, the Company had 1,020,207 RSUs outstanding (December 31, 2020 – 547,486) of which 767,007 were vested and unissued (December 31, 2020 – 164,247).

Total stock-based compensation recognized related to RSUs during the six months ended June 30, 2021 was $559 (six months ended June 30, 2020 - $nil).

d) Warrants

On May 8, 2020, the Company closed the Convertible Debenture ("CD") Financing. Pursuant to the CD Financing the Company issued 1,270,602 warrants, and 34,716 broker warrants with a fair value of $48 and $1, respectively.

During June and July 2020, the Company issued 1,091,664 warrants with a fair value of $108 pursuant to the conversion of debt.

During the six months ended June 30, 2021, in exchange for employment services, the Company issued 114,583 warrants with a fair value of $148.

As at June 30, 2021, the Company has the following warrants outstanding:

(Unaudited and expressed in thousands of US Dollars, except for share data)

	Number of warrants outstanding		Weighted average exercise price
Balance, December 31, 2019	-	$	-
Granted	12,663,648		0.56
Balance, December 31, 2020	12,663,648	$	0.56
Granted	114,583		0.30
Balance, June 30, 2021	12,778,231	$	0.56

As at June 30, 2021 the Company had warrants outstanding to acquire common shares of the Company as follows:

Expiry Date	Exercise Price	Number of warrants June 30, 2021	Number of warrants December 31, 2020
May 8, 2023	$ 0.45	1,305,318	1,305,318
June 15, 2023	$ 0.30	916,664	916,664
June 26, 2023	$ 0.30	125,000	125,000
July 8, 2023	$ 0.30	50,000	50,000
July 10, 2023	$ 0.60	8,488,889	8,488,889
July 27, 2023	$ 0.60	1,777,777	1,777,777
June 8, 2024	$ 0.30	114,583	-
		12,778,231	12,663,648

As of June 30, 2021, outstanding warrants had a weighted average remaining life of 2.0 years (December 31, 2020 – 2.5 years).

The following Black Scholes assumption were used in the valuation of warrants granted during the six months ended June 30, 2021:

	June 30, 2021
Annualized volatility	100%
Expected life in years	3 years
Dividend rate	0.00%
Risk-free rate	0.53%
Forfeiture rate	0.00%

Note 9 - Related Party Transactions

During the six months ended June 30, 2021, 596,581 common shares were issued to Tembo and RCF to settle financing interest. An additional 4,632,621 common shares were issued as a result of Tembo and RCF exercising their pre-emptive rights (Note 8). As at June 30, 2021, the carrying value of $7,368 in debentures was payable to Tembo and RCF (Note 3).

(Unaudited and expressed in thousands of US Dollars, except for share data)

During the six months ended June 30, 2021, 271,319 (2020: 52,083) common shares with a fair value of $391 (2020: $63) were issued to directors and officers for services (Note 8).

The remuneration of the president and chief executive officer, chief financial officer, chief operating officer, and directors was as follows:

	Six months ended June 30, 2021 ($)	Six months ended June 30, 2020 ($)
Salaries and wages (1)	1,392	305
Salaries and wages capitalized as exploration	253	112
Share-based compensation*	1,003	-
Directors' fees	233	90
	2,881	507

*Share-based compensation includes shares issued for services, stock options, and RSUs.
(1) Includes severance amounts accrued and payable over the next 12 months to the Company's former CEO.

Note 10 – Commitments and Contingencies

If the Company achieves certain development milestones, the Company is obligated to make future payments to TAGC of up to $1,050 as discussed in Note 4.

The Company has future NSR obligations with respect to its Tembo/RCF financings, described in Note 3.

Note 11 – Operating Segments

As of June 30, 2021 and December 31, 2020, the Company is operating its business in one reportable segment: mineral exploration and development in the United States of America.

Note 12 – Supplemental Cash Flow Information

Non-Cash Investing and Financing Activities	Six months ended June 30, 2021 ($)	Six months ended June 30, 2020 ($)
Common shares issued for interest	537	-
Common shares issued for services	391	63

Note 13 – Subsequent Events

Subsequent to June 30, 2021, the Company:

a. Approved a share consolidation on a 3:1 basis. As indicated in Note 1, all share and per share amounts have been restated for the periods presented;

b. Changed its name to Arizona Sonoran Copper Company Inc. (Note 1);
c. Appointed a new President and CEO. Associated with this appointment were the following long-term incentives:
    - the grant of 250,000 stock options, vesting one-third on the grant date, one-third on the first anniversary, and one-third on the second anniversary. The options are exercisable for a period of 5 years, at an exercise price of $2.10
    - the grant of 166,666 RSUs, which vest based on certain financing and operational milestones being achieved;
d. Issued 6,666,666 shares from the exercise of warrants for proceeds of $4,000 and issued 2,222,222 incentive warrants with an exercise price of $1.95 for a period of three years;
e. Issued 128,979 shares from the exercise of stock options;
f. Granted 62,997 RSUs to directors and officers;
g. Paid $5,894 in connection with the closing of the Arcus property acquisition (see Note 4);
h. Issued 1,777,777 shares from the exercise of warrants for proceeds of $1,067 and issued 161,616 incentive warrants with an exercise price of $2.10 for a period of three years;
i. Received $6,000 from Tembo as proceeds from the full drawdown of a standby loan facility. Pursuant to this loan agreement, Tembo was issued 485,711 common shares in compensation and will receive cash interest at an annual rate of 8%; and
j. Paid $856 as the final installment of the Merrill note.