ARIZONA SONORAN COPPER COMPANY INC. (FORMERLY ELIM MINING INCORPORATED)
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2021

Introduction

The following Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated) (the “Company” or “ASCU”) Management Discussion and Analysis (“MD&A”) was prepared on October 5, 2021 and should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three and six months period ended June 30, 2021 which have been prepared in accordance with International Standard 34 - Interim Financial Reporting. All dollar amounts are expressed in thousands of United States dollars unless otherwise noted.

Contents

Overview

ASCU is an emerging U.S. copper producer and developer incorporated in British Columbia and based in Arizona. The Company's principal business objectives are the identification, acquisition, exploration, development and sustainable production of base metal properties in geographic regions known to have low geopolitical risk. The Company's principal asset is a 100% interest in the former Sacaton mine, now called the Cactus Mine (as defined below), which it acquired from the American Smelting and Refining Company Multi-state Custodial Trust ("ASARCO Trust") in July 2020. The Company's objective is to become a mid-tier copper producer in the medium term with low operating costs, develop a project that could generate robust returns for investors and provide a long term sustainable and responsible operation for the community and all stakeholders.

ASCU currently generates no revenues from its mineral properties. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. A description of significant risks may be found in the Company's annual financial statements and accompanying notes for the year ended December 31, 2020 and the period ended December 31, 2019.

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.

ASCU's future development plans and its ability to commence and sustain operations in the future are dependent on, amongst other things, the market price of copper. The prices of copper that are likely to be realized by the Company will affect future development, construction and production decisions, earnings, cash flows, the financial condition and prospects of ASCU.

The market price of copper is affected by numerous factors beyond ASCU's control. Some factors that affect the price of copper include: industrial demand, forward or short sales of copper by producers and speculators, future levels of copper production, and rapid short-term changes in supply and demand due to speculative or hedging activities by producers, individuals or funds.

Copper prices are also affected by macroeconomic factors including: confidence in the global economy; expectations of the future rate of inflation; the availability and attractiveness of alternative investment vehicles; the strength of, and confidence in, the US dollar, the currency in which the price of copper is generally quoted, and other major currencies; global political or economic events; and costs of production of other copper producing companies.

All of these factors can, through their interaction, affect the price of copper by increasing or decreasing the demand for or supply of copper. See "Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – Copper prices are volatile and may be lower than expected" in ASCU's prospectus dated September 27, 2021 (the "Prospectus").

Highlights – 2021 To Date

- On September 29, 2021, the Company paid $3,281 in connection with the Phase II and Phase III closings of the Arcus property acquisition and paid $856 (including interest) for the final installment of the Merrill note.

- On September 23, 2021, the Company received $6,000 from Tembo Capital Elim Co-Investment LP (together with Tembo Capital Mining GP III Ltd, “Tembo”) pursuant to the standby loan facility agreement. As stipulated in the agreement, Tembo will also receive 485,711 common shares in compensation for the full drawdown on the loan.

- On September 8, 2021, Haywood Securities (“Haywood”) exercised 1.78 million warrants at $0.60 for gross proceeds to the Company of $1,067. As an incentive to compensate Haywood for the time value of money lost in exercising these warrants well in advance of expiration, the Company issued 161,616 new three-year warrants to Haywood at an exercise price of $2.10 per warrant.

- On August 30, 2021, the Company paid $2,713 in connection with the Phase I closing of the Arcus property acquisition.

- Effective July 22, 2021, the Company appointed Rita Adiani as Senior Vice President Strategy and Corporate Development.

- On July 20, 2021, the Company consolidated its share capital on a 3:1 basis. All share and per share amounts have been restated for the periods presented.

- On July 12, 2021, the Company changed its name to Arizona Sonoran Copper Company Inc.

- On July 7, 2021, the Company closed a private placement and issued 238,095 common shares for $500, to an employee in respect of previously agreed contractual arrangements.

- On July 7, 2021, Tembo exercised 6.7 million warrants at $0.60 for gross proceeds to the Company of $4,000. As an incentive to compensate Tembo for the time value of money lost in exercising these warrants well in advance of expiration, the Company issued 2.2 million new three-year warrants to Tembo at an exercise price of $1.95 per warrant.

- Effective July 6, 2021, appointed George Ogilvie as President, Chief Executive Officer (“CEO”) and Director of the Company.

- On June 22, 2021, the Company and Tembo entered into a $6,000 standby loan facility. The interest rate is 8% and the funds are available for drawdown until December 31, 2021, at which time full repayment is due. For every $1,000 drawn the Company will issue shares on the following schedule:

    - First $1,000 - 100,952 shares
    - Second $1,000 - 92,380 shares
    - Third $1,000 - 83,809 shares
    - Fourth $1,000 - 75,238 shares
    - Each subsequent draw of $1,000 - 66,666 shares

- On June 8, 2021, the Company completed a non-brokered private placement of 114,583 units for gross proceeds of $28 to an employee in respect of previously agreed contractual arrangements. Each unit was comprised of one common share and one warrant entitling the holder thereof to acquire one common share at an exercise price of $0.30 per share.

- On May 20, 2021, the Company's wholly owned subsidiary, Cactus 110 LLC, entered into an agreement with LKY/Copper Mountain Investments Limited Partnership L.L.L.P 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 to the fifteenth anniversary of such closing date. Closing is anticipated in January 2022 and is contingent upon the successful completion of required zoning changes for the property.

- On March 24, 2021, the Company provided written notice to the ASARCO Trust that ASCU had elected to reprocess the overburden and waste rock materials contained in the Waste Dump ("Stockpile") in accordance with an escrow agreement executed on July 10, 2020. As a result of such election, the ASARCO Trust was entitled to receive a distribution of all the escrowed funds subject to this agreement.

- On March 19, 2021, the Company's two largest shareholders exercised their pre-emptive rights relative to the private placements that had occurred in December 2020 and March 2021. Tembo exercised its pre-emptive rights on both private placements, subscribing for 4.1 million shares at $0.90 per share for proceeds of $3,735. RCF Opportunities Fund LP ("RCF") exercised its pre-emptive rights on the March 2021 private placement only, subscribing for 0.48 million shares at $0.90 per share for proceeds of $434.

- On March 9, 2021, a second tranche of private placement was completed, primarily consisting of shares subscribed by a technical consortium (the "Consortium") composed of Samuel Engineering and Battle Born Materials LLC ("BBM"). The Company and Consortium had agreed in December 2020 that $1,900 of the fees payable for certain services on the Stockpile Project (see the "Stockpile Project" section of this report) were to be satisfied by issuing approximately 2.1 million common shares at the deemed price of $0.90 per common share. Subsequently, the Company and BBM agreed to pay cash for the fees that had been attributable to BBM ($900), however BBM would purchase ASCU shares at the same price.

- On February 2, 2021, the Company executed an agreement with Arcus Copper Mountain Holdings, LLC and several co-owners for an option to purchase 750 acres of land adjacent to the Cactus Mine. Pursuant to a reinstatement and amendment agreement dated May 17, 2021 and a letter of extension dated June 8, 2021, the agreement stipulates that the aggregate purchase price of $6,000 will be paid in three installments with the first installment to be paid on August 29, 2021 and the second and third installments to be paid on September 30, 2021.

Cactus Mine Project

The 100%-owned Cactus Mine Project ("Cactus Project" or "Project") is a porphyry copper project located on private land, near the city of Casa Grande, Arizona, USA. The city of Phoenix and Sky Harbor International Airport are situated approximately 55 miles to the north and Tucson is approximately 105 miles to the southeast. The property location provides easy access to infrastructure and amenities such as power, water, rail, roads and a skilled workforce. The Cactus Project covers approximately 4,000 acres.

The Cactus Project, previously known as the Sacaton Mine, was owned and operated by ASARCO from 1972-1984.The mine was shut down due to economic conditions. The property has since undergone a $20 million reclamation program under the guidance of the ASARCO Trust and the Arizona Department of Environmental Quality. The program reclaimed the majority of the property, including the tailings storage facility and the former milling facilities.

The core shack, return water impoundment and water wells, rail spur, power lines and roads are in good condition and have undergone some renovation since acquisition. The vent raise and shaft are still in place but have not been assessed since the initial shut down of Sacaton Mine. The Cactus Project has a completed environmental baseline study and work is steadily progressing through project permitting.

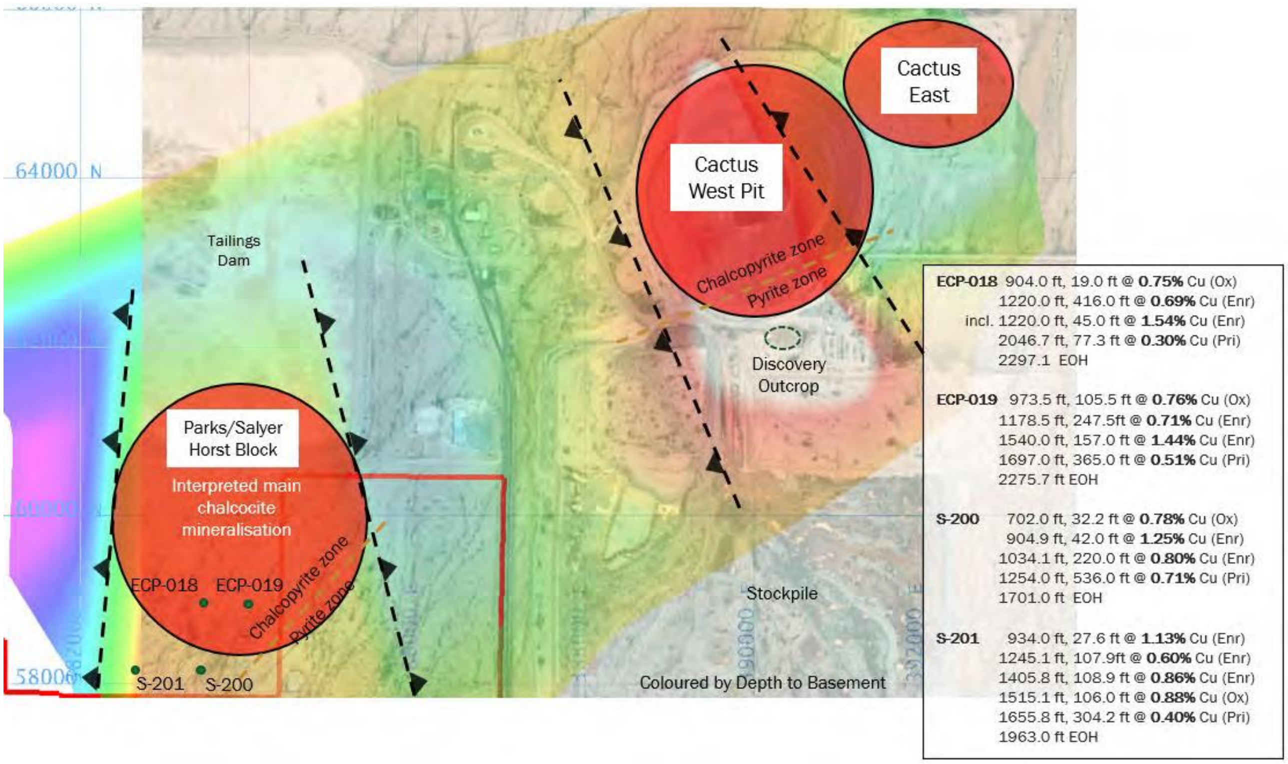
Since completion of the acquisition from the ASARCO Trust in July 2020, significant technical studies have been conducted to assess the economic viability of the Project and support an overall approach of a phased development plan. These studies include:

- The Stockpile Project:
  - Stockpile assessment, including associated resource estimation and metallurgical work for issuance of Preliminary Economic Assessment
- The Project:
  - Exploration drill programs of the Cactus West and East deposits and the North-East extension
  - Metallurgical testing of the Cactus West and East deposits
  - Mineral Resource Estimate of the Cactus deposits

A total amount of $11,451 has been incurred in capitalized exploration expenditures in respect of the Project. This includes the technical work required ahead of an integrated Preliminary Economic Assessment (PEA) which was completed in 2Q21 to ascertain initial project economics of all leachable ores including the Stockpile Project, Cactus West, and Cactus East. Finalization of the report is expected early 3Q21. Further details of the preliminary economic assessment are provided below.

Following completion of this milestone, the Company is advancing the Project through a Phase 1 and Phase 2 Work Program as outlined in the Planned Work Program section of this document to deliver the Pre-feasibility Study ("PFS") and Definitive Feasibility Study ("DFS") which are the key next milestones for in respect of the Work Program as outlined below.

The Parks/Salyer property is at exploration stage. The Company conducted an ionic leach soil geochemistry program over the Parks/Salyer property in 2019 on 325ft (100m) spacing. This confirmed soil geochemistry across the property for copper, molybdenum, silver and gold and a general northeast trend of the higher anomalous values. The Company followed up this work with two diamond drill holes in 2020. This extended the mineralization a further 900-100ft (275-300m) to the northeast of previously drilled mineralization. The figure below provides the location of the Parks/Salyer deposit relative to the Project and highlights the historic holes drilled (S-200 and S-201) and other two further exploration holes drilled into the deposit on the property to date.



The Company is advancing further exploration drilling in relation to the Parks/Salyer property in Phase 2 of the Work Program as outlined in the Planned Work Program section of this document (referred to as adjacent properties in the given table).

"**Cactus East**" herein means the mineral rights representing the Cactus East development as referred to in the context of the Cactus Project, previously known as the Sacaton East deposit;

"**Cactus West"** herein means the mineral rights representing the Cactus West development as referred to in the context of the Cactus project, previously known as the Sacaton West deposit;

"**Stockpile Project**" herein means the historic waste dump created through dumping of defined waste material from the mining of the old Sacaton open pit deposit. All oxide copper mineralization and sulfide copper mineralization below the working grade cut off of 0.3% copper (Cu) were deposited to the waste dump.

Stockpile Project

Resource Update

Infill drilling comprising a 200 foot drill spacing program was completed in 2Q21 in an effort to bring the Stockpile resource to an eventual Indicated status. Full results for this drill program will be available in 4Q21.

Preliminary Economic Assessment (PEA)

A Preliminary Economic Assessment is being finalized to ascertain initial project economics of all leachable ores. This PEA includes Cactus East, Cactus West, and the Stockpile Project, with Cactus East potentially being considered for underground mining methods, Cactus West as an open pit, and the stockpile as a surface rehandle deposit. All ore movements will report to surface leach pads, with process solutions subsequently flowing to a solvent extraction electrowinning ("SX/EW") circuit for the recovery of copper to LME Grade A standards.

The following are technical highlights of the PEA expected in 3Q21.

<u>Resource</u>

The following tables outline the resource numbers for the Cactus open pit, underground, and Stockpile Project.

Open Pit Indicated and Inferred Resource

Material Type	Tons (kt)	CuT (%)	TSol (%)	TSol_lb (klb)
Indicated				
Oxide	27,000		0.512	275,900
Enriched	39,200		0.822	643,800
Total Leachable	66,200		0.696	919,700
Primary	75,700	0.338		511,900
Total Indicated	141,900	0.505		1,431,600
Inferred				
Oxide	51,600		0.268	282,000
Enriched	48,100		0.405	390,100
Total Leachable	99,700		0.334	672,100
Primary	110,000	0.344		756,600
Total Inferred	209,700	0.339		1,428,700

Underground Indicated and Inferred Resource

Material Type	Tons (kt)	CuT (%)	TSol (%)	TSol_lb (klb)
Indicated				
Oxide	4,400		0.844	74,200
Enriched	3,300		1.101	72,000
Total Leachable	7,700		0.954	146,200
Primary	2,200	0.767		33,800
Total Indicated	9,900	0.912		180,000
Inferred				
Oxide	10,900		0.718	157,200
Enriched	7,000		1.136	158,500
Total Leachable	17,900		0.881	315,700
Primary	1,300	0.762		20,200
Total Inferred	19,200	0.873		335,900

Notes:

1. Whittle resources are inside the pit generated by Whittle and below present topography.
2. CuT means total copper and TSol means total soluble copper as the addition of sequential acid soluble and sequential cyanide soluble copper assays. Tons are reported as short tons.
3. Technical and economic parameters defining resource pit shell: copper price US$3.15/lb, mining cost US$2.45/t; G&A US$0.55/t, and 44°-46° pit slope angle.
4. Technical and economic parameters defining underground resource outside pit shell: copper price US$3.15/lb, mining cost US$28.93/t, and G&A representing 7% of direct costs.
5. Technical and economic parameters defining processing: Heap leach (HL) processing cost including selling US$1.77/t; HL recovery 83% of CuT; mill processing cost US$8.50/t.
6. Variable cutoff grades were reported depending on material type, potential mining method, and potential processing method. Oxide material within resource pit shell = 0.096% TSol; enriched material within resource pit shell = 0.098% TSol; primary material within resource pit shell = 0.205% CuT; oxide material outside resource pit shell = 0.56% TSol; enriched material outside resource pit shell = 0.70% TSol; primary material outside resource pit shell = 0.70% CuT.
7. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, sociopolitical, marketing, or other relevant factors.
8. The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there is insufficient exploration to define these inferred mineral resources as an indicated or measured mineral resource; it is uncertain if further exploration will result in upgrading them to an indicated or measured classification.
9. Totals may not add up due to rounding.

Total Cactus Stockpile Project Inferred Mineral Resources

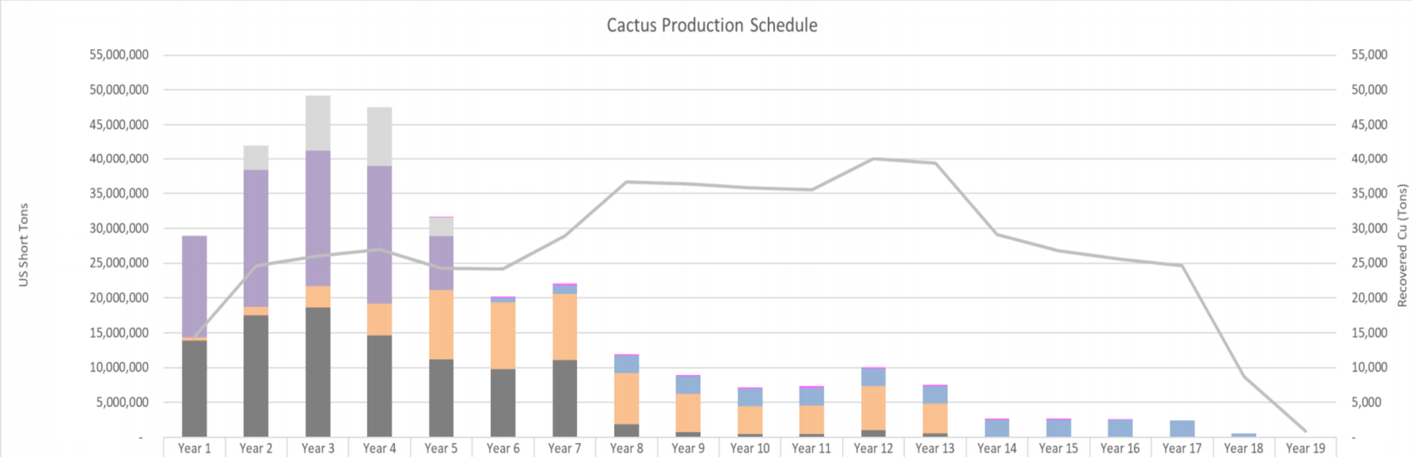
Tons (Kt)	CuT (%)	TSol (%)	CuAS (%)	CuCN (%)	CuT Metal (Klb)	TSol Metal (Klb)
	Inferred					
77,400	0.169	0.144	0.118	0.026	262,100	223,500

Notes:

1. There is a reasonable probability of eventual economic extraction of this resource using sulfuric acid leaching and SX/EW recover at a TSol cutoff of 0.095% and a copper price of US$3.15/lb.
2. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing, or other relevant factors.
3. The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there is insufficient exploration to define these inferred mineral resources as an indicated or measured mineral resource; it is uncertain if further exploration will result in upgrading them to an indicated or measured classification.

The following tables outline the Life-Of-Mine schedules for mining production and recoverable copper at the Cactus Project. Material sourced from the Stockpile Project will be mined first in conjunction with pit stripping and early ore. By year 5 the pit is fully in production, and the underground is in development by year 7 when the Stockpile is exhausted, and by year 8 the underground is in full production.

LOM Mining Volumes



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
UG Waste	-	-	-	-	129,400	194,200	194,200	194,200	194,200	194,200
UG Ore	-	-	-	-	-	630,005	1,266,31	2,520,04	2,519,98	2,519,96
External Stk - Waste	13,421	3,600,00	7,930,00	8,650,00	2,630,00	-	-	-	-	-
External Stk - Ore	14,560,0	19,730,0	19,530,0	19,690,0	7,731,94	-	-	-	-	-
Pit - Ore	442,000	1,189,00	3,113,00	4,540,00	9,982,00	9,662,00	9,455,00	7,353,00	5,464,00	3,987,00
Pit Waste	13,890,0	17,500,0	18,600,0	14,660,0	11,200,0	9,730,00	11,110,0	1,830,00	760,000	480,000
Recovered Cu Tons	14,385	24,660	26,061	26,954	24,287	24,162	28,900	36,625	36,332	35,813

	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19
UG Waste	194,200	194,200	194,200	194,200	194,200	85,700			
UG Ore	2,519,99	2,519,99	2,519,97	2,519,99	2,520,02	2,519,95	2,418,51	529,226	
External Stk - Waste	-	-	-	-	-	-	-	-	-
External Stk - Ore	-	-	-	-	-	-	-	-	-
Pit - Ore	4,094,00	6,305,00	4,276,00	-	-	-	-	-	-
Pit Waste	500,000	1,060,00	570,000	-	-	-	-	-	-
Recovered Cu Tons	35,545	40,043	39,383	29,124	26,803	25,551	24,599	8,666	851

Recoverable Copper Tons Schedule

Process Heap Leaching

Leach material mined from the Stockpile Project and new mining operations will be placed in 20 foot (6 meter) lifts on lined heap leach pads depending on an oxide or enriched designation based on soluble copper sequential assay.

Oxide material mined from the Stockpile Project is expected to be relatively fine (approximately 80% -1 inch based on bulk sampling) and freshly mined material from open pit and underground operations will be blasted to a -4 inch top size. The initial oxide materials pad is 8.5 million square feet (790 thousand square meters) to hold approximately 40 million tons of leach material, approximately 2-3 years of mined material. Initial leach material is predominantly coming from the

Stockpile Project with some open pit contribution as pre-stripping activities are initiated.

As enriched material is encountered in sufficient quantities, a second leach pad will be constructed for this material. A leach pad to hold approximately 6 million tons of enriched materials is planned for operation in Year 2 to allow for sufficient materials to be mined and will be built as part of the initial project installations. The capacity of the enriched pad is sufficient for the initial 5-6 years of material feed.

Material will be "as mined" from the new mining operations with no additional crushing or handling and stacked with mine trucks using an end dumping methodology. Mine blasting protocols will be evaluated to ensure a minimal occurrence (10%-15%) of plus 4 inch materials.

Placement of materials on the leach pads will be by truck dump and push methods. Surfaces will be ripped, and cross ripped to a depth of 6 feet (2 meters) to minimize surface compaction and surface permeability degradation. Fresh materials will be placed over previously leached materials, in 20 feet (6 meter) lifts. The height of the leach material on the pad will eventually reach 200 feet (61 meters) in overall height.

Processing by material is reflected by the following table.

Material	Source	Tons (Kt)
Oxidized	Stockpile Project	81,200
Cactus Project		
Oxide	Cactus West	46,800
	Cactus East	6,300
Enriched	Cactus West	23,100
	Cactus East	21,200
Totals		178,600

<u>Process Solvent Extraction/Electrowinning Plant</u>

The design basis for the Cactus SX/EW process plant is a modular facility. Metalex Technologies (METALEX), a company based in Santiago, Chile, designs and supplies small, modular, relocatable standard SX/EW plants for the recovery of copper was contacted for preliminary equipment sizing and costs for this PEA.

The solvent extraction (SX) plant is designed to process up to 3,000 gpm of pregnant leach solution (PLS) and be operated in a series/parallel configuration with a single stage of stripping.

Expected recoveries by material type and source are summarized below.

Material	Source	Acid Soluble Recovery	Cyanide Soluble Recovery
Oxide	Stockpile Project	90%	40%
Oxide	Cactus West, East	90%	72%
Enriched	Cactus West, East	90%	72%

The initial electro-winning (EW) plant will be able to produce 22,000 tpa of copper cathodes and accommodate a maximum designed production up to 25,000 tpa of copper cathodes (production Years 1-7). A future expansion to 35,000 tpa copper cathodes production expansion with a maximum production up to 40,000 tpa of copper cathodes is also considered in the design to accommodate higher grade open pit and underground materials in future (production years 8-18).

Copper EW is expected to require 36 cells, constructed of polymer concrete, and containing 87 cathodes (25 square feet plating area per cathode) and 88 anodes each, operating in series and connected to two parallel rectifier transformer units (32 kA/100 VDC). Expected current efficiency is 92% operating at a nominal 28 A/square feet current density (design 32 A/square feet). Cathode stripping from the permanent stainless-steel blanks will be done by a stripping machine that is of a semi-automatic, robotic design.

Copper cathode bundles of up to 4,500 lb to 5,500 lb each will be sampled, weighed, labeled, and strapped then placed in a secure area for pick up by a copper broker for transport and sale.

Capital Expenditures

The PEA reflects a total capital investment of $558 million over the life of the Cactus Project, with an initial construction cost of $124 million that includes $99 million for process construction. Supporting detail is provided in the table below.

			Year from Start of Construction			
CAPITAL COSTS	Unit	Total	**-2**	**-1**	0	**1**
Leachpad Infrastructure	US$ k	24,500	-	-	20,000	4,500
SXEW Facilities	US$ k	74,000	-	-	50,000	24,000
Capitalised Drilling - Cactus Orebodies	US$ k	7,833	5,014	2,819	-	-
Technical Studies	US$ k	4,101	2,697	1,404	-	-
Project/Other Costs	US$ k	2,583	1,003	1,580	-	-
OP- Capitalised Stripping	US$ k	47,085	-	-	-	20,835
UG-Capitalised Development	US$ k	29,124	-	-	-	-
Sustaining Capital - Leachpad Facilities	US$ k	74,600	-	-	-	-
Sustaining Capital - SXEW Facilities	US$ k	26,000	-	-	-	-
Sustaining Capital - Open Pit	US$ k	130,980	-	-	-	-
Sustaining Capital - UG	US$ k	108,752	-	-	-	-
Land Acquisitions	US$ k	27,475	7,000	7,525	7,950	-
TAGC Founders Fee	US$ k	1,100	-	-	300	500
Cash Reclamation	US$ k	5,000	-	-	-	-
Salvage Value	US$ k	(5,000)	-	-	-	-
Total CAPEX	**US$ k**	**558,132**	15,713	13,328	78,250	49,835

Permitting

The Cactus Project is situated on private land. Permitting for an operation on private land will require the following major permits and certifications:

- Arizona Department of Water Resources (ADWR)'s Withdrawal of Ground Water for Mineral Extraction & Mineral Processing Permit: This permit is required for ground water withdrawal for mining operations. This permit was obtained in April 2021 and covers the life of the Cactus Project.

- Arizona Department of Environmental Quality (ADEQ) Aquifer Protection Permit (APP): This permit is required for owners or operators of facilities that could discharge a pollutant directly to an aquifer or to a land surface or vadose zone where there is a reasonable probability that the pollutant will reach an aquifer. The permit is valid for the life of the facility. This permit has been obtained by ASCU for the Stockpile Project on July 29, 2021 and becomes effective upon demonstration of financial capability submitted along with an amendment application in respect of the full project. The relevant amendments for full project coverage to include expanded leach facilities, waste dumps and both open pit and underground infrastructure will be filed by ASCU and assessed by the ADEQ in due course.

- Dust Permit Pinal Air Quality Control Permit: This permit is required for operations that have the potential to generate fugitive dust. This permit is renewed yearly. This permit was obtained by the Company in January 2020.

- Arizona Pollutant Discharge Elimination System (AZPDES) permits (construction and Multi-Sector General Permit): This permit is for stormwater discharges that enter Arizona surface waters or a Municipal Separate Storm Sewer System. This permit was obtained for both the mine facility and the nearby shuttered TruStone facility which is situated on Company property.

- Pinal Air Quality Control Industrial Permit: This permit is required for operations that have the potential to generate PM10 and/or PM2.5 particulate matter that can affect air quality. This permit is renewed yearly and will be applied for by the Company in due course.

- Arizona State Mine Inspector Reclamation Plan: This permit relates to all metalliferous mining units and exploration operations with surface disturbances on private lands greater than five acres and will be applied by the Company in due course.

The Company continues to make good progress in relation to the permitting process and will continue to advance required applications as required as per the development plans.

Planned Work Program

The Company plans the completion of a PFS to advance the development of the Cactus Project based on recommendations as referred to in the "*Cactus Mine Project*" section in the Prospectus (defined herein as the prospectus issued in connection with the initial public offering of common shares).The recommendations for further work study programs have been divided into two phases in order to better define the goals and objectives, and assist in planning and budgeting the work. The recommendations are as included in the PEA.

The milestones comprise of Phase 1 which is the completed PFS and Phase 2 which is advancing the project to a DFS . Phase 2 is dependent on positive results from Phase 1. The Company also intends to undertake exploration drilling in relation to the Parks/Salyer property and at the North East Extension (which is part of the Cactus Project) as part of Phase 2. The most significant next milestone for the Company would be completion of the PFS and DFS which are indicatively due to complete in 2Q22.

The planned work program as recommended in the PEA requires expenditures in relation to drilling, lab testing (assaying and metallurgical), reassaying, technical study preparation and permitting in relation to advance the project. Further as outlined in the Highlights herein, certain payments are also required in order to complete agreed land acquisitions which will provides the Company with operational flexibility in relation to the site-layout of the Cactus Project.

The planned drilling for the Cactus Project (as summarized in the detailed tables below) comprises of over 30,000 metres of drilling targeted at converting the current inferred and indicated resources into measured and indicated resources to further de-risk the project and move towards detailed mine scheduling as required for the PFS and DFS.

Further expenditures in relation to metallurgical testing and re-assaying are targeted at obtaining required level of detailed information in relation to the process flow sheet and metal recovery rates to determine optimal leach cycles, acid consumption rates and optimizing the metal plan required for the PFS and DFS.

Further trade-off studies in respect of various areas are being undertaken as part of the technical studies to determine appropriate cost and capex inputs for the project. Front end engineering work will also need to be undertaken to establish detailed design parameters from a capex perspective. The purpose of the technical work program is to de-risk the Cactus Project with a view towards obtaining project financing for construction of the project (subject to a positive construction decision which is contingent on successful results from the next two phases of the work program).

Permitting work is targeted at advancing permits in conjunction with detailed engineering plans to ensure that such permits are available at the time of construction financing for the Cactus Project. The Company has also planned a 8,000 metre drill program at Parks/Salyer focused on step-out drilling and move towards declaration of maiden resources in relation to the deposit (subject to successful drill results) in the medium term.

The first table, directly below, captures all Phase 1 costs required to complete a PFS, whereas the second table reflects the additional Phase 2 costs for the DFS, including final detailed engineering and future exploration drilling on Parks/Salyer and the NE Extension. The first column indicates the spend in respect of 3Q21 expected to be undertaken in respect of Phase 1. The forward budget has been estimated for project expenditures commencing in 4Q21 for the next two phases of the work program. The results of the lab testing, particularly metallurgical, will form the basis to proceed the study to a DFS and Phase 2. At the end of Phase 2 the Company expects to have completed the DFS and assuming positive results from such studies, will then move towards a construction decision contingent on financing and permitting.

Phase 1PFS Costs

Phase 1 - PreFeasibility Study		
Budget Category	**Estimate Cost (US$ 000)**	
	Q3 2021	**Q4 2021**
Drilling	2,782	1,232
Project Support	396	276
Technical Studies	750	750
Lab testing (Assaying and Metallurgical)	493	198
Permitting	59	80
Land Payments	7,000	
Exploration - Adjacent Properties		
Total	**11,479**	**2,535**

Phase 2- DFS Costs

Phase 2 - Definitive Feasibility Study	
Budget Category	**Estimate Cost (US$ 000)**
Drilling	3,128
Project Support	750
Technical Studies	652
FEED Engineering	800
Lab testing (Assaying and Metallurgical)	398
Permitting	124
Land Payments	7,900
Exploration - Adjacent Properties	2,916
Total	**16,669**

Results of Operations

The loss and comprehensive loss for the six months ended June 30, 2021 was $6,386 or $0.16 per share compared with a loss of $1,513 or $0.11 per share during the same period in 2020. The following discussion should be read in conjunction with the accompanying interim condensed consolidated financial statements and related notes for the period.

The Company's loss from operations totaled $4,570 for the six months ended June 30, 2021, compared to $1,165 for the six months ended June 30, 2020. This increase of $3,405 was due to increases in salary and wages of $1,215 primarily due to severance costs accrued in connection with an employment separation package for the former CEO of the Company, an increase of $1,353 in share based compensation from stock options and restricted share units being granted to current and former directors, employees and consultants, and an increase of $604 in investor relations and IPO-related costs.

Summary of Quarterly Results

The following table sets out selected quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements. The Company's interim consolidated financial statements are prepared in accordance with IAS 34. Common share and per share amounts have been restated to give effect to the 3:1 share consolidation completed in July 2021.

Period	Revenues $	Loss for the period $	Loss per share (basic and diluted) $
2nd Quarter 2021	Nil	4,147	0.10
1st Quarter 2021	Nil	2,239	0.05
4th Quarter 2020	Nil	1,855	0.05
3rd Quarter 2020	Nil	1,736	0.06
2nd Quarter 2020	Nil	800	0.05
1st Quarter 2020	Nil	713	0.05
4th Quarter 2019	Nil	1,242	0.08
3rd Quarter 2019	Nil	503	0.03

The Company is in an early stage of restarting the Cactus Project and developing its Parks/Salyer property. Quarterly information is expected to vary based on the overall exploration and administrative activities. The principal cause of fluctuations in the Company's quarterly results is the expenditure levels on exploration and development projects, which directly impact the Company's administrative costs. The Company's activities significantly increased after securing the financing from Tembo and RCF in July 2020.

Three months ended June 30, 2021 as compared to the three months ended June 30, 2020

During the three-month period ended June 30, 2021, the Company had a loss of $4,147 compared to a loss of $800 for the three-month period ended June 30, 2020.

The Company's loss from operations totaled $3,340 during the three months ended June 30, 2021 compared to $660 during the three months ended June 30, 2020, an increase of $2,680. A significant portion of the increase is due to an increase in salaries and wages of $1,178 primarily due to severance costs accrued in connection with an employment separation package for the former CEO of the Company. The Company also incurred $1,148 in share-based compensation during the three months ended June 30, 2021. Share-based compensation costs during the three months ended June 30, 2020 were $nil.

During the three months ended June 30, 2021, the Company incurred other expenses such as the accretion of the loan amount from Tembo and RCF as well as interest expense. This resulted in a total of $790 of additional expenses during the three months ended June 30, 2021. Accretion and finance expenses incurred during the three months ended June 30, 2020 totaled $140.

Liquidity and Capital Resources

The Company's primary sources of capital resources are comprised of equity and debt. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations in the future. The Company currently has no source of revenue and has significant cash requirements to fund its development project capital requirements, exploration programs, administrative overhead, and to maintain its mineral properties in good standing. Please see Note 1 to the Company's June 30, 2021 Interim Condensed and Consolidated Financial Statements for a discussion of the risks associated with the Company's ability to continue operating as a going concern.

Although the consolidated financial statements are prepared on a going concern basis, this assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months. In order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital through debt or equity issuances or otherwise pursue strategic restructuring, refinancing or other transactions to provide it with additional liquidity. The Company has incurred operating losses and negative cash flows from operations since inception. For additional information regarding the Company's forecasted project expenditures, see "Use of Proceeds" and "General Development and Business of the Company".

Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. During the six-month period ended June 30, 2021, the Company incurred net cash outflows before financing activities of $8,766 (2020 - $1,611), and a loss of $6,386 (2020 - $1,513).

There can be no assurances that sufficient funding, including adequate financing, will be available to maintain the Cactus Project and Parks/Salyer mining areas and to cover general and administrative expenses for at least twelve months. During the first quarter of 2021 the Company closed a private placement, and more recently executed a $4,000 early warrant exercise and a $6,000 standby loan agreement with Tembo. The Company fully drew this standby loan facility in September 2021. The outstanding principal amount bears interest at a rate of 8.0% per annum, compounded daily, from the drawdown date up to and including the maturity date of December 31, 2021. There can be no guarantee that the Company will be able to continue to secure additional financing to be able to continue operations for the foreseeable future, and if so, on terms that are favorable.

Also in September 2021, the Company entered into a binding letter agreement with Haywood Securities ("Haywood Letter Agreement"). Pursuant to the terms of the Haywood Letter Agreement, Haywood Securities exercised its post-Consolidation 1,777,777 July 2020 in accordance with the terms thereof and paid the aggregate exercise price of US$1,067 to the Company in exchange for 1,777,777 post-Consolidation Common Shares. As consideration for the early exercise of the July 2020 Warrants, the Company issued to Haywood Securities 161,616 post-Consolidation Common Share purchase warrants ("Haywood Incentive Warrants"). Each Haywood Incentive Warrant entitles Haywood Securities to purchase one post-Consolidation Common Share at a price of US$2.10 per post-Consolidation Common Share for a period of three years following the issue date of the Haywood Incentive Warrants.

As at June 30, 2021, the Company's cash balance was $4,459 (December 31, 2020 - $7,248). The Company also reported a working capital deficit of $6,203, primarily due to the $7,368 carrying value of the Tembo/RCF debt due in January 2022. As noted above the Company expects to fully draw the stand-by loan agreement with Tembo, which together with proceeds from the exercise of the July Warrants by Haywood provide it with sufficient funding until completion of the Offering (as outlined in the Prospectus). The Company expects that the proceeds from the Offering will help rectify forecast working capital deficiency.

The table below outlines payments due by period for the Company. Full details of the debt repayments and Founder's Fees (see 2Q21 Interim Condensed Consolidated Financial Statements – Note 4) as outlined in the discussion above.

Payments Due by Period

Contractual Obligations	**Total**	**Less than 1 year**	**1–3 years**	**4 - 5 years**	**After 5 years**
Debt Repayments	$14,786	$14,786			
Founder's Fees - Land	$1,100		$800	$300	
Total	$15,886	$14,786	$800	$300	

The following table sets out a comparison of how the Company used the proceeds raised through private placements, an explanation of the variances and the impact of the variance on the ability of the Company to achieve its business objectives and milestones.

Intended Use of Proceeds	**Actual Use of Proceeds**
To advance the Company's properties and for general and administrative purposes.	During the year ended December 31, 2020 and the six month period ended June 30, 2021, the Company raised a total of $9.2 million and $2.4 million, respectively, from private placements. A significant proportion of these funds were spent on acquisition costs for the Project with remaining funds allocated towards drilling and advancement of project related studies and G&A.
Explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones	The funds raised have been used to fund the Company's acquisition of the Project and advance drilling, exploration and technical studies in relation to the Project, together with corporate G&A and working capital. The Company is expecting to release the Preliminary Economic Assessment and close on the purchase of the Arcus property, as outlined above, which were the key anticipated milestones in the context of the fundraising which has occurred to date

Capital Management

The Company's capital consists of debt and equity, which includes share capital, reserves and deficit. The Company's objectives are to ensure sufficient financial flexibility to achieve its ongoing business objectives including funding of future growth opportunities, pursuit of accretive opportunities, and to maximize shareholder return through enhancing share value.

The Company's Planned Work Program is as outlined above and represents the forecast project related technical expenditures (including committed land payments due over a period of time). The Company is an exploration stage company and has therefore not committed to any other long lead items or significant project expenditures. The Company manages its capital through its budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The Company has not engaged in or committed to any off-balance sheet transactions, arrangements, obligations (including contingent obligations) or liabilities. The forecast expenditure is anticipated to be met from the net proceeds of the Offering (as outlined in the Prospectus).

To achieve its objectives, the Company may issue new shares, adjust capital spending and acquire additional property. There is no assurance that these initiatives will be successful.

There were no changes to the Company's approach to capital management during the six months ended June 30, 2021.

Related Party Transactions

During the six months ended June 30, 2021, 271,319 (2020: 52,083) common shares were issued to directors and officers for services.

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.

New Accounting Policies Adopted

There were no changes in accounting policies, including initial adoption during the period.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Authorized and Issued Share Capital as at August 12, 2021

Issued and outstanding: 49,135,573 common shares

Options outstanding are as follows:

Number of options	Exercise price ($)	Expiry date
946,175	0.45	July 20, 2025
116,666	0.45	October 2, 2025
85,986	0.45	November 12, 2025
42,993	0.45	December 14, 2025
107,649	0.90	January 4, 2026
172,832	1.50	January 4, 2026
250,000	2.10	July 6, 2026
1,722,301		

Warrants outstanding are as follows:

,Number of warrants	Exercise price ($)	Expiry date
1,305,318	0.45	May 8, 2023
916,664	0.30	June 15, 2023
125,000	0.30	June 26, 2023
50,000	0.30	July 8, 2023
1,822,223	0.60	July 10, 2023
1,777,777	0.60	July 27, 2023
114,583	0.30	June 8, 2024
2,222,222	1.95	July 6, 2024
8,333,787		

Commitments and Contingencies

Based on the achievement of certain development milestones, the Company is obligated to make future payments to TAGC Ventures LLC of up to $1,050 in connection with the purchase of Trust lands. The Company is also obligated to pay net smelter royalties totaling 1.91% pursuant to the Tembo/RCF financing.

Key Accounting Estimates and Judgments

The preparation of the consolidated financial statements in accordance with IFRS 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 condensed consolidated 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, 2020.

Financial Instruments

The Company's financial instruments as at June 30, 2021 consist of cash, accounts payable and accrued liabilities, and Tembo and RCF debenture loans.

The Company’s cash is held in reputable Canadian and American financial institutions. The Company does not use derivative or hedging instruments to reduce its exposure to fluctuations in foreign exchange rates for the Canadian dollar.

Management of Risks and Uncertainties

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency risk, credit risk and liquidity risk. Where material, these risks are reviewed and monitored by the Board.

a) Currency Risk

Foreign currency risk can arise when the Company or its subsidiaries transact in currencies other than their functional currencies or have net financial assets or liabilities which are denominated in currencies other than their respective functional currencies.

As at June 30, 2021, the Company did not have any material foreign currency risk exposure in respect of its U.S. subsidiaries.

b) Credit Risk

As at June 30, 2021, the Company's cash was held through Canadian and American financial institutions with investment grade ratings. The expected credit loss related to these assets is negligible.

c) 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's financial liabilities are comprised of accounts payable, accrued liabilities and debt. The Company frequently assesses its liquidity position by reviewing the timing of amounts due and the Company's current cash flow position to meet its obligations. The Company manages its liquidity risk by maintaining sufficient cash and cash equivalents balances to meet its anticipated operational needs. The Company's accounts payable and accrued liabilities arose as a result of exploration and development of its exploration and evaluation assets and other corporate expenses. The Company's financial liabilities as at June 30, 2021 were $11,073 (2020 - $4,540) and were due within less than one year for each period.

Forward-Looking Information

This document contains "forward-looking information" within the meaning of Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. This information and these statements, referred to herein as "forward-looking statements" are made as of the date of this MD&A or as of the date of the effective date of information described in this MD&A, as applicable. Forward-looking information includes statements that use forward-looking terminology such as "may", "could", "would", "will", "intend", "plan", "expect", "budget", "estimate", "forecast", "schedule", "anticipate", "believe", "continue", "potential" or the negative or grammatical variation thereof or other variations thereof or comparable terminology. Such forward-looking information includes, without limitation, statements with respect to mineral resource estimates; targeting additional mineral resources and expansion of deposits; the capital and operating cost estimates and the economic analyses (including cashflow projections) from technical studies; the Company's expectations, strategies and plans for the Cactus Project, including the Company's planned exploration and development activities; the results of future exploration and drilling and estimated completion dates for certain milestones; successfully adding or upgrading mineral resources or reserves and successfully developing new deposits; the costs and timing of future exploration and development, including the timing for completion and commencement of production; the timing and amount of future production at the Company's projects; the timing, receipt and maintenance of approvals, licenses and permits from the federal and state government agencies and from any other applicable government, regulator or administrative body; the acquisition of the landholdings; future financial or operating performance and condition of the Company and its business, operations and properties; the intended use of the net proceeds for any offerings; the adequacy of funds from any offerings to support completion of initial development of the Company's projects and commence commercial production; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements.

Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management, in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, at the date of publication of the information including, without limitation, assumptions about: favorable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the development of the Company's projects and pursue planned exploration; future prices of copper and other metal prices; the timing and results of exploration and drilling programs; the accuracy of any mineral resource and reserve estimates; the geology of the Company's projects being as described in relevant technical documents; the metallurgical characteristics of the Company's projects being suitable for processing; the successful operation of the processing facility; production costs; the accuracy of budgeted exploration and development costs and expenditures, including to complete development of the infrastructure at the Company's projects; the acquisition of land for project advancement; the price of other commodities such as fuel; future currency exchange rates and interest rates; operating conditions being favorable, including whereby the Company is able to operate in a safe, efficient and effective manner; political and regulatory stability; the receipt of governmental and third party approvals, licenses and permits on favorable terms; obtaining required renewals for existing approvals, licenses and permits and obtaining all other required approvals, licenses and permits on favorable terms; sustained labor stability; stability in financial and capital goods markets; and availability of equipment. Whilst the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual actions, events, conditions, results, performance or achievements to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Furthermore, such forward-looking information involves a variety of known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information.

The Company cautions that the foregoing lists of important assumptions and factors are not exhaustive. Other events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by, the forward-looking information contained herein. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information.

When relying on the forward-looking statements, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on behalf of the Company, except as required by law.

Approval

The Board of Directors of Arizona Sonoran Copper Company Inc. has approved the disclosure contained in this MD&A.