ARIZONA SONORAN COPPER COMPANY INC.

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE-MONTHS ENDED SEPTEMBER 30, 2022

Table of Contents

INTRODUCTION

The following Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated) ("ASCU" or the "Company") Management Discussion and Analysis ("MD&A") was prepared as of November 10, 2022 and should be read in conjunction with the unaudited interim condensed consolidated financial statements ("Financial Statements") of the Company as at and for the three and nine-month period ended September 30, 2022, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and including International Standard 34 - Interim Financial Reporting. All dollar amounts are expressed in United States dollars unless otherwise noted. Additional information relating to the Company is available on the Company's website (www.arizonasonoran.com) and System for Electronic Document Analysis and Retrieval ("SEDAR") – (www.sedar.com). The Company trades on the Toronto Stock Exchange ("TSX") under symbol "ASCU" and the OTCQX under the symbol "ASCUF."

ASCU is an emerging U.S. copper advanced stage exploration company intending to build a scalable, multi-phase, multi-billion-pound copper porphyry project on private land in the infrastructure-rich state of Arizona. The Company holds 100% ownership in both the Cactus Mine Project (comprised of private land and a state land lease) and the Parks/Salyer Property ("P/S" or "P/S Project") in Pinal County, Arizona.

Certain statements made may constitute forward-looking statements. Such statements involve a number of known and unknown risks, uncertainties and other factors. Actual results, performance and achievements may be materially different from those expressed or implied by these forward-looking statements. A description of significant risks may be found in the Company's Annual Information Form for the year ended December 31, 2021 and in "Risks and Uncertainties" below.

Except where otherwise indicated, ASCU's exploration programs and pertinent disclosure of a technical or scientific nature are supported by Mr. Allan Schappert, Stantec, for the mineral resource and Mr. Russell Alley, MAG, for metallurgy, both of whom are Qualified Persons as defined by National Instrument 43-101– Standards of Disclosure for Mineral Projects.

DEFINITIONS

"**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.

"**Parks/Salyer Property"** herein means the mineral rights representing the porphyry copper deposit, located immediately southwest of the Cactus Project on contiguous private land in Arizona, USA. The P/S Project is located 1.3 mi (2 km) SW from the Cactus open pit along the mine trend and demonstrates the same geological characteristics.

"**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) was deposited to the waste dump.

COMPANY HIGHLIGHTS – 2022 TO DATE

Corporate Updates

- On May 3, 2022, the Company announced it has received Depository Trust Company eligibility which facilitates settlement transfers and electronic clearing of ASCU common shares within the USA.

- On May 13, 2022, the Company finalized its strategic partnership announced on April 28, 2022 with Rio Tinto focused on Rio Tinto's Nuton™ venture following the closing of the non-brokered private placement for total gross proceeds C$35 million ("the Offering"). Nuton™ offers a portfolio of proprietary copper leach related technologies and capability developed by Rio Tinto to deliver increased copper recovery and leading environmental performance.
  - Under the Offering, 17,500,000 Common Shares were issued at a subscription price of C$2.00 per share. Rio Tinto and Tembo Capital Elim Co-Investment LP (together with Tembo Capital Mining GP III Ltd, collectively "Tembo") subscribed for 6,400,000 Common Shares and 3,911,916 Common Shares, respectively. Other institutional investors subscribed for 7,188,084 Common Shares.
  - Rio Tinto holds 7.2% of the outstanding share capital of the Company, and although participating in the Offering, Tembo reduced its holding from 37.6% to 34.6% in the Company.
  - The Company will use the net proceeds from the Offering as previously outlined to fund additional drilling, exploration, project and study work related to the Company's Cactus Mine Project and P/S Project, and for general corporate purposes.

- On June 22, 2022, the Company held its AGM and its shareholders voted in favour of the business presented at the meeting, being the appointment of PricewaterhouseCoopers LLP as Auditors of the Company, setting the number of Directors to six and re-election of all directors.

Exploration Updates

- On April 5, 2022, ASCU announced an additional 2 drill holes (4,725 ft | 1,440 m) from a 12-hole program at the P/S Project totaling six holes reported from the initial drill program of 24,000 ft (~7300 m) aimed to test the extension of the porphyry copper system from the southern border of the P/S Project along the mine trend towards the Cactus Mine and within the newly defined Exploration Target Area. Highlights of the holes were as follows:

  - **ECP-057:**
    - 199.4 ft @ 0.86% CuT, 0.81% TSol, 0.033% Mo – Oxides
      - Incl.102.0 ft @ 1.04% CuT, 0.97% TSol, 0.028% Mo – Oxides
    - 302.0 ft @ 1.23% CuT, 1.21% TSol, 0.021% Mo – Enriched
      - Incl. 10.0 ft @ 7.95% CuT, 7.94% TSol, 0.112% Mo
    - and 75 ft @ 1.65% CuT 1.64% TSol, 0.037% Mo
      - 427.0 ft @ 0.19% CuT, 0.009% Mo – Primary
  - **ECP-065:**
    - 439.7 ft @ 0.92% CuT, 0.90% TSol, 0.033% Mo – Enriched
      - Incl. 85.0ft @ 1.43% CuT, 1.40% TSol, 0.042% Mo
    - and 137.0 ft @ 1.19% CuT, 1.17% TSol, 0.053% Mo
      - 687.7 ft @ 0.23% CuT, 0.005% Mo – Primary

- On May 2, 2022, ASCU announced results of 25 drill holes (30,926 ft | 9,426 m), from its now complete Cactus Prefeasibility Study ("PFS") infill drilling program.
    - The PFS drilling program tightened the drill spacing within the entire integrated Preliminary Economic Assessment ("PEA") mine plan, including Cactus East and West and the Stockpile, with the intent of upgrading the Inferred mineral resources to Indicated mineral resources. As a result of tighter drill spacing, data shows an improved resolution of lithological, structural, and mineral zonation controls. Additionally, drilling to support further metallurgical and geotechnical test work was undertaken.
    - Drilling improved definition of various host lithologies that potentially affect acid consumption in the heap leaching process. The majority of mineralization is hosted in granite and monzonite porphyry which to date has indicated low acid consumption characteristics. Infill drilling was performed within expectations with no significant changes to the global interpretations supporting the previously reported resource model. Drilling Highlights are as follows (please see press release dated May 2, 2022 on SEDAR for full set of drilling results):
        - **ECE-053:** 200.9 ft. of 1.28% CuT, 0.91% TSol (Enriched – underground)
        - **ECE-051**: 90 ft of 1.56% CuT, 1.45% TSol (Enriched – underground); incl. 40 ft of 2.53% CuT, 2.38% TSol
        - **ECW-032:** 465.7 ft of 0.27% CuT, 0.24% TSol (Oxides – open pit); incl. 104.0 ft of 0.40% TSol
        - **ECW-056:** 462.9 ft of 0.31% CuT, 0.25% TSol (Oxides – open pit)
        - **ECW-036:** 617.0 ft of 0.21% CuT, 0.19% TSol (Oxides – open pit); and 351.0 ft @ 0.37% CuT (Primary)

- On June 23, 2022, the Company announced an additional 3 drill holes (6,440 feet | 1,960 metres) from its initial 12- hole exploration program at the P/S Project, while a new 80,000 ft (24,400 m) program is well-underway at the P/S Project. The new drilling program tests the extents of the previously defined exploration target (see press release dated Feb 10, 22 also summarized below), from the southern border of P/S Project and in a north-eastern trend towards the Cactus Mine, at 500 ft centres. Assays are pending on an additional 12 holes. Highlights of the results are as follows:
    - Drilling supports the upper end of the exploration target's volumetric calculation below, currently defined to be at least 1,500 ft by 2,000 ft and within 2 km from the Cactus Mine.
        - 40-90 million ("M") tons of potential leachable material @ 1.05%-1.3% total soluble copper ("TSol") for potential of 1.0-2.35 billion ("B") lbs. of contained copper
        - 8-35 M tons of potential primary material @ 0.85-1.05% copper per ton ("CuT") for 0.15-0.75 B lbs. of contained copper
        - Hole ECP-079 together with ECP-061, confirms east-west continuity for 1,500 ft width.
        - ECP-086 and ECP-092 logging results suggest an additional 1,000 ft of mineralization to the east for a potential width of 2,500 ft.
    - **ECP-79:** 479 ft @ 1.32% CuT, 0.90% TSol, 0.017% Molybdenum ("Mo") (enriched)
        - and 225 ft @ 0.96% CuT, 0.63% TSol, 0.039% Mo – Primary (cut off by Basement Fault)
    - **ECP-61:** 474 ft @ 0.89% CuT, 0.83% TSol, 0.026% Mo – (enriched)
        - and 690 ft @ 0.33% CuT, 0.011% Mo – Primary
    - **ECP-68:** 324 ft @ 1.10% CuT, 0.96% TSol, 0.005% Mo – (enriched)
        - and 753 ft @ 0.63% CuT, 0.016% Mo – Primary
        - ECP-068 shows a thickening to the southeast of grades previously intersected in historic hole S-200

- On July 11, 2022, the Company entered into a one-year exclusivity period with Nuton^{TM}, a Rio Tinto Venture, ("Rio Tinto"/ "Nuton^{TM}"). The exclusivity was triggered by successfully modelling the Cactus and P/S Project ore samples and achieving the previously contemplated indicative metallurgical recoveries of at least 72% (copper recovery to cathode), under the investor rights agreement signed with Rio Tinto and filed on SEDAR. Nuton^{TM} will continue to test the application of its copper heap-leach related technology to the primary sulphides component of the Cactus Mine and P/S Properties through column leaching and scoping out capital and operating costs and design parameters.

- On August 23, 2022, the Company announced assays from the final 6 drill holes at the P/S Project to complete its initial 12-hole (27,722.6 ft | 8,450 m) exploration program. These results extend mineralization to the north and the west of the P/S Exploration Target and demonstrate the continuity of grade and tonnage within the porphyry copper target located 1.3 mi (2 km) from the Cactus Mine. The Company continued its 500 ft (152 m) centre program to the west and eastward onto newly leased land with an additional 14 – hole program.

- On August 30, 2022, the Company released an additional 7 drill holes from the Cactus East, Cactus Mine Project infill drilling program. The current drill program is designed at 125 ft (38 m) centres to generate measured mineral resources. These results support the previously defined thick and high-grade intercepts outlined within the underground Cactus East resource. Cactus East is located, at depth, immediately to the northeast of the historic Sacaton pit.

- On September 7, 2022, the Company released assays from 9 drill holes from the 14-hole expanded exploration program at P/S, located ~1.3 mi (2 km) southwest of the Company's Cactus Mine Project. Drilling extended mineralization east by up to 1,000 ft (300 m) onto the Bronco Creek ("BCE") land, a part of the P/S Project which was acquired earlier this year.

- On September 13, 2022, the Company released results of 7 drill holes from the Cactus East, Cactus Mine Project infill drilling program. The Company believes the new set of assays continue to support the previously defined geological interpretations with thick and high-grade intercepts outlined within the underground Cactus East orebody, immediately to the northeast of the historic Sacaton pit. Infill drilling is targeting 125 ft (38 m) spacing with the goal of generating measured mineral resources.

- On September 28, 2022, the Company declared its maiden inferred mineral resources of 143.6 million tons at 1.015% Cu containing 2.92 billion pounds Cu.
  - The inferred mineral resources consist of:
    - Leachable: 2.46 billion pounds of 1.066% total soluble copper
    - Primary Sulphides: 0.45 billion pounds at 0.804% total copper
  - Inferred Resources at Parks/Salyer are comprised of oxide, enriched and primary mineral zones; the oxides and enriched material are considered amenable to heap leach processing methods. A revised Technical Study to include Cactus and P/S is expected in the next 12-18 months. See "Cactus Mine Project – Parks/Salyer" below and September 28, 2022 press release on SEDAR for further details.

- On November 2, 2022, the Company released assays from 3 drill holes from its infill to indicated drilling program at the P/S Project. Results from these drill holes were included in the Inferred Mineral Resource Estimate ("MRE") reported on September 28, 2022.

- On November 10, 2022, the Company filed the technical report in connection with the Parks/Salyer MRE on SEDAR.

OUTLOOK

As of November 10, 2022 the Company had cash of $23.0 million. The Company has sufficient financial resources to carry out the Company's its non-discretionary activities over the next twelve months. The Company may require financing to achieve all of its planned operational and strategic activities in the form of debt, equity, or a combination thereof.

The Company continues to progress its planned work programs with key milestones expected to be as follows:

- Rescoping of the PFS based on the Cactus Project to include the P/S Project;
- Continued exploration drilling within the Cactus West, Cactus East, Stockpile and Parks/Salyer Projects; and
- Permitting at the state and county level within Arizona.

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 75 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 itself covers approximately 4,000 acres (with the remainder of the land package covering additional exploration properties).

The exploration program for the Cactus Project is comprised 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 Definitive Feasibility Study ("DFS").

In 2022 year-to-date, work programs undertaken to support the ongoing PFS were as follows:

1. In respect of the Stockpile Project, assay results from the infill drilling program continue to be received to support the phased development plans of the Cactus Project.

2. Infill drilling at Cactus West and East using diamond drilling for 18,247 feet (5,561 meters) to support upgrading of the resource classification of material for the planned mineral resource update. This has been completed as of May 2, 2022.

3. Further trade-off studies in respect of various areas are being undertaken as part of the technical studies to determine appropriate operating and capital cost estimates for the project. Front-end engineering work will also need to be undertaken to establish detailed design parameters from a capital cost perspective.

Expenditures at the Cactus Project in the nine-month period ended September 30, 2022 and 2021

The following table sets forth a breakdown of material components of expenditures incurred at the Cactus Project in the nine-month period ended September 30, 2022 and 2021.

	9-Months	
	September 30, 2022	**September 30, 2021**
Exploration	$ 14,876	$ 4,011
Drilling	7,874	3,526
Salaries and wages	1,100	648
Operational	573	106
Sample and assay	16	126
	$ 24,439	$ 8,417

In the nine-month period ended September 30, 2022, total expenditures at Cactus Project increased to $24.4 million, compared to $8.4 million during the same period in 2021. The 2022 expenditures were higher than in 2021 due to increased project expenditures overall to support the ongoing PFS, LKY land agreements, BCE option payments and higher drilling to support the maiden resource at the P/S Project.

Cactus East, Cactus West and Stockpile

The Company completed a PEA in Q3/2021 that ascertains initial project economics of all leachable ores including the Stockpile Project, Cactus West, and Cactus East. Further details of the PEA are provided below. The Company is currently advancing the Cactus Project to a PFS and plans to subsequently compile a DFS stage (subject to a positive outcome from the PFS).

- The Company has completed 25 drill holes (30,926 ft | 9,426 m) from its Cactus PFS infill drilling program. See press release dated May, 2, 2022 on SEDAR for further details.
  - The PFS drilling program tightened the drill spacing within the entire integrated PEA mine plan, including Cactus East and West and the Stockpile, with the intent of upgrading the Inferred mineral resources to Indicated mineral resources. As a result of tighter drill spacing, data shows an improved resolution of lithological, structural, and mineral zonation controls. Additionally, drilling to support further metallurgical and geotechnical test work was undertaken.
  - Drilling improved definition of various host lithologies that potentially affect acid consumption in the heap leaching process. The majority of mineralization is hosted in granite and monzonite porphyry which to date has indicated low acid consumption characteristics. Infill drilling was performed within expectations with no significant changes to the global interpretations supporting the previously reported resource model. Drilling Highlights are as follows (please see press release dated May 2, 2022 on SEDAR for full set of drilling results):
    - **ECE-053:** 200.9 ft. of 1.28% CuT, 0.91% TSol (Enriched – underground)
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    - **ECW-036:** 617.0 ft of 0.21% CuT, 0.19% TSol (Oxides – open pit); and 351.0 ft @ 0.37% CuT (Primary)

Parks/Salyer

The P/S Project is an exploration stage asset. In 2020, ASCU drilled two exploration holes to the north of two historic ASARCO drill holes. These holes successfully intersected well mineralized porphyry copper mineralization over significant widths. In 2021, the Company began exploring the P/S Project with 500 ft

(152 m) spaced drilling to test its defined Exploration Target. The Exploration Target presented the potential of a second underground operation on the Cactus Mine Project private property. In total, 31 drill holes over 66,507 ft (20,271 m) were used to define the P/S target for its maiden inferred MRE. The Company released its maiden inferred MRE on the project on September 28, 2022 consisting of 143.6 million tons at 1.015% Cu containing 2.92 billion pounds Cu.

Due to the significant increase in the Company-wide Mineral Resources, the oxide and enriched material at P/S will be considered for inclusion in a future technical study incorporating both the Cactus and Parks/Salyer deposits. Future studies will be based on the expanded leachable inventory, heap leaching and SX/EW process methodology. An integrated technical study is expected to be completed in the next 12-18 months. The primary sulphides are currently being tested for leachability (based on the Nuton™ technology) and may form the basis of further project upside.

- Parks/Salyer inferred underground MRE is summarized as follows (values may not add due to rounding):

Inferred Resource	Tons (kt)	CuT (%)	Cu TSol (%)	Contained Cu (k lbs)	Contained Cu (k Tons)
Oxide	14,100	-	0.827	233,700	117
Enriched	101,200	-	1.100	2,227,200	1,113
Leachable	**115,400**	**-**	**1.066**	**2,460,900**	**1,230**
Primary	28,300	0.804	-	454,400	228
Total Inferred	**143,600**	**1.015**	**-**	**2,915,400**	**1,458**

Management estimates that the high-grade nature of Parks/Salyer's mineral resource inventory offers significant potential to increase scale within an integrated operation at conservative copper price estimates. The Company will continue advancing work study programs, specifically, metallurgical and geotechnical test work, hydrology, permitting, infill drilling and associated projects to advance the combined Cactus and P/S Project through the technical study phases.

The MRE was prepared by Stantec in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards and National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101"). Due to the proximity of P/S to the Cactus Mine, and associated future shared infrastructure, the P/S MRE is stated as an inferred mineral resource in a new technical report in conjunction with the Cactus MRE effective August 31, 2021. The Cactus Mine Project economics are as of the date as contained in the technical report titled "Arizona Sonoran Copper Company, Inc. Cactus Project, Arizona, USA Preliminary Economic Assessment" with an effective date of August 31, 2021 (the "2021 Technical Report"). The new technical report covering the Cactus Mine Project and Parks/Salyer, was filed on November 10, 2022.

Preliminary Economic Assessment

A PEA was finalized in Q3/2021 that ascertains initial project economics of all leachable ores. The 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 Project as a surface rehandle deposit. All mineralized material 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 cathode standards.

- The PEA is summarized under Table 2 (Economic Analysis Summary), Table 3 (LOM Plan Summary) and the following key points:

Table 2: Economic Analysis Summary (Estimates)		
Assumption / Outcome	**Value / Results**	**Value / Results**
Copper Price	US$3.35/lb. (Base Case)	US$4.55/lb.
Post Tax Internal Rate of Return ("IRR")(%)	33%	56%
Post Tax Net Present Value ($NPV_{8\%}$)	US$312 million	US$678
Post Tax Cumulative Life of Mine ("LOM") Free Cash Flow *("FCF"), Net of Initial Capital*	US$960M	US$1.83 billion
Initial Construction Capital Expenditures ("CAPEX")	US$124M	US$124M
Payback Period	3.5 years	1 year
Operating Costs *(Per Ton Processed)*	US$9.06/Ton	US$9.06/Ton
Average Cash Cost *(C1)*	US$1.55/lb.	US$1.55/lb.
Average All-In Sustaining Cost *(C1 Cost + Sustaining CAPEX)*	US$1.88/lb.	US$1.88/lb.
Sustaining CAPEX Over LOM *(Including OP and UG, SX/EW and Leach Pad Expansion)*	US$340M	US$340M

Table 3: LOM Plan Summary (Base Case Estimate)	
Operating Metrics	**Total**
Total LOM from Initial Production	18 Years
Construction Period to Commercial Production ("CP")	18 months
Total Mineralized Material Processed	179 million Tons
Annual Average Processing Rate Over LOM	10 million Tons per annum
Average Grades Over LOM	**Stockpile Project:** 0.14%
	Open Pit ("OP") / Underground ("UG"): 0.26%, 1.27%
Average Recovery Rates Over LOM	**Stockpile Project:** CuAS: 90%, CuCN: 40%
	OP / UG: CuAS: 90%, CuCN: 72%
Average Production Over LOM	28,000 Tons per annum/ 56 million lbs.

Permitting

The Cactus Project is situated on private land and will require the following major permits and certifications:

1. 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.

2. 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 was obtained by ASCU for the Stockpile Project in July 2021 and becomes effective upon demonstration of financial capability submitted along with an amendment application in respect of the full project. Following development of the PFS mine plan a major amendment for full project coverage to include expanded leach facilities, waste dumps and both open pit and underground infrastructure was obtained on March 28, 2022.

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

4. 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.

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

6. 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.

In addition, the United State Army Corp. Of Engineers ("USACE") Jurisdictional Determination 404 has been received in February 2022. This is a determination as to whether Waters of the U.S. ("WOTUS") are onsite or if the water on site contributes to a WOTUS waterway. ASCU received a determination that the project does not impact WOTUS, and therefore no Federal Permitting will be required.

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.

RESULTS OF OPERATIONS

		Three months ended			Nine months ended	
		September 30, 2022	September 30, 2021		September 30, 2022	September 30, 2021
Salaries and wages	$	637	544	$	2,625	2,280
Share based compensation		224	560		1,156	1,913
Professional fees		(19)	250		555	714
Directors fees		135	118		406	351
Marketing and adminstration		170	541		864	1,325
Loss from operations		1,147	2,013		5,606	6,583
Other (income) expenses						
Accretion		-	652		193	1,680
Finance expenses		162	283		221	804
Depreciation, depletion and amortization		23	18		67	54
(Gain)/loss on extinguishment and modification of debt		-	-		(39)	325
Loss on marketable securities		29	-		81	-
Interest income		(109)	(1)		(147)	(5)
Other expense/(income)		4	-		14	-
Government loan forgiveness		-	(1)		-	(91)
Loss and comprehensive loss for the period	$	1,256	2,964		5,996	9,350

Three and nine-months ended September 30, 2022, as compared to the three and nine-months ended September 30, 2021

During the three-month period ended September 30, 2022, the Company had a loss of $1.3 million compared to a loss of $3.0 million for the three-month period ended September 30, 2021, decreasing primarily due to lower marketing and administration costs, lower share-based compensation costs with higher priced options in prior year and decreased accretion charges. For the nine-month period ended September 30, 2022, the Company had a loss of $6.0 million compared to $9.4 million for the same period in 2021, largely due to lower standby loan accretion charges, lower share-based compensation costs and lower marketing and administration costs.

The Company's operational costs totaled $1.2 million during the three months ended September 30, 2022, compared to $2.0 million during the three months ended September 30, 2021, a decrease of $0.8 million. A significant portion of the decrease is due to a decrease of $0.4 million and $0.3 million in share-based compensation expense and marketing and administration costs, respectively.

During the three months ended September 30, 2022, the total other expenses incurred were $0.1 million, compared to $1.0 million during the same period in the prior year. The decrease resulted primarily due to Tembo and RCF accretion and interest expenses being higher in the prior period ($1.0 million combined). The debenture portion owed to Tembo was settled in January 2022, the RCF portion had been settled in December 2021, and the remainder of the Tembo Standby loan was settled in May 2022 resulting in loan accretion incurred of $nil for the three months to September 30, 2022.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from and should be read in conjunction with the Financial Statements prepared in accordance with IAS 34.

Period	Revenues $ (000's)	Loss for the period $ (000's)	Loss per share (basic and diluted) $
3rd Quarter 2022	Nil	1,256	0.01
2nd Quarter 2022	Nil	2,093	0.03
1st Quarter 2022	Nil	2,647	0.04
4th Quarter 2021	Nil	3,709	0.06
3rd Quarter 2021	Nil	2,964	0.06
2nd Quarter 2021	Nil	4,147	0.10
1st Quarter 2021	Nil	2,239	0.05
4th Quarter 2020	Nil	1,855	0.05

The Company is at an early stage of restarting the Cactus Project and advancing exploration at its P/S Project, and its 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 financing from Tembo and RCF in July 2020, with further support provided by the initial public offer completed in November 2021.

Factors generally causing significant variations in results between quarters include share-based compensation, exploration and evaluation expenditures, accretion and finance charges in the prior year and foreign exchange gains and losses. See operating results, above, for discussion of movement in net income (loss) and comprehensive income (loss) for the quarter ended September 30, 2022 as compared to the same period in 2021.

RISKS AND UNCERTAINTIES

Like all mineral exploration and development companies, Arizona Sonoran also continues to be subject to ongoing risks and uncertainties and other factors, which among others, include: dependence on the success of the Cactus Project as the principal operation of the Company; obtaining further financing to fund anticipated exploration and development work; international conflict in the Ukraine and its effects on global financial markets and supply chains; and other liquidity risks (see also "Financial Accounting and *Reporting Processes)* and "*Risk Factors*" in the Company's AIF.

The following *Risks and Uncertainties* pertain to the outlook and conditions currently known to Arizona Sonoran that could have a material impact on the financial condition of the Company. A discussion of these and other factors that may affect the Company's actual results, performance, achievements, or financial position is contained under the heading "*Risk Factors*" and elsewhere in the Company's AIF. Such factors include, but are not limited to political risks, title risks, commodity prices, exchange rate risks, permitting risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies.

Current and prospective security holders of Arizona Sonoran should carefully consider these risk factors. Should the development of the Cactus Property not be possible or practicable for any reason, the business and financial position of the Company would be materially adversely affected.

LIQUIDITY AND CAPITAL RESOURCES

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.

The 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 the next twelve months.

The Company has no source of revenue and has significant cash requirements to meet its exploration and development plans, administrative overhead, maintenance of its mineral interests, and its commitments, which includes fulfilling its option payments for purchase of land from LKY/Copper Mountain Investments Limited Partnership LLP. The Company will need to obtain financing in the form of debt, equity, or a combination thereof to continue with its development and operation plans. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms.

As at September 30, 2022, the Company's cash balance was $28.0 million (December 31, 2021 - $27.3 million). During the nine months ended September 30, 2022, the cash used in operating activities was a total of $0.3 million on operational activities (2021 - $4.2 million). The Company's cash used in investing activities was $25.2 million (2021- $15.4million) primarily spent in connection with exploration and evaluation expenditures on mineral properties and property option and land payments. In the nine months ended September 30, 2022, the Company's cash provided by financing activities was $26.1 million (2021 - $16.8 million) primarily consisting of the private placement completed in May 2022 as explained below compared to loans and warrant exercises in the prior year.

On May 13, 2022, the Company closed its strategic partnership announced on April 28, 2022 with Rio Tinto Holdings Corporation ("Rio Tinto") and non-brokered private placement for total gross proceeds C$35 million ("the Offering").

Under the Offering, 17,500,000 Common Shares were issued at a subscription price of C$2.00 per share. Rio Tinto and Tembo subscribed for 6,400,000 Common Shares and 3,911,916 Common Shares, respectively. Other institutional investors subscribed for 7,188,084 Common Shares.

Rio Tinto holds 7.2% of the outstanding share capital of the Company, and although participating in the Offering, Tembo reduced its holding from 37.6% to 34.6% in the Company.

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 manages its capital through its budgeting and forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities.

To 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.

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2022, Nil (2021: 271,319) common shares were issued to directors and officers for services.

Total director fees for the nine months ended September 30, 2022 were $0.4 million (Nine months ended September 30, 2021: $0.4 million).

The remuneration of the key management personnel was as follows:

		Nine months ended September 30, 2022 ($)		Nine months ended September 30, 2021 ($)
Salaries and wages	$	2,039	$	557
Severance		495		-
Salaries and wages capitalized as exploration		447		379
Share-based compensation*		1,155		1,536
Directors' fees		406		351
	$	4,542	$	2,823

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

As at September 30, 2022, no amounts were owed to the Company by key management personnel (December 31, 2021 – $0.1 million receivable).

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

IAS 16, Property, Plant and Equipment

Proceeds before Intended Use (Amendments to IAS 16): The amendments prohibit an entity from deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. This amendment is effective for the Company's annual reporting period beginning January 1, 2022. The Company has noted that there was no impact of the adoption of this amendment on the Financial Statements.

None of the other standards and amendments to standards and interpretations that have been issued, but are not yet effective, are expected to significantly affect the Company's Financial Statements.

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 $1.1 million in connection with the purchase of Trust lands.

The Company has future exploration and evaluation expenditure obligations which are at the option of the Company with respect to its agreement with Bronco Creek agreement Exploration Inc, in connection with the acquisition of a mineral rights permit. A total of $3.2 million was capitalized to Exploration and Evaluation Assets related to this agreement which is the cash payment upon execution of the agreement and cash paid to Bronco creek of $0.2 million on registration of the Permit, and $3.0 million made following declaration of the Parks/Salyer mineral resource on September 28, 2022.

CRITICAL 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, 2021.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments as at September 30, 2022 consist of cash, accounts payable, marketable securities and accrued liabilities.

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. Fluctuations in the CAD/USD exchange rate may result in a decrease or increase in foreign exchange income or expense. A change in the CAD/USD exchange rate of 1.0% on the September 30, 2022 Canadian dollar denominated cash balances would result in a change to net loss of approximately $0.05 million.

b) *Credit Risk*
As at September 30, 2022, 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 and accrued liabilities. 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 September 30, 2022 were $5.3 million (December 31, 2021 - $10.4 million).

OFF-BALANCE SHEET ARRANGEMENTS

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

AUTHORIZED AND ISSUED SHARE CAPITAL

As at November 10, 2022, the Company had 88,713,281 outstanding common shares. The Company also had 3,130,357 share purchase options, 203,111 restricted share units, 355,055 deferred share units and 6,474,611 warrants outstanding.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no changes in the Company's internal control over financial reporting during the three and nine-month periods ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

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 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 Audit Committee on behalf of the Board of Directors of Arizona Sonoran Copper Company Inc has approved the disclosure contained in this MD&A.