

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereunder have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, these securities may not be offered or sold in the United States (as such term is defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See "Plan of Distribution".

PROSPECTUS

INITIAL PUBLIC OFFERING AND SECONDARY OFFERING

November 8, 2021



ARIZONA SONORAN
COPPER COMPANY

ARIZONA SONORAN COPPER COMPANY INC.

\$46,712,969.10

19,066,518 Common Shares

Arizona Sonoran Copper Company Inc. ("ASCU" or the "Company") is hereby qualifying for distribution an aggregate of 19,066,518 common shares ("Offered Shares") at a price (the "Offering Price") of \$2.45 per Offered Share, consisting of a treasury issuance (the "Treasury Offering") by the Company of 18,367,347 Offered Shares for gross proceeds of \$45,000,000.15 and a secondary offering (the "Secondary Offering", and together with the Treasury Offering, the "Offering") of 699,171 Offered Shares held by RCF Opportunities Fund L.P. ("RCF" or the "Selling Securityholder") for gross proceeds of \$1,712,968.95 to the Selling Securityholder. The Company will not receive any proceeds from the Secondary Offering, see "Principal Securityholders and Selling Securityholder". The Offering is being underwritten by RBC Dominion Securities Inc. ("RBC") and Haywood Securities Inc. ("Haywood", together with RBC, the "Co-Lead Underwriters") and a syndicate of underwriters which includes Canaccord Genuity Corp., Cormark Securities Inc., Stifel Nicolaus Canada Inc., Beacon Securities Limited and Paradigm Capital Inc. (collectively with the Co-Lead Underwriters, the "Underwriters" and each, an "Underwriter"), pursuant to an underwriting agreement between the Company, the Selling Securityholder and the Underwriters dated November 8, 2021 (the "Underwriting Agreement").

There is currently no market through which the Common Shares may be sold, and purchasers may not be able to resell Offered Shares purchased under this prospectus. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares, and the extent of issuer regulation. See "Risk Factors".

The Toronto Stock Exchange (the "TSX") has conditionally approved the listing of the Offered Shares distributed under this prospectus as well as the Company's existing issued and outstanding Common Shares on the TSX under the symbol "ASCU". Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before January 18, 2022. See "Plan of Distribution".

In connection with the Offering, subject to applicable laws, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

\$2.45 per Offered Share

	Price to the Public⁽¹⁾	Underwriters' Fee⁽²⁾	Net Proceeds to the Company⁽³⁾	Net Proceeds to the Selling Securityholder⁽⁵⁾
Per Offered Share	\$2.45	\$0.15 & \$0.16 ⁽²⁾	\$2.30	\$2.29
Total ⁽⁴⁾	\$46,712,969.10	\$2,797,350.92	\$42,313,992.21	\$1,601,625.97

Notes:

- (1) The Offering Price has been determined by arm's length negotiation between the Company, the Selling Securityholder and the Underwriters.
- (2) Pursuant to the terms and conditions of the Underwriting Agreement, the Company has agreed to pay: (i) the Underwriters a cash fee (the "**Underwriters' Fee**") equal to 6.5% of the gross proceeds of the Treasury Offering, subject to reduction to 2.5% of the gross proceeds from subscriptions from purchasers, if any and up to a maximum of \$3,092,000.45 (US\$2.5 million), whose names appear on the list of purchasers for the Offering introduced to the Underwriters by the Company (the "**President's List**"), and 2.5% in respect of subscriptions by Tembo Capital Elim Co-Investment LP ("**Tembo**") under this prospectus, if any, and (ii) a cash fee equal to an aggregate amount \$250,000 ("**Advisory Fee**"), with a 50% and 50% allocation of the Advisory Fee payable to each of RBC and Haywood. See below and "*Plan of Distribution*". The total Underwriters' Fee in the table assumes that, of the \$46,712,969.10 of gross proceeds, the full Underwriters' Fee of 6.5% is paid on \$34,488,167.35 and the reduced Underwriters' Fee of 2.5% is paid on \$12,224,801.75, and includes the Advisory Fee of \$250,000. As of the date of this prospectus, Tembo has confirmed that it will subscribe for 3,727,674 Common Shares under the Offering for aggregate proceeds of \$9,132,801.30 (equivalent to US\$7.4 million). An Underwriters' Fee of \$0.15 per Offered Share is payable pursuant to the Treasury Offering and an Underwriters' Fee of \$0.16 per Offered Share is payable pursuant to the Secondary Offering.
- (3) Before deducting expenses of the Offering, estimated to be \$1,484,160, which the Company will pay from the proceeds of the Treasury Offering.
- (4) The Company and the Selling Securityholder have granted to the Underwriters an option (the "**Over-Allotment Option**"), exercisable in whole or in part, at the sole discretion of the Underwriters, at any time and from time to time, for a period of 30 days from and including the Closing Date (as hereinafter defined), to purchase from the Company and the Selling Securityholder, in equal proportion, at the Offering Price up to that number of additional Common Shares that is equal to 15% of the aggregate number of Offered Shares purchased under the Treasury Offering (the "**Over-Allotment Shares**") to cover over-allotments, if any, and consequential market stabilization. If the Underwriters exercise the Over-Allotment Option in full, the gross proceeds raised under the Offering will be \$53,462,969, the Underwriters' Fee will be \$3,236,100.92 (assuming that, of the \$53,462,969 of gross proceeds, the full Underwriters' Fee of 6.5% is paid on \$41,238,167.25 and the reduced Underwriters' Fee of 2.5% is paid on \$12,224,801.75), the net proceeds of the Over-Allotment Option will be shared equally by the Company and the Selling Securityholder. Assuming the Over-Allotment Option is exercised in full, the net proceeds to the Company in respect of the Treasury Offering will be \$45,469,617.16 (including the Advisory Fee) and net proceeds to the Selling Securityholder in respect of the Secondary Offering will be \$4,757,250.92. This prospectus also qualifies the distribution of the Over-Allotment Option and the Over-Allotment Shares. A purchaser who acquires securities forming part of the Underwriters' over-allocation position acquires those securities under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases. See "*Plan of Distribution*".
- (5) Pursuant to the terms and conditions of the Underwriting Agreement, the Selling Securityholder will be responsible for the payment of the Underwriters' Fee equal to 6.5% of the gross proceeds of the Secondary Offering and any Underwriters' Fee applicable to the Selling Securityholder's share of the Over-Allotment Option. The Company has agreed to pay the expenses associated with the Secondary Offering other than Underwriters' Fee relating to the Secondary Offering, provided that all legal fees and expenses of the Selling Securityholder's external legal advisors shall be paid by the Selling Securityholder. See "*Principal Securityholders and Selling Securityholder*".

The Company is a mineral exploration and development focused company and its principal mineral project, the Cactus Project (as hereinafter defined), is in the mineral exploration or development stage only. The degree of risk increases substantially where an issuer's properties are in the mineral exploration or development stages as opposed to the operational stage. An investment in the Offered Shares is speculative and involves a high degree of risk and should only be made by persons who can afford the total loss of their investment. Prospective investors should consider certain risk factors in connection with an investment in the Company. See "*Statement Regarding Forward-Looking Information*" and "*Risk Factors*".

The following table sets out the number of Over-Allotment Shares that may be sold by the Company and the Selling Securityholder to the Underwriters in connection with the Over-Allotment Option.

Underwriters' Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	2,755,102 Over-Allotment Shares	Up to 30 days from and including the Closing Date	\$2.45 per Over-Allotment Share

Unless the context otherwise requires, all references to the "**Offering**" and the "**Offered Shares**" in this prospectus shall include the Over-Allotment Option and the Over-Allotment Shares, respectively.

Tembo currently holds 39% of the issued and outstanding Common Shares, on a fully-diluted basis. As of the date of this prospectus, Tembo has confirmed that it will subscribe for 3,727,674 Common Shares under the Offering for aggregate proceeds of \$9,132,801.30 (equivalent to US\$7.4 million) and, in connection with the Offering, Tembo has waived its right under the Pre-Emptive Right (as defined herein) to maintain a *pro rata* shareholding in the Company that it had immediately prior to the Closing (calculated on a fully-diluted basis). See "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Investor Rights Agreement.*"

The Underwriters, as principals, hereby conditionally offer the Offered Shares, subject to prior sale, if, as and when issued by the Company or sold by the Selling Securityholder, as applicable, and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal and tax matters on behalf of the Company by Bennett Jones LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. **The Underwriters may offer the Offered Shares at a lower price than stated above. Such reduced price sales will not affect the net proceeds to be received by the Company and the Selling Securityholder under the Offering. See "*Plan of Distribution*".**

Subscriptions for the Offered Shares to be sold pursuant to the Offering will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering (the "**Closing**") will take place on or about November 16, 2021, or such later date as the Company, the Selling Securityholder and the Underwriters may agree, but in any event, on or before a date that is not later than 42 days after the date of the receipt for this prospectus (the date on which Closing occurs being the "**Closing Date**").

It is anticipated that the Company and the Selling Securityholder will arrange for one or more instant deposits of the Offered Shares issued hereunder to or for the account of the Underwriters with CDS Clearing and Depository Services Inc. ("**CDS**") or its nominee through the non-certificated inventory system administered by CDS on the Closing Date. Except as otherwise set forth in this prospectus, a purchaser of Offered Shares will receive only a customer confirmation from a registered dealer that is a CDS participant and from or through which the Common Shares are purchased. See "*Plan of Distribution*".

Alan Edwards, Thomas Boehlert, and Mark Palmer, each a director of the Company, reside outside of Canada and have appointed Bennett Jones LLP, 3400 One First Canadian Place, Toronto, Ontario, M5X 1A4, as their agent for service of process in Canada. RCF, the Selling Securityholder, is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction outside Canada and has appointed Blake, Cassels & Graydon LLP, 595 Burrard Street, Suite 2600, Vancouver, British Columbia, V7X 1L3, as their agent for service of process in Canada.

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The Company's corporate office is located at 1545 Industrial Way, Sparks, Nevada, 89431, its main operations office is located at 850 W Elliot Road, Suite 106, Tempe, Arizona, 85284. The Company has its registered office at 666 Burrard Street, 2500 Park Place, Vancouver, British Columbia, V6C 2X8 and its Canadian office at Simpson Tower, 401 Bay Street, Suite 2704, Box #4, Toronto, Ontario, M5H 2Y4.

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GLOSSARY

In this prospectus, the following capitalized terms have the following meanings, in addition to other terms defined elsewhere in this prospectus.

"2020 Interest Shares" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Shares for Debt Issuances"*.

"2020 Shareholder Meeting" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History"*.

"2021 Loan" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – 2021 Loan Agreement"*.

"2021 Loan Agreement" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – 2021 Loan Agreement"*.

"2021 Loan Amendment" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – 2021 Loan Agreement"*.

"2021 Maturity Date" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – 2021 Loan Agreement"*.

"2nd Financing" means the second corporate financing completed by the Company above US\$5.0 million at a price of more than US\$0.20 per Common Share.

"Affiliate" has the meaning ascribed to such term in National Instrument 45-106 – *Prospectus Exemptions*.

"AP Permit" means aquifer protection permit from the State of Arizona.

"Approval Notice" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement"*.

"Arcus Agreement" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement"*.

"Arcus Extension" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement"*.

"Arcus Financing Condition" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement"*.

"Arcus Property" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement"*.

"Arcus Transaction" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement"*.

"ASARCO Trust" means ASARCO Multi-State Environmental Custodial Trust.

"ASCU" or the **"Company"** means Arizona Sonoran Copper Company Inc.

"ASCU Personnel" means (i) all directors, officers and employees of the Company or its Subsidiaries; (ii) any other person retained by or engaged by or on behalf of the Company or any of its Subsidiaries (such as a consultant, independent contractor, adviser, or other service provider); (iii) any family member, spouse or other person living in the household or

a dependent child of any of the individuals referred to in (i) and (ii) above; (iv) partnerships, trusts, corporations, registered retirement savings plans and other accounts or entities over which any of the above mentioned individuals exercise control or direction; and (v) any other persons to which any of the individuals referred to in Sections (i), (ii) and (iii) above exercise control or direction.

"**ASCU USA**" means Arizona Sonoran Copper Company USA Inc.

"**Audit Committee Charter**" means the audit committee charter approved by the Board on October 27, 2020 as amended and approved by the Board on June 21, 2021.

"**Award**" or "**Awards**" means any Option or RSU granted under the Company's Equity Incentive Plan, which may be settled in Common Shares, cash or in such other form as provided herein.

"**Award Agreements**" means a written or electronic agreement, in the form or any one of the forms approved by the Board, evidencing the terms and conditions on which an Award has been granted under the Equity Incentive Plan and which need not be identical to any other such agreements.

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended.

"**Board**" means the board of directors of the Company.

"**Board of Directors Charter**" means the board of directors charter approved by the Board on June 21, 2021.

"**Business Combination**" means a transaction whereby the Company (a) acquires all or substantially all of the shares of a third party in exchange for the issuance of Common Shares; (b) merges with or into a third party or a third party will merge with or into the Company to any third party; or (c) any other corporate transaction such as a tender offer, exchange offer, a take-over bid or other arrangement and in connection with such transaction will issue Common Shares to any third party.

"**Business Day**" means any day, except Saturdays and Sundays, on which banks are generally open for business in Toronto, Canada.

"**Buyer Repayment Amount**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Cactus 110**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement*".

"**Cactus Acquisition**" means the acquisition completed on July 10, 2020 by the ASCU USA from ASARCO Trust, of 100% of the Cactus Project, including the Cactus Mine, pursuant to the Cactus Purchase Agreement.

"**Cactus Mine**" means the development stage mine project forming part of the Cactus Project acquired by ASCU USA pursuant to the Cactus Purchase Agreement.

"**Cactus Project**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Cactus Purchase Agreement*".

"**Cactus Purchase Agreement**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Cactus Purchase Agreement*".

"**CAGR**" means compound annual growth rate.

"**Carryback Loan**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"CDS" means CDS Clearing and Depository Services Inc.

"CIM Definition Standards" means the Canadian Institute of Mining, Metallurgy and Petroleum Definition Standards for Mineral Resources and Mineral Reserves adopted by CIM Council on May 10, 2014, which are incorporated by reference in NI 43-101.

"Closing" has the meaning ascribed to such term on the cover page of this prospectus.

"Closing Date" has the meaning ascribed to such term on the cover page of this prospectus.

"Code" means the Code of Business Conduct and Ethics of the Company approved by the Board on June 21, 2021.

"Common Shares" means the common shares in the capital of the Company.

"Compensation Committee" means the committee appointed by the Board to administer the Equity Incentive Plan consisting of not less than three (3) members of the Board, or if no committee is appointed, the Board.

"Compensation Committee Charter" means the compensation committee charter approved by the Board on October 27, 2020, as amended and approved by the Board on June 21, 2021.

"Consolidation" means the consolidation of the Company's common shares on the basis of a consolidation ratio of 3:1 effective as of July 20, 2021.

"Consultant" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2021 Private Placements*".

"Conversion Share" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Convertible Debenture Units*".

"Conversion Unit" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Convertible Debenture Units*".

"Conversion Warrant" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Convertible Debenture Units*".

"COO" means Chief Operating Officer.

"Debenture" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Convertible Debenture Units*".

"Debenture Units" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Convertible Debenture Units*".

"Default Rate" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – 2021 Loan Agreement*".

"Demand Notice" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine – Loan Agreement*".

"Deposit" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement*".

"Diversity and Inclusion Policy" means the diversity and inclusion policy adopted by the Board on June 21, 2021.

"Drawdown Shares" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – 2021 Loan Agreement"*.

"Eligible Persons" means any person who is an employee, officer, director, Consultant, or independent contractor of the Company or its majority-owned subsidiaries.

"Employment Agreements" has the meaning ascribed to such term under *"Director and Executive Compensation – Termination and Change of Control Benefits"*.

"Entitlements" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement"*.

"Equity Incentive Plan" means the stock option and restricted share unit plan adopted by the Board on July 7, 2020, as amended on June 21, 2021, a copy of which is attached as Appendix "F" to this Prospectus.

"Equity Financing" means the issuance of any Securities from the Company's treasury for the purpose of raising capital. For greater certainty, Equity Financing shall not include a Non-Financing Issuance.

"ESG Framework" has the meaning ascribed to such term under *"General Development and Business of the Company – Business of the Company – ASCU's Environmental, Social & Governance (ESG) Framework: Our Journey to Renewal"*.

"Foreign Corrupt Practices Policy" means the foreign corrupt practices policy approved by the Board on October 23, 2020, as amended and approved by the Board on June 21, 2021.

"FSMA Order" has the meaning ascribed to such term under *"Plan of Distribution – Notice to Investors in the United Kingdom"*.

"Governance and Nominating Committee Charter" means the governance and nominating committee charter approved by the Board on October 27, 2020, as amended and approved by the Board on June 21, 2021.

"Grant Date" means the date on which an Option or RSU is granted.

"Guarantors" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement"*.

"Haywood" means Haywood Securities Inc.

"Haywood Letter Agreement" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Haywood Letter Agreement"*.

"Haywood Incentive Warrants" has the meaning ascribed to such term *"General Development and Business of the Company – Two Year History – Other Transactions – Haywood Letter Agreement"*.

"Health, Safety, Environmental and Community (HSEC) Policy" means the health, safety, environmental and community policy approved by the Board on June 21, 2021.

"IFRS" means the International Financial Reporting Standards, being the standards and interpretations issued by the International Accounting Standards Board, as amended from time to time.

"Incentive Warrants" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – Tembo Letter Agreement"*.

"Insider Trading and Blackout Policy" means the insider trading and blackout policy adopted by the Board on June 21, 2021.

"Integrated Cactus PEA" means the Preliminary Economic Assessment (NI-43-101) in relation to the Cactus Project produced by Stantec.

"Interest Rate" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – 2021 Loan Agreement"*.

"Initial Deposit" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"Investor Rights Agreement" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Investor Rights Agreement"*.

"July Finder's Warrants" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placements"*.

"July Unit Offering" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Units"*.

"July Warrants" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Units"*.

"June Units" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2021 Private Placements"*.

"June Unit Offering" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2021 Private Placements"*.

"June Warrants" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2021 Private Placements"*.

"Lenders' Subscription" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement"*.

"LKY Deposit" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Agreement" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Escrow Account" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Escrow Agent" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Extension" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Note" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Notice" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Property" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Purchase Period" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Put Option" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Sale Option" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"LKY Transaction" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement"*.

"Loan" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement"*.

"Loan Agreement" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine – Loan Agreement"*.

"Lock-Up Agreement" has the meaning ascribed to such term under *"Plan of Distribution"*.

"Locked-Up Holders" has the meaning ascribed to such term under *"Plan of Distribution"*.

"LOM" means life of mine.

"March Financing" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2021 Private Placements"*.

"Market Price" means, as of any date, the value of the Common Shares, determined as follows:

- (a) if the Common Shares are listed on the TSX, the Market Price shall be the closing price of the Common Shares on the last trading day prior to the date of the grant of the Award or other applicable date;
- (b) if the Common Shares are listed on an exchange other than the TSX, the Market Price shall be the closing price of the Common Shares (or the closing bid, if no sales were reported) as quoted on such exchange on the last trading day prior to the date of the grant of the Award or other applicable date; and
- (c) if the Common Shares are not listed on an exchange, the Market Price shall be determined in good faith by the Board.

"Maturity Date" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement"*.

"May Finder's Units" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Convertible Debenture Units"*.

"May Finder's Warrants" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Convertible Debenture Units"*.

"May Warrant" has the meaning ascribed to such term under *"General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities – 2020 Private Placement of Convertible Debenture Units"*.

"MD&A" has the meaning ascribed to such term under *"Management's Discussion and Analysis"*.

"**Minerals Advisory Group**" means Minerals Advisory Group, LLC.

"**NEO**" means "named executive officer", as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*.

"**Non-Employee Director**" means a member of the Board who is not otherwise an employee or executive officer of the Company or a subsidiary.

"**Non-Financing Issuance**" for the purposes of the Investor Rights Agreement, means any issuance of Securities pursuant to (i) any equity incentive plan adopted by the Company for the benefit of employees of the Company or its Subsidiaries; (ii) the issuance of Securities in a share dividend, capital reorganization or similar transaction, where all holders of Common Shares are treated in an equivalent manner; or (iii) the issuance of Securities to an Investor (as defined in the Investor Rights Agreement) pursuant to Article 3 of the Investor Rights Agreement.

"**NSR Royalty Agreements**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement*".

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

"**NI 51-102F6**" means National Instrument 51-101F6 – *Statement of Executive Compensation*.

"**NI 52-110**" means National Instrument 52-110 – *Audit Committees*.

"**Offer**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Investor Rights Agreement*".

"**Offering**" has the meaning ascribed to such term on the cover page of this prospectus.

"**Offering Price**" has the meaning ascribed to such term on the cover page of this prospectus.

"**Option Agreements**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement*".

"**Option Exercise Closing**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine – Loan Agreement*".

"**Option Term**" means the period during which the Option may be exercised, subject to any vesting requirements, this term not to exceed ten years.

"**Option Royalties**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine – Loan Agreement*".

"**Options**" means options to purchase Common Shares of the Company pursuant to the Company's Equity Incentive Plan.

"**Over-Allotment Option**" has the meaning ascribed to such term on the cover page of this prospectus.

"**Over-Allotment Shares**" has the meaning ascribed to such term on the cover page of this prospectus.

"**Participant**" means every Eligible Person who is approved for participation in the Equity Incentive Plan by the Board.

"**Permit Acquisition**" means the approval of the Aquifer Protection Permit from the State of Arizona.

"**Phase**" or "**Phases**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale*".

"**Phase 1 Closing Date**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale*".

"**Phase 2 Closing Date**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale*".

"**Phase 3 Closing Date**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale*".

"**Post-Closing Purchase Price**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Pre-Emptive Right**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Investor Rights Agreement*".

"**Qualified Persons**" has the meaning ascribed to such term under NI 43-101.

"**R&A Agreement**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement*".

"**RCF**" means RCF Opportunities Fund L.P.

"**RSU**" or "**RSUs**" means restricted share units issued pursuant to the Company's Equity Incentive Plan.

"**Sale Period**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Secondary Offering**" means the secondary offering of Offered Shares by the Selling Securityholder.

"**Second Deposit**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Second Installment**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Second Installment Date**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Securities**" means (i) Common Shares; (ii) other equity securities; or (iii) any security that is exercisable or convertible into, directly or indirectly, or exchangeable for, or otherwise carries the right of the holder to acquire Common Shares or other equity securities.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval, which may be accessed at www.sedar.com.

"**Sellers**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Arcus Purchase and Sale Agreement*".

"**Selling Securityholder**" has the meaning ascribed to such term on the cover page of this prospectus.

"**Stantec**" means Stantec Consulting International LLC.

"**Stock Option Agreement**" has the meaning ascribed to such term under the Company's Equity Incentive Plan.

"**Stockpile Project**" 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.

"**Subsidiaries**" means ASCU (USA) Inc. and Cactus 110 LLC.

"**SXEW**" means solvent extraction and electrowinning metallurgical process.

"**Tax Act**" means the *Income Tax Act* (Canada), as amended.

"**Technical and Sustainability Committee Charter**" means the technical and sustainability committee charter approved by the Board on June 21, 2021.

"**Tembo**" means Tembo Capital Elim Co-Investment LP.

"**Tembo GP**" means Tembo Capital Mining GP III Fund.

"**Tembo Incentive Warrants**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Tembo Letter Agreement*".

"**Tembo Letter Agreement**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Tembo Letter Agreement*".

"**Third Installment**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Third Installment Date**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Third-Party Purchase Price**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*".

"**Top Up Right**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Investor Rights Agreement*".

"**Treasury Offering**" means the treasury issuance of Offered Shares by the Company.

"**Trigger Event**" means:

- (a) the mailing of a notice of meeting to consider an arrangement between the Company and its creditors or members or any class thereof;
- (b) a bona fide offer for Common Shares is made to the optionee, holder of RSUs, or to shareholders generally, or to a class of shareholders which includes the optionee or holder of RSUs, which offer, if accepted in whole or in part, would affect materially the control of the Company; or
- (c) the date upon which a person, or group of associated persons, becomes entitled, subsequent to the date of issue of the Award, to sufficient shares to give it or them the ability in a general meeting to replace all or allow a majority of directors of the Company in circumstances where such ability was not already held by a person associated with such person or group of associated persons. Notwithstanding the foregoing, the Board may, in its sole discretion, determine that the occurrence of a circumstance in clause (c) does not constitute a Trigger Event.

"**TSX**" means the Toronto Stock Exchange.

"**Underlying Finder's Warrant Shares**" has the meaning ascribed to such term under "*General Development and Business of the Company – Two Year History – Other Transactions – Haywood Letter Agreement*".

"**Underwriters**" or "**Underwriter**" has the meaning ascribed to such term on the cover page of this prospectus.

"**Underwriters' Fee**" has the meaning ascribed to such term on the cover page of this prospectus.

"**Underwriting Agreement**" has the meaning ascribed to such term on the cover page of this prospectus.

"**US Dollars**" or "**US\$**" means the currency of the United States of America.

"**US IRC**" means the United States Internal Revenue Code of 1986, as amended.

"**U.S.**" means the United States of America.

"**U.S. Securities Act**" has the meaning ascribed to such term on the cover page of this prospectus.

"**Whistleblower Policy**" means the Whistleblower Policy approved by the Board on June 21, 2021 as amended from time to time prior to the most recent ratification.

ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this prospectus and is not entitled to rely on parts of the information contained in this prospectus to the exclusion of others. The Company, the Selling Securityholder and the Underwriters have not, authorized anyone to provide investors with additional or different information.

Unless otherwise indicated, the information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of the Offered Shares. The Company's business, financial condition, operating results and prospects may have changed since the date of this prospectus.

The Company, the Selling Securityholder and the Underwriters are not, offering to sell the Offered Shares in any jurisdiction where the offer or sale of such securities is not permitted. For investors outside Canada, none of the Company, the Selling Securityholder or any of the Underwriters has done anything that would permit the Offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe, any restrictions relating to the Offering and the possession or distribution of this prospectus.

Any graphs, tables, pictures or other information demonstrating the historical performance or current or historical attributes of the Company or any other entity contained in this prospectus are intended only to illustrate past performance or current or historical attributes of such entities and are not necessarily indicative of future performance of the Company or such entities.

Unless otherwise indicated, all information in this prospectus assumes that the Over-Allotment Option has not been exercised.

MEANING OF CERTAIN REFERENCES

Unless otherwise noted or the context otherwise indicates, "ASCU" or the "Company" refers to Arizona Sonoran Copper Company Inc. as constituted on the date of this prospectus. Where the context requires, all references in this prospectus to the "Offering" include the Over-Allotment Option and all references in this prospectus to "Offered Shares" include the Over- Allotment Shares.

All dollar amounts in this prospectus are expressed in Canadian dollars, except as otherwise indicated. References to "\$" or "dollars" are to Canadian dollars and references to "US\$" are to United States dollars.

All figures set out in this prospectus, other than in the financial statements, management's discussion and analysis or as otherwise stated, relating to a number, value or price of Common Shares and security-based compensation have been adjusted to reflect the Consolidation.

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This prospectus contains "forward-looking information" within the meaning of applicable Canadian securities laws. 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 the Integrated Cactus PEA; the expected outcomes of the Integrated Cactus PEA development plan; 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 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 Cactus Mine; 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 completion of the acquisition of the LKY Property; opportunities to expand operations and resources; the future supply and demand of copper; the impact of technological developments on the demand of copper; the environmental impact of the Company's mining operations;

fees associated with investor relations and ongoing legal and advisory fees; costs associated with being a public issuer; the revision of the Company's directors' and officers' liability insurance policy; expected production at the Cactus Project; future financial or operating performance and condition of the Company and its business, operations and properties; the intended use of the net proceeds of the Treasury Offering; expectations regarding the Selling Securityholder; the adequacy of funds from the Treasury Offering to support completion of initial development of the Cactus Project 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, as of the date of this prospectus including, without limitation, assumptions about: favourable equity and debt capital markets; the ability to raise any necessary additional capital on reasonable terms to advance the development of the Cactus Project 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 estimates; the geology of the Cactus Project being as described in the Integrated Cactus PEA; the metallurgical characteristics of the Cactus Project 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 Cactus Project;; the completion of the acquisition of the LKY Property, the price of other commodities such as fuel; future currency exchange rates and interest rates; operating conditions being favourable, 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, licences and permits on favourable terms; obtaining required renewals for existing approvals, licences and permits and obtaining all other required approvals, licences and permits on favourable terms; sustained labour stability; stability in financial and capital goods markets; and availability of equipment. While 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. Such risks include, without limitation: copper prices are volatile and may be lower than expected; product alternatives may reduce demand for the Company's products; estimating mineral reserves and mineral resources is risky and no assurance can be given that such estimates will be achieved; nature of mineral exploration, development and mining involves significant financial risks; dependence on the success of the Cactus Project as the principal operation of the Company; the Company may not be able to obtain further financing and continue as a going concern; the Company is reliant on appropriate governmental authorities to obtain, renew and maintain the necessary permits for Company operations; estimates of capital cost and operating costs may be lower than actual costs; geological hydrological and climatic events could suspend future mining operations or increase costs; title to mineral properties may be challenged or impugned; closing of the LKY Transaction; social and environmental activism can negatively impact exploration, development and mining activities; the Company's success is dependent on developing and maintaining relationships with local communities, stakeholders and its labour force; success of the Company and the successful development of the Cactus Project depends on retaining the skills of the Company's management and key personnel; operations during mining cycle peaks are more expensive; mining operations are very risky; inadequate infrastructure may constrain mining operations; risks from unknown hazards; changes in climate conditions may affect the Company's future operations; substantial government regulation and changes to regulation or more stringent implementation of regulations could have a material adverse effect on the Company's operations and financial condition; regulation of greenhouse gas emissions and climate change issues may adversely affect the Company's operations and markets; risks associated with changing environmental legislation and regulations; the mining industry is intensely competitive; the Company may incur losses and experience negative operating cash flow for the foreseeable future; the Company may not use the proceeds as described in this prospectus; the Company's insurance coverage may be inadequate and result in losses; currency fluctuations can result in unanticipated losses; enforcement of judgements and effecting service of process on directors or the Selling Securityholder may be difficult due to residency outside of Canada; the directors and officers may have conflicts of interest with the Company; Tembo and RCF exercise significant control over in the Company; current and future debt ranks senior to Common Shares; future acquisitions may require significant

expenditures or dilution and may result in inadequate returns; dependence on information technology systems; the Company may be subject to costly legal proceedings and securities class action litigation; the Company will incur increased costs as a result of complying with the reporting requirements, rules and regulations affecting public issuers; risks related to the Company's holding company structure; investors may lose their entire investment; there is no existing market for the Common Shares; dilution from equity financing could negatively impact holders of Common Shares; equity securities are subject to trading and volatility risks; sales by existing shareholders can reduce share prices; no intention to pay dividends; decline in price and trading volume of Common Shares if securities or industry analysts do not publish research or publish inaccurate or unfavourable research about the Company's business; reduction in share prices due to global financial conditions; and COVID-19 public health crisis. Although the Company has attempted to identify important factors that could cause actual actions, events, conditions, results, performance or achievements to differ materially from those described in forward-looking information, there may be other factors that cause actions, events, conditions, results, performance or achievements to differ from those anticipated, estimated or intended. See "*Risk Factors*" for a discussion of certain factors investors should carefully consider before deciding to invest in the Offered Shares.

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. Accordingly, investors should not place undue reliance on forward-looking information.

EXCHANGE RATE INFORMATION

The following table sets forth, for each period indicated, the exchange rate of the Canadian dollar to the US dollar at the end of such period and the average, high and low exchange rates for such period (such rates, which are expressed in Canadian dollars, are based on the exchange rates as reported by the Bank of Canada for conversion of US Dollars into Canadian dollars).

	Six months ended June 30, 2021 (\$)	Year ended December 31, 2020 (\$)	Year ended December 31, 2019 (\$)
Rate at end of period	1.2394	1.3415	1.2988
Average rate during period	1.2470	1.3412	1.3269
Highest rate during period	1.2828	1.4058	1.3600
Lowest rate during period	1.2040	1.2808	1.2988

On November 1, 2021, the daily average rate of exchange posted by the Bank of Canada for the conversion of one US dollar using Canadian dollars was \$1.2368 (\$1.00 = US\$0.8085).

SCIENTIFIC AND TECHNICAL INFORMATION

Scientific and technical information relating to the Cactus Project contained in this prospectus is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in, the Integrated Cactus PEA. Reference should be made to the full text of the Integrated Cactus PEA, which is available for review under the Company's profile on SEDAR at www.sedar.com.

The scientific and technical information in the MD&As, other than in respect of metallurgy, was prepared under the supervision of Mr. Allan Schappert, Stantec. The scientific and technical information in the MD&As in respect of metallurgy was prepared under the supervision of Dr. Martin Kuhn, MAG. Each of Mr. Allan Schappert and Dr. Martin Kuhn is a Qualified Person. See "*Management's Discussion and Analysis*". Furthermore, the scientific and technical information relating to the Cactus Project included in the MD&As has been superseded by the scientific and technical information provided in the Integrated Cactus PEA, a summary of which is set forth in "*Cactus Mine Project*".

CIM Definition Standards

The Mineral Resources for the Cactus Project (including as used in the Integrated Cactus PEA) have been estimated in accordance with the Canadian CIM Definition Standards, which are incorporated by reference in NI 43-101. The following definitions are reproduced from the CIM Definition Standards:

"Mineral Resource" means a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

"Inferred Mineral Resource" means that part of a Mineral Resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to a Mineral Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

"Indicated Mineral Resource" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors as described below in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Mineral Reserve.

"Measured Mineral Resource" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proven Mineral Reserve or to a Probable Mineral Reserve.

"Mineral Reserve" means the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at pre-feasibility or feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Mineral Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported. The public disclosure of a Mineral Reserve must be demonstrated by a pre-feasibility study or feasibility study.

"Probable Mineral Reserve" means the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Mineral Reserve is lower than that applying to a Proven Mineral Reserve.

"Proven Mineral Reserve" means the economically mineable part of a Measured Mineral Resource. A Proven Mineral Reserve implies a high degree of confidence in the Modifying Factors.

For the purposes of the CIM Definition Standards, **"Modifying Factors"** are considerations used to convert Mineral Resources to Mineral Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors.

LIST OF ABBREVIATIONS

In this prospectus, the following abbreviations have the meanings set forth below:

Afy	Acre foot per year	masl	metres above sea level
Ag	silver	mm	millimetre
Au	gold	mlbs	millions of pounds
Cu	copper	Mo	molybdenum
ft	foot	Moz	millions of Troy ounces
g	gram	Mt	millions of tons
g/t	grams per ton	MW	megawatt
ha	hectare	MWh/yr	megawatt hours per year
km	kilometre	PM	particulate matter
kW	kilowatt	t	short ton
/lb	per pound	tpd	short tons per day
lbs	pounds	µm	micrometre
m	metre		

THIRD PARTY INFORMATION

This prospectus includes market, industry and economic data which was obtained from various publicly available sources and other sources believed by the Company to be true. Although the Company believes it to be reliable, none of the Company, the Selling Securityholder or the Underwriters has independently verified any of the data from third party sources referred to in this prospectus, or analyzed or verified the underlying reports relied upon or referred to by such sources, or ascertained the underlying economic and other assumptions relied upon by such sources. The Company believes that its market, industry and economic data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market, industry and economic data used throughout this prospectus are not guaranteed and none of the Company, the Selling Securityholder nor the Underwriters make any representation as to the accuracy of such information.

NON-IFRS MEASURES

The annual financial statements of the Company are prepared in accordance with IFRS. The Company and the Integrated Cactus PEA utilize certain non-IFRS measures, including sustaining capital, C1 cash cost per pound of copper metal produced, all-in sustaining costs and total costs. The Company believes that these measures, together with measures determined in accordance with IFRS, provide investors with an improved ability to evaluate the underlying performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Working Capital

Working capital is determined based on current assets and current liabilities as reported in the Company's consolidated financial statements. The Company uses working capital as a measure of the Company's short-term financial health and operating efficiency. The following table provides a calculation of working capital based on amounts presented in the Company's consolidated financial statements as at June 30, 2021 and December 31, 2020.

	June 30, 2021 (US\$000s)	December 31, 2020 (US\$000s)
Current Assets	4,870	9,376
Less: Current Liabilities	11,073	4,570
Working Capital (Deficit)	(6,203)	4,806

ELIGIBILITY FOR INVESTMENT

In the opinion of Bennett Jones LLP, legal counsel to the Company, and McCarthy Tétrault LLP, legal counsel to the Underwriters, based on the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), provided that the Common Shares are listed on a "designated stock exchange" for the purposes of the Tax Act (which currently includes the TSX) at the relevant time, the Offered Shares will be "qualified investments" under the Tax Act and the Regulations for a trust governed by a "registered retirement savings plan", "registered retirement income fund", "tax-free savings account", "registered education savings", "registered disability savings plan" (each a "**Registered Plan**") or a "deferred profit sharing plan" (as those terms are defined in the Tax Act).

Notwithstanding that the Offered Shares may be qualified investments for a Registered Plan, if the Offered Shares are a "prohibited investment" within the meaning of the Tax Act for the Registered Plan, the annuitant, subscriber or holder of the Registered Plan, as the case may be, will be subject to penalty taxes as set out in the Tax Act. The Offered Shares will generally not be a prohibited investment for a Registered Plan if the annuitant, subscriber or holder of the Registered Plan, as the case may be (a) deals at arm's length with the Company for the purposes of the Tax Act, and (b) does not have a "significant interest" (as defined in the Tax Act for purposes of the prohibited investment rules) in the Company. In addition, the Common Shares will not be a prohibited investment if the Offered Shares are "excluded property" (as defined in the Tax Act for purposes of the prohibited investment rules) for a Registered Plan.

Prospective investors who intend to invest through a Registered Plan should consult their own tax advisers with respect to whether Offered Shares would be a prohibited investment having regard to their particular circumstances.

MARKETING MATERIALS

The following "marketing materials" (as such term is defined in NI 41-101) have been filed with the securities commission or similar authority in each of the provinces and territories of Canada excluding Québec in connection with this Offering and are incorporated by reference into this prospectus:

- the template version of the investor presentation filed on October 13, 2021; and
- the template investor version of the term sheet dated October 13, 2021, as amended on November 8, 2021.

In addition, any template version of any marketing materials provided to investors in connection with this Offering are not part of this prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this prospectus.

PRESENTATION OF FINANCIAL INFORMATION AND ACCOUNTING PRINCIPLES

The Company presents its financial statements in United States dollars. The annual financial statements of the Company referenced in this prospectus have been prepared in accordance with IFRS. See "*Non-IFRS Measures*".

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and is qualified in its entirety by, and should be read together with the more detailed information contained elsewhere in this prospectus including the Financial Statements and Management's Discussion and Analysis section of this prospectus and related notes appearing elsewhere in this prospectus, as well as the "Risk Factors" section of this prospectus, before making an investment decision. This summary does not contain all of the information a potential investor should consider before investing in Common Shares. Please refer to the "Glossary" for a list of defined terms used herein.

ARIZONA SONORAN COPPER COMPANY INC.

The Company was incorporated under the BCBCA on April 3, 2019, under the name "Elim Mining Incorporated". On July 12, 2021, the Company changed its name from "Elim Mining Incorporated" to "Arizona Sonoran Copper Company Inc."

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 Cactus Project, which is situated on private land and which the Company acquired from 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.

Since the Company's incorporation, it has focused on the exploration and development of the Cactus Mine and the raising of equity and other sources of capital to fund exploration and development of the Cactus Project. ASCU has a Board with depth of experience and market credibility and a management team with an extensive track record of developing and delivering mining operations in North America.

INVESTMENT HIGHLIGHTS

Brownfield, Scalable Development Project in a Tier 1 Jurisdiction

ASCU owns 100% of the Cactus Project located in Pinal County, Arizona, 40 miles south of Phoenix and 10 miles west of the Interstate 10 freeway. The Cactus Project refers to the privately-owned land assets, comprising of, amongst other things, the mineral rights to the old Sacaton East, Sacaton West and Parks/Salyer Deposits, previously owned and operated by ASARCO.

The graphics below depicts the location of the Cactus Project, the Parks / Salyer Property, available infrastructure as well as the Company's operational office located in Tempe.

Cactus Project Location and Site Overview





Project construction and mining of the west zone, by ASARCO, via open pit method at the Sacaton deposit had commenced by 1972, and the mine operated continuously from 1974 until 1984. Copper flotation mill concentrate was sent by rail to the ASARCO smelter in El Paso, Texas. During operation, the Sacaton mine consisted of the pit, crushing facilities and coarse ore stockpile, a 9,000 tpd flotation mill, a tailings storage facility (TSF) that covered approximately 300 acres, a return water impoundment, an overburden dump, and a waste rock dump that covered approximately 500 acres. An underground copper deposit at Sacaton was under development until September 1981 when work was suspended because of high costs and a weak copper market.

The Sacaton mine was permanently closed in March 1984 due to exhaustion of the open pit ore reserves. Over the mine's operating life, 38 million tons of ore were mined and processed, recovering 400 million pounds of copper, 27,000 oz of gold, and 759,000 oz of silver.

The property benefits from significant available infrastructure including electric power available through a transmission line connected to an existing substation at the mine site, water and proximity to a rail line for future concentrate transport, if required. The cities of Casa Grande and Maricopa are nearby and, combined with Phoenix, can supply sufficient skilled labor for the Cactus Project. The Greater Phoenix area is a major population center (approximately 4.5 million persons) with a major airport and transportation hub and well-developed infrastructure and services that support the mining industry. Based on preliminary public opinion research conducted by the Company in relation to re-development of the site in 2019, there is significant support for the Cactus Project in the region.

The current Stockpile Project, which is part of ASCU's re-development plan, was created through dumping of defined waste material from the historic Sacaton open pit mine operations by ASARCO during the period 1972 to 1984. All oxide copper mineralization, and sulfide copper mineralization below the working grade control cutoff of 0.3% Cu, as well as non-mineralized Gila Conglomerate from the west and east sides of the open pit, was directed to the waste rock dump.

ASCU's re-development plan for the Cactus Project is underpinned by a multi-billion pound Mineral Resource base, including Indicated Resources of 1.6 billion pounds and Inferred Resources of 1.9 billion pounds of contained copper (including the Stockpile Project Inferred Resources). The Company believes that significant opportunities exist to scale the Mineral Resource base through in-pit and near-pit organic expansion opportunities.

A summary of the Mineral Resources associated with the Cactus Project and Stockpile Project are as noted below.

Cactus Project Deposits –Mineral Resources as of March 1, 2021

Material Type	Tons (kt)	CuT (%)	TSol (%)	TSol_lb (klb)
Indicated				
Oxide	31,400		0.559	349,700
Enriched	42,500		0.844	715,500
Total Leachable	73,900		0.723	1,065,200
Primary	77,900	0.350		545,500
Total Indicated	151,800	0.531		1,610,700
Inferred				
Oxide	62,500		0.346	430,500
Enriched	55,100		0.498	548,800
Total Leachable	117,600		0.417	979,300
Primary	111,300	0.349		776,000
Total Inferred	228,900	0.384		1,755,300

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 resources 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; and 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 Mineral Resource or a Measured Mineral Resource; it is uncertain if further exploration will result in upgrading them to an Indicated Mineral Resource or Measured Mineral Resource classification.
- (9) Totals may not add up due to rounding.

The Inferred Mineral Resources for the Stockpile Project are reported in the table below.

Cactus Stockpile Project Inferred Mineral Resources as of April 2021

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

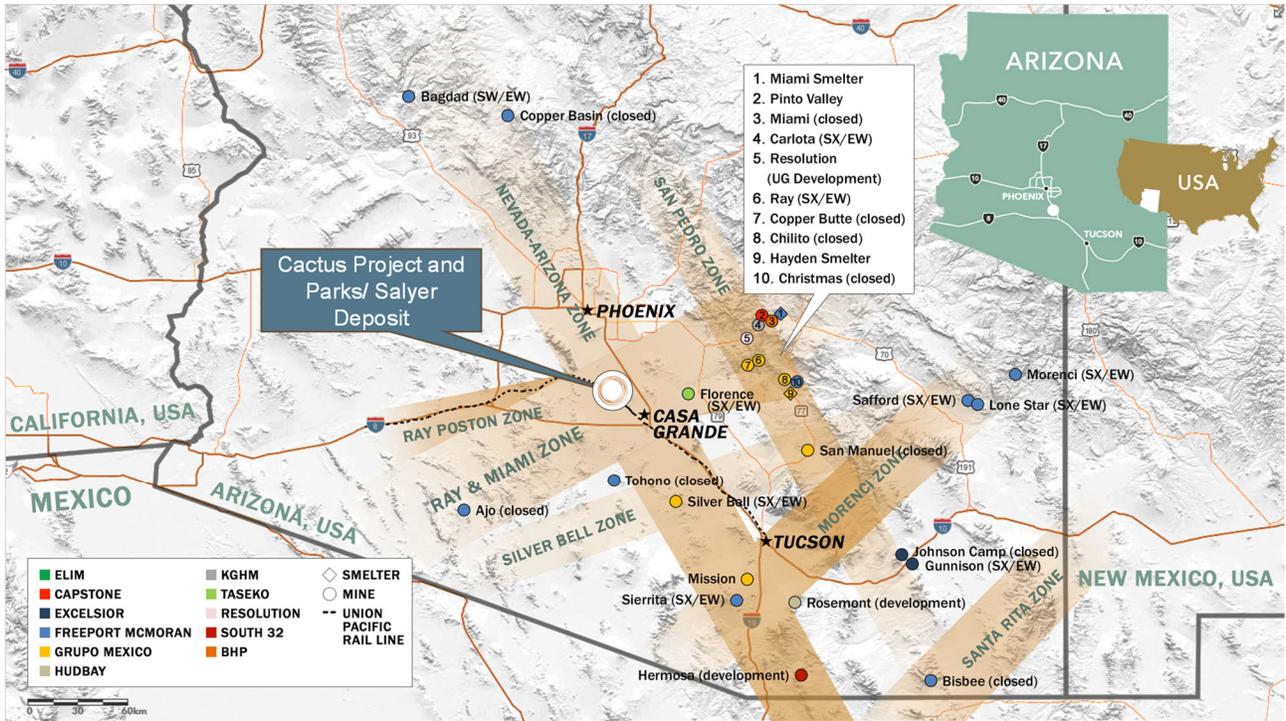
Notes:

- (1) There is a reasonable probability of eventual economic extraction of this Mineral 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 Mineral Resource or a Measured Mineral Resource; it is uncertain if further exploration will result in upgrading them to an Indicated Mineral Resource or Measured Mineral Resource classification.

The Cactus Project sits at the intersection of Arizona's three copper porphyry belts. The deposits are part of a large porphyry copper system and are also proximal to a number of large scale regional copper mines and processing facilities in Arizona.

Arizona is the USA's leading copper-producing state which accounted for 68% of domestic output of copper in 2019¹. It is also an established and attractive mining jurisdiction, which ranked No. 2 for the year 2020 in Fraser Institute's Investment Attractiveness Index².

Located at the intersection of Arizona's three porphyry belts

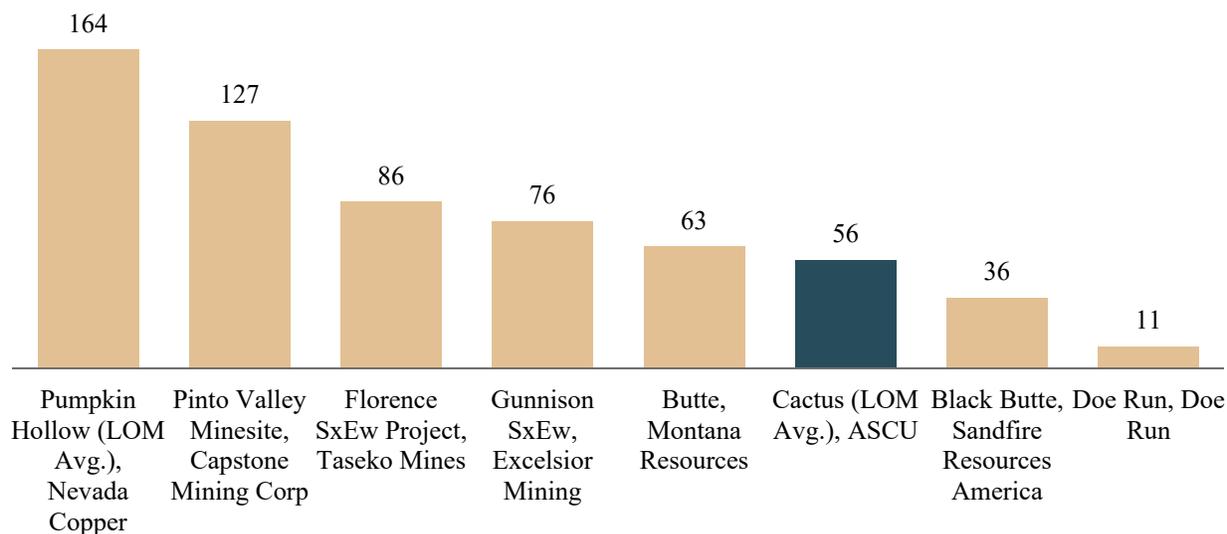


The Cactus Project is expected to produce an average of 56 million pounds (28ktpa) of payable LME Grade A copper cathode per year over the life of the operations. When in production, the Cactus Project is expected to be an important contributor to U.S. domestic copper supply as a top 10 US independent producer. See "*Independent United States Intermediate Copper Producers Forecast 2024 Production (Mlbs Cu)*" below.

¹Source: USGS Copper Data Sheet – Mineral Commodity Summaries 2020

²An overall Investment Attractiveness Index is constructed by combining the Best Practices Mineral Potential index, which rates regions based on their geologic attractiveness, and the Policy Perception Index, a composite index that measures the effects of government policy on attitudes toward exploration investment – Fraser Institute Annual Survey of Mining Companies 2020, available at www.fraserinstitute.org

Independent United States Intermediate Copper Producers Forecast 2024 Production (Mlbs Cu)



Source: Wood Mackenzie³, Integrated Cactus PEA⁴ and 2019 Pumpkin Hollow Project PFS⁵

Note: Only independent producers shown, i.e., projects not owned by a major producer. American copper operations owned by Rio Tinto, Lundin Mining, KGHM, ASARCO, Freeport-McMoRan and Barrick Gold excluded. Black Butte is 20% owned by Sandfire Resources American and 80% by Sandfire Resources. Pumpkin Hollow production per the LOM average stated in the 2019 Pumpkin Hollow Project PFS.

Robust Project Economics

The Integrated Cactus PEA illustrates robust economics in respect of the Cactus Project.

The Cactus Project development plan included therein demonstrates the ability to produce an aggregate of 1 billion lbs of copper, equivalent to 56 million Cu lbs per year (28ktpa) on average, over an 18-year mine life at an estimated LOM average C1 cash cost of US\$1.55/lb of payable copper. The project contemplates initial processing capacity of 22 ktpa with expansion to 35 ktpa within seven years of first production.

The Integrated Cactus PEA contemplates a simple processing flowsheet comprising of a heap-leach operation followed by electrowinning through a SXEW process. A low initial construction capex of US\$124 million is estimated for the project. Based on the layered development approach, future capital expenditures are expected to be funded from project cash flows.

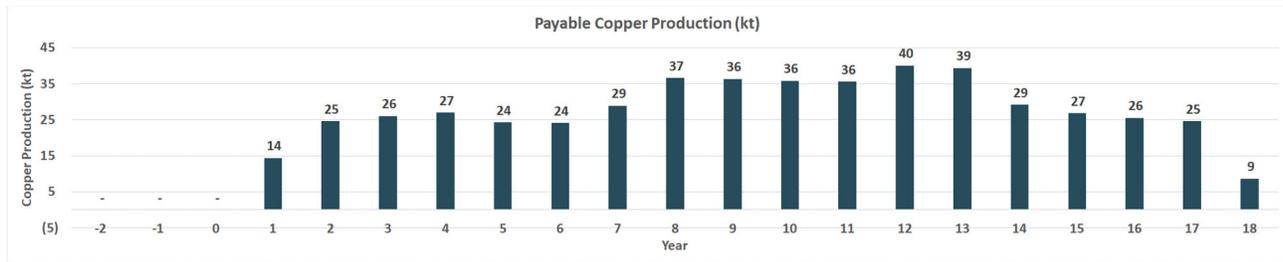
Based on an 8% discount rate, the Integrated Cactus PEA demonstrates robust economics indicating a post-tax net present value of US\$312 million and a post-tax internal rate of return of 33%. These economics are calculated based on a copper price of US\$3.35/lb.

³Source: Wood Mackenzie, Copper Mine Composite Costs Mine 2024 Report.

⁴Estimates of production for the Cactus Project are from the Integrated Cactus PEA. The Company has not made a production decision at the Cactus Project and there is no guarantee that a production decision will be made or that the production rates at the Cactus Project will be achieved. There are no Mineral Reserves for the Cactus Project currently. The information reported in the Integrated Cactus PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Inferred Mineral Resources are based on limited geological evidence and sampling. The tonnage and grade of Inferred Mineral Resources have significant uncertainty as to their existence and as to whether they can be mined economically. There is no certainty that the development plan as presented in Integrated Cactus PEA will be finally realized. See "Statement Regarding Forward-Looking Information" and "Risk Factors".

⁵Source: Pumpkin Hollow Source – the Nevada Corp. Pumpkin Hollow Project, Open Pit and Underground Mine Prefeasibility Study, dated January 21, 2019

The production profile for the LOM is as provided in the graphic below:



A summary of the Integrated Cactus PEA is as outlined below:

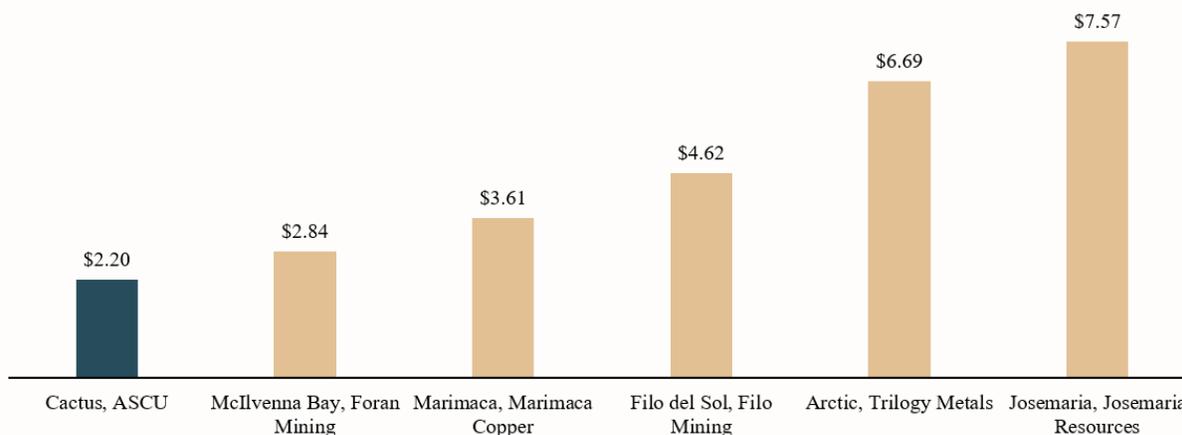
Assumption/Outcome	Value/Results
Copper Price	US\$3.35/lb
Total Mineralized material Mined	179 million tons
Annual Average Processing Rate Over LOM	10 million tons per annum
Average Recovery Rates Over LOM	Stockpile Project: CuAS: 90%, CuCN: 40% OP/UG: CuAS: 90%, CuCN: 72%
Average Production Over LOM	28 ktpa /56 million lbs
Operating Costs (per Ton Processed)	US\$9.06/ton
Average Cash Cost (C1) and All-In Sustaining Cost (C1 Cost+ Sustaining CAPEX)	C1: US\$1.55/lb AISC: US\$1.88/lb
Initial construction capex	US\$124 million
Sustaining CAPEX Over LOM (including OP and UG, SXEW and Leach pad expansions)	US\$340 million
LOM Free Cash Flow (FCF) (Post Tax Undiscounted)	US\$960 million
Post Tax NPV8	US\$312 million
Post Tax IRR	33%

The table below illustrates the Post-Tax NPV and IRR Sensitivities for the Cactus Project:

Copper Price (US \$/lb)	Project 8 NPV (Post Tax, \$M)	Post Tax IRR
3.00	206.23	25%
3.15	251.61	28%
3.25	281.85	31%
3.35	312.10	33%
3.45	342.35	35%
3.55	372.59	37%
3.65	402.84	39%
3.75	433.09	41%
3.85	463.53	43%
3.95	494.23	45%
4.05	524.88	46%
4.15	555.58	48%
4.25	586.28	50%
4.35	616.98	52%
4.45	647.68	54%
4.55	678.39	56%

The low initial construction capital cost of the project, positions the Cactus Project favorably in terms of capital intensity relative to other copper development projects, as illustrated in the chart below:

Capital Intensity of the Cactus Project relative to selected copper development projects (US\$/lb CuEq p.a.)



Source: Integrated Cactus PEA- Data for ASCU⁶

Note: Capital Intensity calculated as (Initial Capex)/(LOM Avg. Annual CuEq Production)

⁶ Sources: McIlvenna Bay Project, Foran Mining (Pre-feasibility Study for the McIlvenna Bay Project, Report Date: 27 April 2020); Marimaca Project, Marimaca Copper (Preliminary Economic Assessment Marimaca Project Antofagasta, II Region, Chile; Report Date: 4 August 2020); Filo del Sol, Filo Mining (Pre-feasibility Study for the Filo del Sol Project; Report Date: January 13, 2019); Arctic Project, Trilogy Metals (Arctic Feasibility Study Alaska, USA; Report Date: August 20, 2020); and Josemaria Copper-Gold Project, Josemaria Resources (Feasibility Study for the Josemaria Copper-Gold Project, San Juan Province, Argentina; Report Date: September 28, 2020).

Low Risk Development with State- and County-Led Permitting Framework

The Integrated Cactus PEA development plan contemplates a mining operation with reduced project and development risks resulting from:

- a layered development approach that will initially leverage existing mineralized ore stockpiles and re-development of the previously operating open pit before transitioning to underground mining;
- permitting within a streamlined state-led process; and
- access to existing infrastructure.

The development plan of the Cactus Project contemplates low operating costs driven by open pit mining in the initial years from start of first production, providing sustainable cash flow for self-funding of development of the underground operation and expansion capex required for ramp up of production from year five of the LOM.

The Cactus Project consists of private surface and mineral rights. As the project is not located on federal lands, the permitting framework involves interaction only with state and county institutions. State and county level permitting have established timelines for decision making based on final application submission dates or when the application submission is considered to be administratively complete. For a summary of the key permits required by the Company in respect of the project, refer to "*Cactus Mine Project – Environmental Studies, Permitting and Social or Community Impact – Permitting*" and "*General Development and Business of the Company – Environmental Protection and Permitting*".

ASCU continues to work proactively with state and county regulators to obtain the required project permits. The Arizona Department of Water Resources (ADWR) Permit to Withdraw Groundwater for Mineral Extraction and Metallurgical Processing has been issued for the Cactus Project site in respect of LOM project activities, allowing ASCU the rights to 3,600 afy for 50 years for dust control, mining and processing activities. The Arizona Department of Environmental Quality (ADEQ) AP Permit has been obtained by the Company for the stockpile project and becomes effective upon demonstration of financial capability submitted along with an amendment application for full project coverage. The relevant amendments for full project coverage will be filed by the Company and assessed by the ADEQ in due course. The Company has also obtained the Dust Permit Air Quality Control Permit and the Arizona Pollutant Discharge Elimination System (AZPDES) permits (construction and Multi-Sector General Permit) for both the mine facility and the TruStone Facility). See "*Cactus Mine Project – Environmental Studies, Permitting and Social or Community Impact – Permitting*" and "*General Development and Business of the Company – Environmental Protection and Permitting*".

As referenced in the Integrated Cactus PEA, on June 5, 2009, the Bankruptcy Court for the Southern District of Texas, Corpus Christi Division approved a Custodial Trust Settlement Agreement that resolved claims pertaining to past and potential future cleanup costs associated with approximately 18 ASARCO owned sites in 11 states. The agreement required the establishment of a custodial trust to oversee cleanup of the sites and transfer of site property to the custodial trust. The settlement agreement provided funding in the amount of US\$20 million to clean up the Sacaton site and to fund the administrative expenses associated with the custodial trust. The acquisition of the Cactus Project by ASCU, closed in July 2020 following completion of the site improvement plan activities undertaken by the ASARCO Trust.

Significant Upside Potential from In-pit and Near-Pit Opportunities

The Cactus Project has significant upside potential from in-pit and near-pit opportunities, including the following:

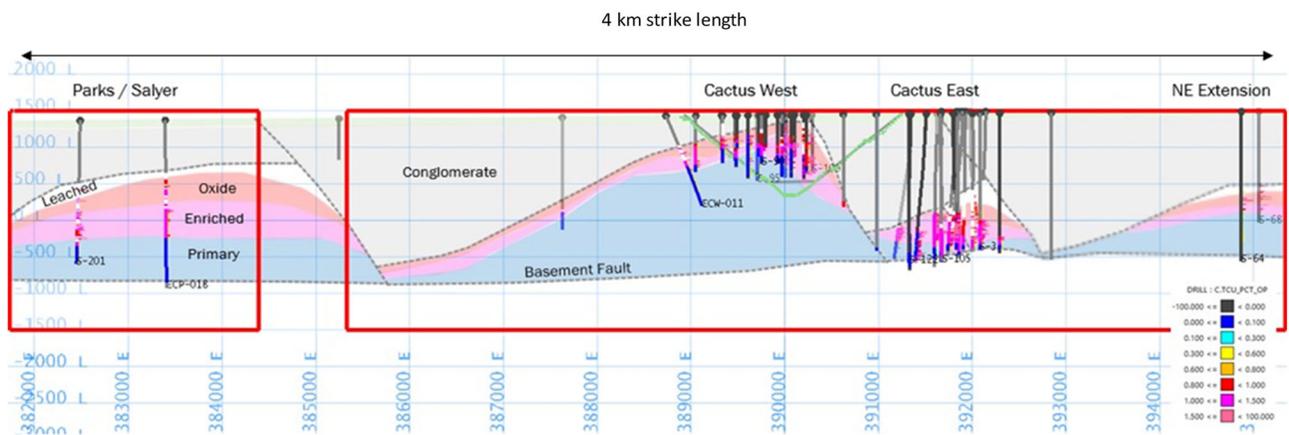
In-pit potential:

- Based on the current level of exploration and planning, the Cactus West and East deposits comprise Indicated Resources of 1.1 billion pounds and Inferred Resources of 1 billion pounds of leachable mineral resource (as indicated in the table above titled "*Cactus Project Deposits – Total Mineral Resources as of March 1, 2021*"). Only 1.3 billion pounds of contained copper has been included within the Integrated Cactus PEA LOM, as the current pit mine plan has reached its natural limits for strip ratio due to increasing waste and decreasing grades on the periphery. Being able to process the primary material which sits in the final pit floor (currently not included in the Integrated Cactus PEA LOM) through sulfide leaching or flotation, adds significant upside without additional waste stripping cost. This could result in depth expansion of the existing pit footprint, and also drive pit economics to support further pit expansions and expand production.

- Emerging technologies for improved leaching of sulfide copper mineralized material are being developed (with some technologies already in operation), in particular a proprietary catalytic bio-heap leaching technology that may provide an alternative approach to improving the leach performance of primary sulfide content in the leach materials considered in the Integrated Cactus PEA and the primary sulfides presently not considered economically suitable for commercial heap leaching operation. This option will be further analyzed during the upcoming work programs.
- For the purposes of life of mine modelling, resources included in the open pit mine plan reflect an optimization run at a conservative US\$2.27/lb copper price to produce pit shells with the highest NPV. This was done to present a robust initial mine plan, maximize grade inputs and consequently project value. As indicated in the Integrated Cactus PEA, there is potential to expand the existing mineral resources should US\$3.00/lb+ copper prices continue to prevail. There is potential room to expand the Integrated Cactus PEA inventory through improving strip ratios for certain areas adding approximately 10-15% additional contained copper (resulting in +20 year mine life and increased production in the near term) and optimizing recovery methods for primary ore. Further trade-off studies in this context will also be pursued during the upcoming work programs.

Near-pit and organic expansion potential:

- There is potential to add to the mineral resource base through testing and conversion of material currently characterized as waste north of the Cactus West deposit. This is targeted as part of infill drilling in the upcoming work program.
- Located 1.3 miles down trend to the southwest from the Cactus Project, ASCU's 100%-owned Parks/Salyer Project demonstrates the same geological characteristics as the Cactus Project. Parks/Salyer is part of the same high grade porphyry copper system as the Cactus Project and is also located within a northwest trending horst block of bedrock covered by later conglomerates. Supporting data at Parks/Salyer includes an IP survey, historic IP anomalies, historic drilling, an ionic leach program and two ASCU exploration holes completed in 2020. Parks/Salyer is located on contiguous ASCU-owned land next to the Cactus Project. This provides ASCU the opportunity to grow access to further copper resources, resulting in potential increase in mine life at the Cactus Project and leverage off planned Cactus Project infrastructure and equipment. Further drilling at Parks Salyer of c. 8,300 m is targeted as part of the upcoming work programs.
- The figure below is a NE oriented long section displaying the horst and graben block fault and mineralization interpretation of the Parks / Salyer deposit in the SW through to the NE Extension mineralization in NE, and including the existing Cactus West pit. The red boxes indicate ASCU controlled property boundaries.



In addition to the identified potential to bring more mineralized material into the mine plans and increase overall mineral resources, the total existing land package of over 4,600 acres provides ASCU significant operational flexibility in considering scaling up operations as organic expansion targets are further developed.

Supportive Copper Market Fundamentals

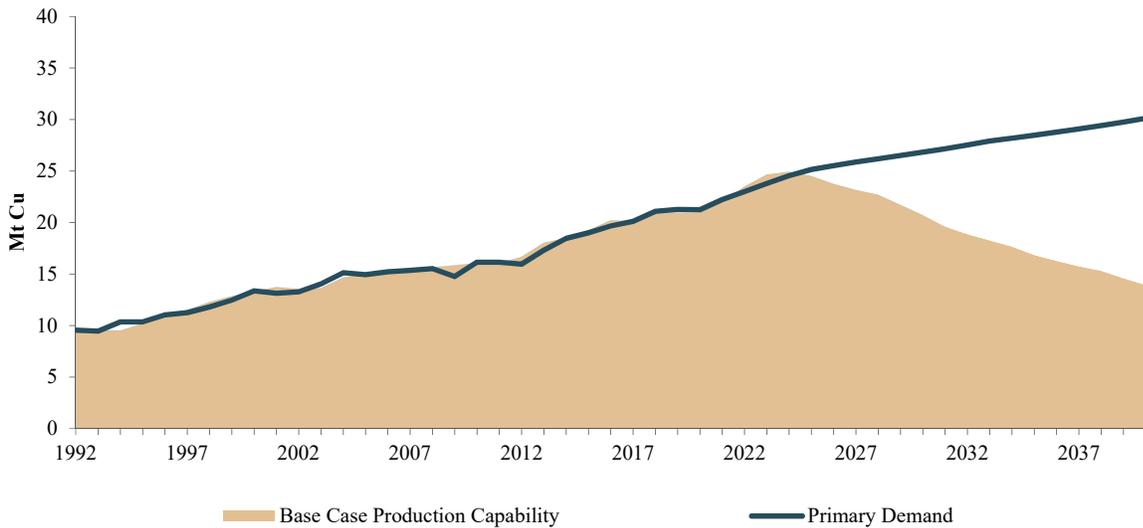
In addition to robust project fundamentals, the Cactus Project is well poised to benefit from a commodity price environment driven by fundamentals providing medium to long-term price support.

Copper Demand & Supply

According to Wood Mackenzie, copper demand is expected to be robust over the mid- and long-term driven by the global push to achieve a renewable energy future. From 2021-2025, copper demand is expected to grow at a CAGR of 3.1% p.a. and 2.2% p.a. from 2021-2040.

In addition to a robust copper demand outlook, forecast copper supply is expected to be insufficient to meet the increased consumption. The current and near-term copper price environment is strong and will encourage investment in the space to help sanction new supply; however, long development timelines will prevent this from materially reducing the supply deficit that is forecast to exist in the future. Wood Mackenzie expects that the copper supply deficit will begin in 2026, growing to a high of approximately 5.4Mt Cu by 2031 versus estimated primary demand of over 25mt Cu in 2031. The chart below highlights the forecast copper supply-demand deficit over the mid- to long-term.

Global Copper Production and Primary Demand



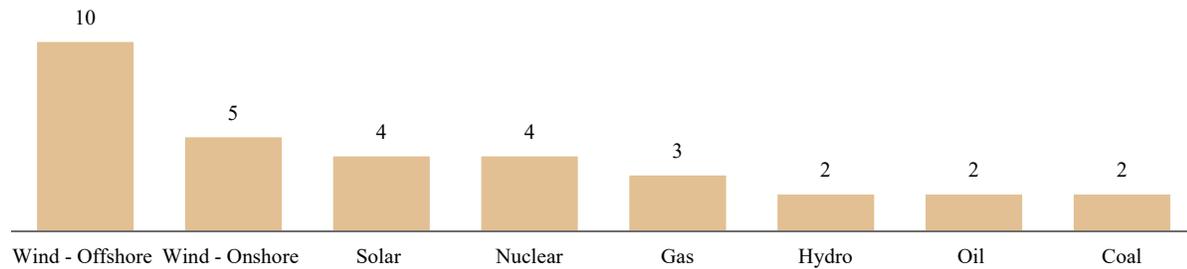
Source: Wood Mackenzie, Copper 2021 update to 2040, June 2021

The combination of a copper supply deficit and global push towards a renewable future is expected to underpin elevated copper prices for the foreseeable future. ASCU has a unique opportunity take advantage of this window of robust copper prices through developing and operating the Cactus Project.

Renewable Energy Future

Copper is a critical component in the global transition to renewable energy and electric vehicles (EVs). Renewable energy sources, such as solar, wind, geothermal, fuel cells require more copper relative to conventional energy sources due to the metal's excellent conductivity. A similar comparison can be made between EVs and internal combustion engines. The chart below outlines copper intensity by fuel type. The Cactus Mine will produce LME Grade A copper in cathode form once in production, which is a key component in the transition to a renewable energy future.

Copper Intensities by Fuel Type (t/MW)



Source: Wood Mackenzie, Copper 2021 update to 2040, June 2021

10-Year Copper Price Highs

The copper price has increased ~100% since the March 2020 low of US\$2.11/lb^(1,2), to a current price of US\$4.20/lb^(1,3); close to a 10-year high. The strong copper price environment is being driven by the re-opening of the global economy on the back of a recovery from the COVID-19 pandemic, together with increased focus on renewable energy sources and EVs. The following chart shows historical copper prices from 2000 – 2021.

- (1) Per S&P Capital IQ
- (2) Closing price on March 23, 2020
- (3) Closing price on September 30, 2021

Historic Copper Price Performance (2000-Present)



Source: Price data derived from S&P Capital IQ.

Experienced Leadership Team and Strong, Supportive Sponsors

ASCU acquired the Cactus Project in July 2020 and has made significant progress in relation to the project in the past 15 months. The team's achievements have, amongst other items, comprised of raising funding in excess of US\$25 million to complete the acquisition and a drill program to declare Mineral Resources for the project, delivering the Integrated Cactus PEA and making significant progress on obtaining key permits for the project.

The executive management team and Board have a long-standing track record of successful project delivery in North America complimented by global capital markets expertise. Key members of the management team of ASCU are:

George Ogilvie, President & Chief Executive Officer of ASCU, has over 30 years of management, operating and technical experience in the mining industry. Mr. Ogilvie was until most recently the President & CEO of Battle North Gold Corporation ("**Battle North**"), a position he was appointed to, in 2016 whilst the company was under financial insolvency & restructuring proceedings. During his 5 year tenure at Battle North, Mr. Ogilvie and his team successfully completed a turnaround of the company resulting in an increase in the resource base from 400,000 ounces Au to approximately 1.3 million ounces, completion of a positive bulk mining reconciliation program resulting in de-risking of the project, delivery of a preliminary economic assessment and follow on feasibility study in relation to the project with a post-tax IRR of 50% and completion of debt and equity financing of over C\$100m associated with project construction. Battle North was acquired by Evolution Mining Limited in May 2021 at a 45% premium to the prevailing spot price. Prior to this, Mr. Ogilvie was the CEO of Kirkland Lake Gold Inc. where he and his team implemented a turnaround strategy which included, amongst other items, improving operations at the Macassa Mine and the acquisition of St. Andrew Goldfields, resulting in significant returns for shareholders. Previously, Mr. Ogilvie was the CEO of Rambler Metals and Mining PLC, where he and his team guided the evolution of the company from grassroots exploration to a profitable junior producer. Mr. Ogilvie began his mining career in 1989 with AngloGold in South Africa and he subsequently held other roles at the Ruttan Mine in Northern Manitoba for HudBay Minerals Inc., the McCreedy West Mine and was also Area Manager for Dynatec Corporation.

Mr. Ogilvie received his B.Sc. (Hons.) in Mining and Petroleum Engineering from Strathclyde University in Glasgow, Scotland. He is a Professional Engineer and also holds his Mine Managers Certificate (South Africa). Currently, Mr. Ogilvie also serves on the board of Rupert Resources Ltd.

Ian McMullan, Chief Operating Officer of ASCU, has over 25 years of mining experience in operational and management roles. Ian's career has advanced through a variety of progressive responsibility roles whilst spanning both underground and surface mining applications in the United States and Canada, including a 20-year tenure with Newmont Mining Corporation. Mr. McMullan is well versed in planning and execution and has managed significant mining projects including the full production ramp-up of the Leeville Mine, and expansion of the Carlin Portal Mines, both in Nevada, during his career. Until the acquisition of Klondex Mines Ltd. by Hecla Mining Company, Mr. McMullan served as Vice President of Mining for Klondex Mines Ltd and was responsible for operational oversight of the United States and Canadian operations of the company comprising of five underground mines, two open pits and three processing facilities. Mr. McMullan holds a Bachelor's degree in Mining Engineering from Dalhousie University (Technical University of Nova Scotia) and a Master's in Business Administration from Lansbridge University. Mr. McMullan is also licensed with the province of Ontario as a professional mining engineer.

Rodney Prokop, Chief Financial Officer and Corporate Secretary of ASCU, has over 26 years of experience in financial leadership in the mining industry, including in the Arizona copper industry. He was Chief Financial Officer and Chief Compliance Officer for Cupric Canyon Capital LLC from 2010-2017 and Vice President of Investor Relations at Frontera Copper Corporation from 2008-2009. Prior to that, he was employed by Phelps Dodge Corporation for 16 years, where he held positions of increasing responsibility in the finance department, including assignments as Director of Corporate Financial Analysis, Assistant Treasurer, and Director of Investor Relations. In addition, he served as Vice President of Finance for one of Phelps Dodge's manufacturing operations headquartered in Fort Wayne, Indiana. Mr. Prokop received a Bachelor of Science degree in Accounting from Minnesota State University – Moorhead and has a MBA in Finance from Arizona State University. He is also a licensed Certified Public Accountant.

The Company's key institutional shareholders, Tembo and RCF are experienced mining investors with a successful track record of supporting management teams pursuing high-quality projects and realizing value for all stakeholders.

Tembo Capital Management Ltd ("**Tembo Capital**") is the investment advisor to two private equity funds which target junior and mid-tier mining investment opportunities. Tembo Capital is authorized and regulated by the Financial Conduct Authority in the United Kingdom. Tembo Capital aims to grow a strong and diversified investment portfolio focusing on low cost, quality assets managed by high caliber teams. The team's experience, coupled with a strong network of relationships in the mining industry, enables Tembo Capital to add long-term value to its investments through technical input, strategic guidance, financial solutions and industry introductions. Tembo Capital aims to work collaboratively with its investee companies through a long-term partnership-type approach.

RCF is not regulated by any financial authority. RCF is managed by RCF Management LLC which is not regulated by any financial authority other than the US Securities and Investments Exchange Commission. Both RCF and RCF Management LLC are located in Denver, Colorado.

THE OFFERING

Offering:	Based on the Offering Price, this prospectus qualifies the distribution of 19,066,518 Offered Shares (not including the exercise of the Over-Allotment Option).
Offering Price:	\$2.45
Amount:	\$46,712,969.10 (not including the exercise of the Over-Allotment Option).
Treasury Offering	\$45,000,000.15 (\$48,375,000.10 assuming the Over-Allotment Option is exercised in full).
Secondary Offering	\$1,712,968.95 (\$5,087,968.90 assuming the Over-Allotment Option is exercised in full).
Over-Allotment Option:	The Company and the Selling Securityholder have granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part, at any time and from time to time, at the sole discretion of the Underwriters, to purchase from the Company and the Selling Securityholder, in equal proportion, at the Offering Price up to an additional number of Common Shares equal to 15% of the aggregate number of Offered Shares purchased under the Treasury Offering for a period of 30 days from and including the Closing Date to cover over-allotments, if any, and consequential market stabilization. See " <i>Plan of Distribution</i> ".
Shares held by the Selling Securityholder following Closing	Following Closing, RCF will, directly or indirectly, own or control an aggregate of 3,956,117 Common Shares, representing approximately 5.7% of the issued and outstanding Common Shares, not including the exercise of the Over-Allotment Option. Assuming the Over-Allotment is exercised in full, RCF will, directly or indirectly, own or control an aggregate of 2,578,566 Common Shares, representing approximately 3.6% of the issued and outstanding Common Shares. See " <i>Principal Securityholders and Selling Securityholder</i> ".
Underwriters' Fee:	<p>The Company has agreed to pay the Underwriters' Fee equal to 6.5% of the gross proceeds of the Treasury Offering (including any Underwriters' Fee applicable to the Company's share of the Over-Allotment Option, if exercised), subject to reduction to 2.5% of the gross proceeds from subscriptions by purchasers, if any and up to a maximum of US\$2.5 million, on the President's List, and 2.5% in respect of subscriptions by Tembo under this prospectus, if any. The Company has also agreed to pay a cash fee equal to an aggregate amount \$250,000 ("Advisory Fee"), with a 50% and 50% allocation of the Advisory Fee payable to each of RBC and Haywood. See "<i>Plan of Distribution</i>".</p> <p>In respect of the Secondary Offering, the Selling Securityholder has agreed to pay the Underwriters a cash commission equal to 6.5% of the gross proceeds of the Secondary Offering and any Underwriters' Fee applicable to the Selling Securityholder's share of the Over-Allotment Option, if exercised.</p>
Pre-Emptive Right:	Tembo currently holds 39% of the issued and outstanding Common Shares, on a fully-diluted basis. As of the date of this prospectus, Tembo has confirmed that it will subscribe for 3,727,674 Common Shares under the Offering for aggregate gross proceeds of \$9,132,801.30 (equivalent to US\$7.4 million) and, in connection with the Offering, Tembo has waived its right under the Pre-Emptive Right (as defined herein) to maintain a <i>pro rata</i> shareholding in the Company that it had immediately prior to the Closing (calculated on a fully-diluted basis). See " <i>General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Investor Rights Agreement</i> " and " <i>Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – Tembo and RCF exercise significant control over the Company.</i> "
Use of Proceeds:⁷	The Company has agreed to pay the Underwriters a cash commission equal to 6.5% of the gross proceeds of the Treasury Offering and the Advisory fee equal to \$250,000 (with a 50% and 50%

⁷Using the daily average exchange rate on November 1, 2021 for C\$1 = US\$0.8085 (US\$1 = C\$1.2368), as quoted by the Bank of Canada.

allocation of the Advisory Fee payable to RBC and Haywood, respectively). The Underwriters' Fee shall be reduced to 2.5% in respect of sales (up to a maximum of US\$2.5 million) to purchasers on the President's List and 2.5% in respect of sales to Tembo or RCF pursuant to the Offering. Prior to giving effect to the exercise of the Over-Allotment Option, gross proceeds from the Treasury Offering are expected to be approximately \$45 million (US\$36 million). Assuming no sales to the President's List and a sale of approximately \$9 million (US\$7.4 million) to Tembo, the Company expects the Underwriters' Fee to total approximately \$3 million (US\$2 million). After deducting the estimated Underwriters' Fee, the Advisory Fee, and the estimated legal and other expenses of the Offering of approximately \$4 million (US\$3 million) in the aggregate, the Company expects to receive approximately \$41 million (US\$33 million) in net proceeds from the Treasury Offering.

The Company will not receive any of the proceeds from the Secondary Offering. Pursuant to the terms and conditions of the Underwriting Agreement, the Selling Securityholder will be responsible for the payment of the Underwriters' Fee equal to 6.5% of the gross proceeds of the Secondary Offering. The Company has agreed to pay the expenses associated with the Secondary Offering other than Underwriters' Fee relating to the Secondary Offering and any and all legal fees and expenses of the Selling Securityholder's external legal advisors, which shall be paid by the Selling Securityholder. See "*Principal Securityholders and Selling Securityholder*".

From its inception to the date of this prospectus, the Company has had negative cash flow and anticipates experiencing negative cash flow during the current financial year. The Company intends to fund its future negative cash flow from the proceeds of the Treasury Offering, existing cash and working capital as at the date of this prospectus.

The Use of Proceeds as outlined herein takes into account projected spending in respect of Phases 1 (PFS) and Phase 2 (DFS) in respect of the Cactus Project. The Company intends to use the Available Funds as indicated in the following table:

Principal Purpose	Work Program Phase- Phase 1 (PFS) (US\$ million)	Work Program Phase – Phase 2 (DFS) (US\$ million)	Estimated Amount to be Expended (US\$ million)	Estimated Amount to be Expended (C\$ million)
Technical requirements including land acquisitions⁽¹⁾⁽⁶⁾⁽⁸⁾:				
Drilling	1.2	3.1	4.4	5.4
Project Support	0.3	0.8	1.0	1.3
Technical Studies	0.7	0.7	1.4	1.7
FEED Engineering	0.0	0.8	0.8	1.0
Lab testing (assaying and metallurgical)	0.2	0.4	0.6	0.7
Permitting	0.1	0.1	0.2	0.3
Land payments ⁽⁵⁾	--	7.9	7.9	9.8
Exploration -Adjacent properties (Parks/Salyer & NE Extension)		2.9	2.9	3.6
Sub-Total⁽³⁾	2.5	16.7	19.2	23.8
Debt repayments:				
2021 Loan Agreement Repayment ⁽⁹⁾	--	--	5.0	6.2
Sub-Total⁽³⁾	--	--	5.0	6.2
Other:				
Corporate G&A ⁽⁷⁾	--	--	5.6	6.9
Recurring listing fees & marketing costs ⁽⁴⁾	--	--	0.9	1.1
Sub -Total⁽³⁾	--	--	6.5	8.0
Total⁽³⁾	--	--	30.7	37.9

Offering Expenses:	--	--		
Underwriters fees, commissions & corporate finance (Advisory Fees)	--	--	2.2	2.7
Legal Fees	--	--	1.2	1.5
Sub-total⁽³⁾	--	--	3.4	4.2
Working Capital	--	--	2.4	2.9
Sub-total⁽³⁾	--	--	36.4	45.0
Underwriting Fees associated with Over-allotment Option ⁽²⁾	--	--	0.2	0.2
Discretionary project spending & corporate G&A ⁽²⁾	--	--	2.6	3.2
Total⁽³⁾			39.1	48.4

Notes:

- (1) See "Cactus Mine Project – Work Program". This estimated amount to be expended includes the Q4 2021 Phase 1 Prefeasibility Study Costs and Phase 2 Definitive Feasibility Studies
- (2) The net proceeds of any exercised portion of the Over-Allotment Option will be shared equally by the Company and the Selling Securityholder. Assuming the Over-Allotment Option is exercised in full, the Company would receive additional net proceeds of approximately \$3 million (US\$3 million), after deducting the Underwriters' Fee (assuming that the full Underwriters' Fee of 6.5% is paid on the gross proceeds obtained by the Company from the exercise of the Over-Allotment Option). The Company will not receive any of the proceeds due to the Selling Securityholder under the Over-Allotment Option. The Company anticipates that these additional proceeds will be allocated as follows: US\$1.2 million for further value engineering in relation to the Cactus Project subject to the results of the PFS and DFS; US\$500,000 for further exploration drilling subject to the results of the drilling pursuant to the existing work programs; and approximately US\$851,443 to further increase the Company's cash position.
- (3) Totals may not add up due to rounding.
- (4) Estimated expenses with respect to maintenance fees on the TSX, fees in connection with continuous disclosure filings and requirements, investor relations and ongoing legal and advisory fees.
- (5) Pursuant to the LKY Agreement, the First Installment comprising of US\$7.5 million (less the Initial Deposit and Second Deposit) plus any applicable brokerage fees is due on the closing date of the LKY Transaction, subject to certain conditions precedents to closing. These conditions precedent comprise of approval of the General Plan Amendment Application, rezoning of the land to industrial use and a development agreement being entered into between the City of Casa Grande and Cactus 110 LLC. The closing date of the LKY Transaction will be thirty days after the satisfaction of these conditions. If closing does not occur by March 31, 2022, then Cactus 110 will have the right to purchase two thirty-day extensions beyond March 31, 2022 for a non-refundable payment of US\$100,000 per extension. These payments will not be applied towards the purchase price of the LKY Property. This would entail the First Installment being payable on May 31, 2022 and the Second Installment of US\$7.5 million being payable on May 31, 2023. As the conditions to the closing of the LKY Transaction are contingent on the approval of, and the agreement with, the third party governmental authorities noted above, closing of the LKY Transaction may not occur until after March 31, 2022, in which case the Company has the right to acquire two thirty-day extensions, resulting in the closing of the LKY Transaction occurring on May 31, 2022 and the Second Installment being payable on May 31, 2023. Given the highly contingent nature of the timing for obtaining the approvals for closing the LKY Transaction, the Company has not allocated funds from the Offering to the Second Installment Payment. See "General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement" for the terms of the LKY Transaction and a description of the LKY Property. The amount indicated in the column also includes payment to TAGC of US\$300,000 payable on completion of project permitting.
- (6) Prior to the issue of the permit for commencement of construction at the Stockpile Project, the ADEQ requires a reclamation bond for an amount of US\$1.5 million to be made available (as disclosed under section "Cactus Mine Project – Environmental Studies, Permitting and Social or Community Impact – Permitting") . Given ASCU's plans to expand the scope of operations to include the processing of material from the Stockpile Project concurrent with development of the open pit, the scope of the permit for the Stockpile Project is subject to a major amendment as disclosed in this Prospectus. The permit application for the major amendment requires detailed engineering designs in relation to the site layout and other technical information to be submitted which is the scope of the PFS and DFS work programs. It is ASCU's intention therefore to complete relevant studies in respect of the major amendment for full project coverage, pursuant to which modified permit applications will be duly made. The reclamation bond/security required for the full project coverage will then need to be made available to the ADEQ prior to issue of the permit. The permit will be required before commencement of construction. ASCU expects this amount to be an additional US\$3.5 million. As the Company is only raising funding for the next two phases of work programs, funding for such bonding requirements is expected to be raised as part of the construction finance, following a positive construction decision being made in relation to the Cactus Project.

- (7) Corporate G&A includes: employee compensation (including severance payments): US\$2.98 million; consulting & legal expenses: US\$1.4 million; insurance (including D&O insurance): US\$0.43 million; and other head office working capital of US\$0.79 million. This figure includes US\$125,000 of Q4 2021 G&A costs that has been incurred as of the date hereof.
- (8) The Issuer is raising funds for the next two stages of work programs (estimated in respect of the Issuer to be the PFS and DFS expected by Q2 2022). Decisions regarding construction and future spending in respect of the Cactus Project will need to be made by the Issuer in due course and will be contingent on the results of the PFS and DFS. As a result, further estimated expenditures of US\$1.2 million dedicated to potential value engineering work attributable to construction and not the existing work programs is not included in the Use of Proceeds. Further an estimated amount of US\$500,000 could be spent on further drilling in relation to adjacent properties which is contingent on drill results from the work program. Accordingly, this amount has also not been included in the Use of Proceeds. This figure includes US\$325,000 of Q4 2021 work program costs that has been incurred as of the date hereof.
- (9) The Company intends to repay US\$5 million of the principal amount of the 2021 Loan from the net proceeds of the Offering at the closing of the Offering. The balance of the principal amount of the 2021 Loan, being US\$1 million, together with all accrued interest payable under the 2021 Loan (including interest that had accrued on the US\$5 million repaid at the closing of the Offering) will be due and payable on July 31, 2023, pursuant to the 2021 Loan Amendment. See "*Use of Proceeds*" and "*General Development and Business of the Company – Other Transactions – Tembo Letter Agreement and 2021 Loan Agreement*".

The Company's estimated cash balance as at November 1, 2021 was US\$3.4 million and it had an estimated working capital deficit of US\$5.5 million (including the assigned book value of the 2021 Loan and incurred costs for Q4 2021 work program underway and certain Q4 2021 G&A costs)⁸. The Company anticipates that the proceeds of the Treasury Offering, together with its existing working capital deficit, will be sufficient to fund its development and exploration programs from the period from November 1, 2021 – June 30, 2022, Phase 1 and Phase 2 (scheduled to end before June 30, 2022) and to meet its administrative and operating costs through from the period November 1, 2021 to March 31, 2023 (totalling US\$19.2 million for the Technical Work Programs and US\$6.5 million for Other costs as outlined in the table above, but not including the Second Installment).

Unutilized proceeds of the Treasury Offering will be invested by the Company in an interest bearing account with major Canadian and US banks.

While the Company intends to spend the available funds as stated above, there may be circumstances where, for sound business reasons, funds may be re-allocated at the discretion of the Board or management. See "*Use of Proceeds*".

Risk Factors

An investment in a mineral exploration and development focused company is speculative and involves a high degree of risk. See "*Risk Factors*" for a discussion of certain factors investors should carefully consider before deciding to invest in the Common Shares.

Risks related to the Company include, without limitation:

- copper prices are volatile and may be lower than expected;
- product alternatives may reduce demand for the Company's products;
- estimating mineral reserves and mineral resources is risky and no assurance can be given that such estimates will be achieved;
- nature of mineral exploration, development and mining involves significant financial risks;
- dependence on the success of the Cactus Mine as the principal operation of the Company;

⁸ These amounts reflect estimates provided by the Company and have not been audited or reviewed.

- the Company may not be able to obtain further financing and continue as a going concern;
- the Company is reliant on appropriate governmental authorities to obtain, renew and maintain the necessary permits for Company operations;
- estimates of capital cost and operating costs may be lower than actual costs;
- geological hydrological and climatic events could suspend future mining operations or increase costs;
- title to mineral properties may be challenged or impugned;
- closing of the LKY Transaction;
- social and environmental activism can negatively impact exploration, development and mining activities;
- the Company's success is dependent on developing and maintaining relationships with local communities, stakeholders and its labour force;
- success of the Company and the successful development of the Cactus Mine depends on retaining the skills of the Company's management and key personnel;
- operations during mining cycle peaks are more expensive;
- mining operations are very risky;
- inadequate infrastructure may constrain mining operations;
- risks from unknown hazards;
- changes in climate conditions may affect the Company's future operations;
- substantial government regulation and changes to regulation or more stringent implementation of regulations could have a material adverse effect on the Company's operations and financial condition;
- regulation of greenhouse gas emissions and climate change issues may adversely affect the Company's operations and markets;
- risks associated with changing environmental legislation and regulations;
- the mining industry is intensely competitive;
- the Company may incur losses;
- The Company has experienced negative operating cash flow since incorporation and may experience negative operating cash flow for the foreseeable future;
- the Company may not use the proceeds as described in this prospectus;
- the Company's insurance coverage may be inadequate and result in losses;
- currency fluctuations can result in unanticipated losses;

- difficulty enforcing judgements and effecting service of process on directors and the Selling Securityholder residing outside Canada or organized under the laws of a foreign jurisdiction;
- the directors and officers may have conflicts of interests with the Company;
- Tembo and RCF exercise significant control over the Company;
- current and future debt ranks senior to Common Shares;
- future acquisitions may require significant expenditures or dilution and may result in inadequate returns;
- dependence on information technology systems;
- the Company may be subject to costly legal proceedings and securities class action litigation;
- the Company will incur increased costs as a result of complying with the reporting requirements, rules and regulations affecting public issuers;
- risks related to the Company's holding company structure;
- investors may lose their entire investment;
- there is no existing market for the Common Shares;
- dilution from equity financing could negatively impact holders of Common Shares;
- equity securities are subject to trading and volatility risks;
- sales by existing shareholders can reduce share prices;
- no intention to pay dividends;
- decline in price and trading volume of Common Shares if securities or industry analysts do not publish research or publish inaccurate or unfavourable research about the Company's business;
- reduction in share prices due to global financial conditions; and
- COVID-19 public health crisis.

SELECTED FINANCIAL INFORMATION

The following table sets out selected financial information of the Company for the periods and as at the dates indicated. This information has been derived from the audited financial statements for the year ended December 31, 2020 and the unaudited interim financial statements for the three and six month period ended June 30, 2021 and related notes thereto which appear elsewhere in this prospectus, and should be read in conjunction with those financial statements and related notes thereto, along with the associated MD&A.

	As at and for the six- month period ended June 30, 2021	As at and for the year ended December 31, 2020	As at and for the period ended December 31, 2019
	(US \$000s)	(US \$000s)	(US \$000s)
General and administrative expenses	4,570	2,737	1,803
Other expenses	1,816	2,367	–
Net loss and comprehensive loss for the period	6,386	5,104	1,803
Basic and diluted net loss per Common Share	0.16	0.23	0.16
At end of period:			
Cash and cash equivalents	4,459	7,248	47
Other current assets	411	2,128	48
Non-current assets	15,352	8,614	12,024
Current liabilities	11,073	4,570	10,296
Non-current liabilities	–	6,433	–
Shareholders' equity	9,149	6,987	1,823

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The following financial statements and MD&A of the Company are included as schedules to this prospectus:

Appendix "B": Unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2021;

Appendix "C": Management's discussion and analysis for the three and six months ended June 30, 2021;

Appendix "D": Audited consolidated financial statements for the year ended December 31, 2020; and

Appendix "E": Management's discussion and analysis for the years ended December 31, 2020 and 2019.

The audited consolidated financial statements listed above have been prepared in accordance with IFRS. The unaudited interim financial statements have been prepared in accordance with IFRS as applicable to interim financial reports, including International Accounting Standards (IAS) 34 – "Interim Financial Reporting."

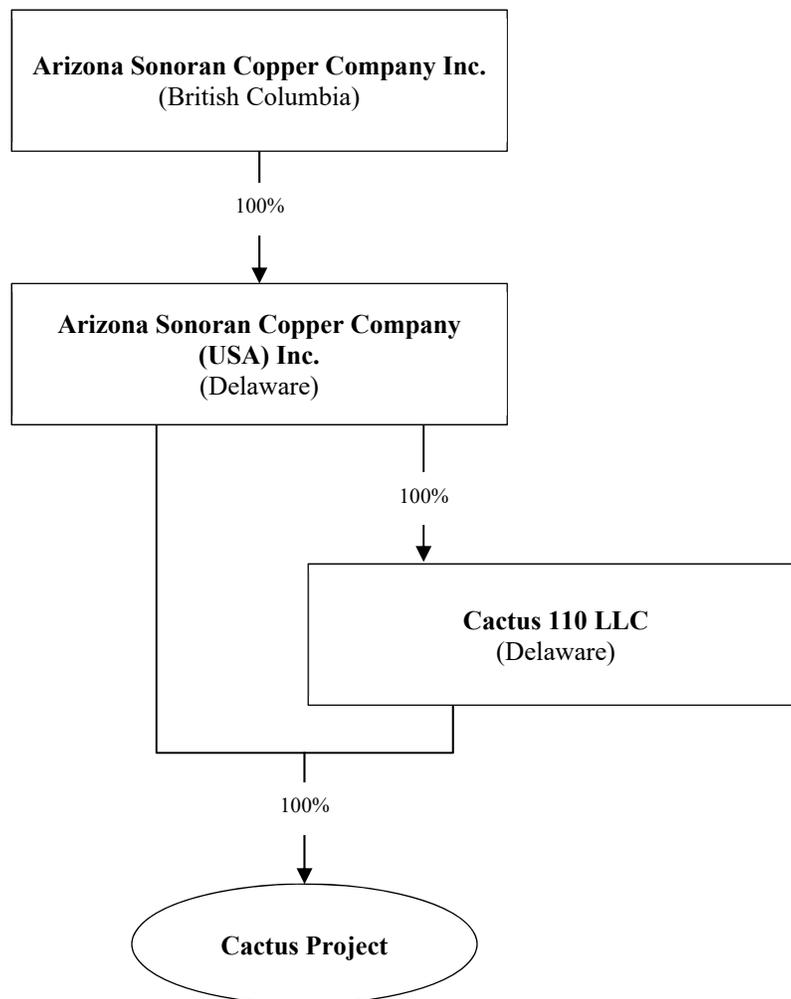
Certain information included in the Company's MD&A is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. See "*Statement Regarding Forward-Looking Information*".

CORPORATE STRUCTURE

The Company was incorporated under the BCBCA on April 3, 2019, under the name "Elim Mining Incorporated". On July 12, 2021, the Company changed its name from "Elim Mining Incorporated" to "Arizona Sonoran Copper Company Inc."

The Company's corporate office is located at 1545 Industrial Way, Sparks, Nevada, 89431, its main operations office is located at 850 W Elliot Road, Suite 106, Tempe, Arizona, 85284. The Company has its registered office at 666 Burrard Street, 2500 Park Place, Vancouver, British Columbia, V6C 2X8 and its Canadian office at Simpson Tower, 401 Bay Street, Suite 2704, Box #4, Toronto, Ontario M5H 2Y4.

The Company has two wholly-owned subsidiaries, Arizona Sonoran Copper Company (USA) Inc. and Cactus 110 LLC.



GENERAL DEVELOPMENT AND BUSINESS OF THE COMPANY

Overview of the Company

General

The Company's principal business objectives are the identification, acquisition, exploration, development and production of base metal properties in geographic regions known to have low geopolitical risk. The Company is currently in the exploration and development phase. The Company's principal asset is a 100% interest in the Cactus Project, which it acquired from 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. For further details concerning the Cactus Mine, see "*Cactus Project*".

Since ASCU's incorporation, it has focused on the exploration and development of the Cactus Mine and the raising of equity capital to fund exploration and development of the Cactus Project. ASCU has a Board with a depth of experience and market credibility and a management team with an extensive track record of project development and the operation of developed mines in North America.

The Company is not a reporting issuer in any jurisdiction and no securities of the Company are listed or posted for trading on any stock exchange. The Company has applied to list its Common Shares on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX.

The Company is not a reporting issuer in any jurisdiction and no securities of the Company are listed or posted for trading on any stock exchange. The TSX has conditionally approved the listing of the Offered Shares distributed under this prospectus as well as its existing issued and outstanding Common Shares on the TSX under the symbol "ASCU". Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before January 18, 2022. See "*Plan of Distribution*".

Business of the Company

Principal Operations

The Company is a mineral resource company engaged in the identification, acquisition, exploration, development and production of base metal properties in geographic regions known to have low geopolitical risk. The Company's main asset, the Cactus Project, is located in Pinal County, Arizona.

Cactus Project Overview

The Cactus Project is located 40 road miles south southeast of the Greater Phoenix metropolitan area and approximately 3 miles northwest of the city of Casa Grande, Pinal County, Arizona. It is located at the historic Sacaton Mine and is 10 miles due west of the Interstate 10 (I-10) freeway. Total site area is just over 4,000 acres. A general location map of the property is as provided below. These private land assets represent, among other things, the mineral rights to the Cactus West, Cactus East and Park Salyer deposits. The Cactus Project is comprised of the mineral rights to Cactus West and Cactus East.

The Company through its Subsidiaries also holds 18 federal unpatented mining claims covering a portion of the mineral estate under lands in which the Company through its Subsidiaries owns the surface estate. Although these claims are part of the Cactus Project, the Company does not presently plan to develop the mineral estate covered by the unpatented mining claims as part of the Cactus Project.



ASCU's Environmental, Social & Governance (ESG) Framework: ASCU's Journey to Renewal

ASCU is committed to mining sustainably. The Cactus Mine is a unique opportunity for the Company to revitalize a previously abandoned site, contribute to local economic development and help power a renewable energy future. The Company's environmental, social & governance framework set out in the Technical and Sustainability Committee Charter ("**ESG Framework**") is underpinned by good governance practices and focuses on four key areas:

- Ensuring responsible operations;
- Maintaining a positive work culture;
- Being part of the community; and
- Contributing to a renewable energy future.



Good Governance

The Company integrates its fundamental values into all its ways of working. Our core values drive the Company to operate with integrity, with respect for others and the environment, and to create positive, lasting partnerships with the communities in which the Company works.

The Code outlines the Company's expectations of its directors, officers and employees for ethical conduct. Beyond the Code, ASCU provides a strong corporate governance framework comprised of additional policies and procedures which enable the Company to operate with integrity, in compliance with applicable regulatory requirements. The Code and governance program are overseen by the Board. Implementation of the ESG Framework and strategy is overseen by the Technical & Sustainability Committee. See "*General Development and Business of the Company – Business of the Company – Policies*"; "*Statement on Corporate Governance – Ethical Business Conduct*"; and "*Statement on Corporate Governance – Technical & Sustainability Committee*".

Responsible Operations

ASCU is committed to operating in an environmentally responsible manner. By revitalizing an inactive copper mine, ASCU will significantly reduce the amount of natural habitat disturbed by its operations compared to a new mining operation. ASCU plans to take commensurate action as recommended in the site improvement plan to remediate the property whilst unlocking value from it.

As the Cactus Mine transitions to the advanced development and production phases, ASCU is committed to investing in technological efficiencies, including low-carbon and water-efficient technologies. ASCU aspires to design all facilities to meet or exceed Best Available Demonstrated Control Technology (BADCT) standards as well as ensure strict adherence to any operating permit limits including aquifer protection, stormwater discharge and air quality allowances. ASCU also plans to operate with zero wastewater discharge. The Company continues to explore the use of renewable energy for its operations and in this context it is exploring the development of an onsite solar farm to support its operations. ASCU's ability to reduce its carbon footprint will be further aided by the Arizona Public Service (APS), which plans to produce up to 65% of its total energy from renewable resources by 2030, and up to 100% by 2050.

ASCU has taken a proactive approach towards limiting environmental impacts and in this context, in order to improve biodiversity, the Company has commenced conducting biodiversity surveys on its properties. Whilst ASCU has not found any protected species on its properties, the Company has created a proactive plan to protect and enhance natural habitat for Cactus Wren, Saguaros and Ironwoods, three iconic species in the State of Arizona. Additionally, in early 2021, ASCU planted 220 trees along Bianco Road, the main access to the Cactus Mine property, to increase biodiversity, reduce dust and beautify the landscape. Also see "*Statement on Corporate Governance – Technical & Sustainability Committee*".

Positive Work Culture

ASCU aspires to provide meaningful work opportunities and prioritize worker wellbeing and safety. ASCU's success is directly linked to the health and safety practices at its operations. All of ASCU's employees, contractors, and visitors are required to adhere to best practices in health and safety. ASCU conducts daily safety briefings with all employees and contractors working on site to build a culture of safety and vigilance. This has included specific protocols to protect employees against the spread of COVID-19. ASCU is continuing to build its safety program as the Company transitions to development of the Cactus Mine. In 2020, ASCU had 40,387 man-hours worked with zero fatalities and zero lost-time incidents. Also see "*Statement on Corporate Governance – Technical & Sustainability Committee*".

Beyond workplace safety, ASCU strives to provide rewarding work and development opportunities. The Company believes that it provides competitive wages and benefits and promotes work-life balance. It is also committed to creating a diverse, equitable and inclusive workplace where human rights are respected and enforced through its Diversity and Inclusion Policy. See "*Statement on Corporate Governance – Diversity and Inclusion*".

Part of the Community

ASCU is committed to supporting local economic development and an open dialog with all stakeholders. The Company regularly meets with local community leaders and regional level lawmakers, to share its plans and in an effort to better understand community needs. ASCU also maintains a public hotline to encourage and solicit community partnerships and local procurement.

Renewable Energy Future

If the development of the Cactus Mine is completed and production commences, ASCU expects to produce LME Grade A copper in cathode form. Copper is a critical component for development and particularly in the context of powering the renewable energy and electric vehicle sectors in the U.S. and abroad. In addition to traditional demand, there is a growing need for copper in the U.S., given the increased focus on renewable energy. Renewable energy sources such as solar, wind, geothermal, fuel cells and other technologies are all heavily reliant on copper due to its excellent conductivity. All major forms of transportation depend on copper to perform critical functions. Electric vehicles require significant copper supplies for construction. As a copper producer, ASCU will be an active participant in the future of renewable energy. See "General Development and Business of the Company – Overview of the Company"; "General Development and Business of the Company – The Copper Mining Industry", and "Risk Factors – Risks Related to the Company and to Mineral Exploration and Development".

The Copper Mining Industry

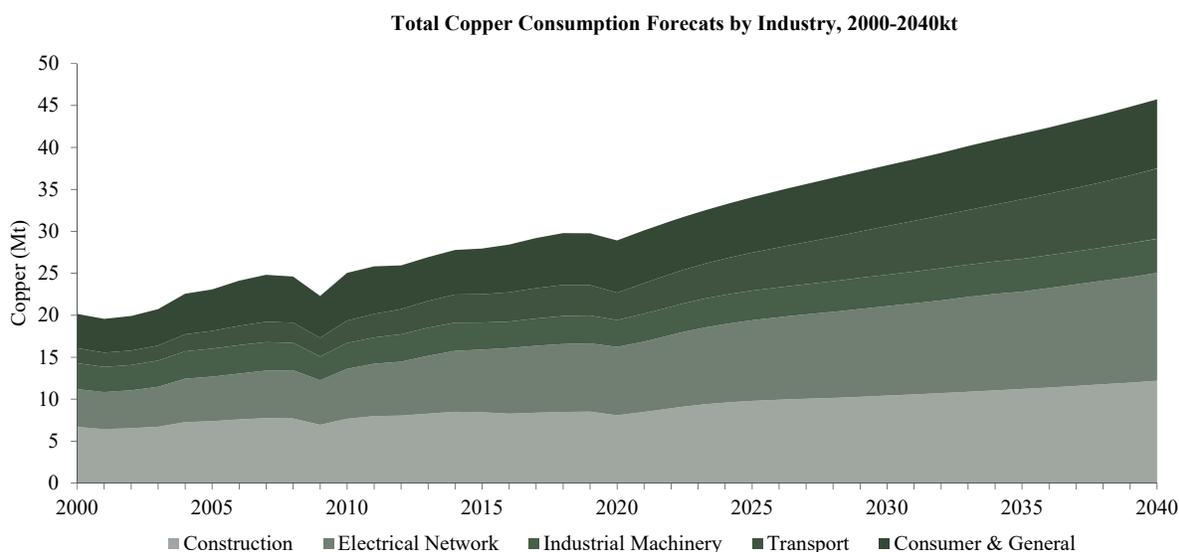
Uses of Copper⁹

Copper consumption can be divided into three main product groups which are copper wire rod, copper products and copper alloy products.

Copper wire rod, which accounts for an estimated 62% of total global consumption (i.e., including scrap) measured in copper content terms and 74% of primary consumption, is copper's main first use. With the exception of silver and gold, copper has the highest electrical conductivity of all the metals. This helps to explain why the principal application for copper wire rod is wire and cable.

In general, wire and cable and copper products are consumed in five broad sectors: construction, electrical network infrastructure, industrial machinery and equipment, transportation equipment and consumer and general products. Of these, construction is one of the largest sectors for consuming copper, accounting for 28% of total copper consumption. The main wire and cable and copper products consumed in the construction industry include building wire, power cable, copper plumbing and air conditioning tube, copper sheet and alloy products.

The graphic below demonstrates the rising consumption forecasts by industry for copper across various end uses.



Source: Wood Mackenzie

⁹ Source: Wood Mackenzie, Copper Long Term outlook Appendix – principal uses of copper, June 2021

Copper tube, which accounts for around 10% of global total copper consumption, is one of the largest of the copper product markets. The two main uses are in plumbing systems and in heating, ventilation and air conditioners and refrigeration (HVACR). Other copper and copper alloy products consumed by the construction sector include copper sheet and strip, rods, bars and sections plus brass products. Copper sheet is used for roofing, eaves gutters, drain pipes for rainwater and lining for facades, while rods, bars and sections, along with brass products, are used for building fixture and fittings. In hospitals, copper and brass doorknobs and push plates are sometimes used because it has been proven that they help to reduce cross contamination.

Copper wire and copper and copper alloy products are also used in transportation equipment, copper's third largest end use category which accounts for ~12% of total copper consumption. This includes the automotive, marine, railway and aircraft/aerospace sectors. It is within the automotive sector that developments of new copper applications have been most concentrated in recent years. It is within the automotive sector that developments of new copper applications have been most concentrated in recent years. Prior to 1930, copper and brass, having excellent pressure containing and anti-corrosion characteristics, were the favored materials to be used in brake tubing. However, mass auto production in the 1940s led to the adoption of furnace-brazed steel tubing because it was much lower in cost. Although this form of tubing is still widely used today, copper has re-gained some of its lost market share through the introduction of a copper-nickel alloy (90% copper/10% nickel) which is more resistant to corrosion from road mud and salt than steel piping. Likewise, new technology has led to the development of a new brazed copper-brass automotive radiator which has the necessary requirements to recapture some of the market share displaced by aluminum over the past twenty years.

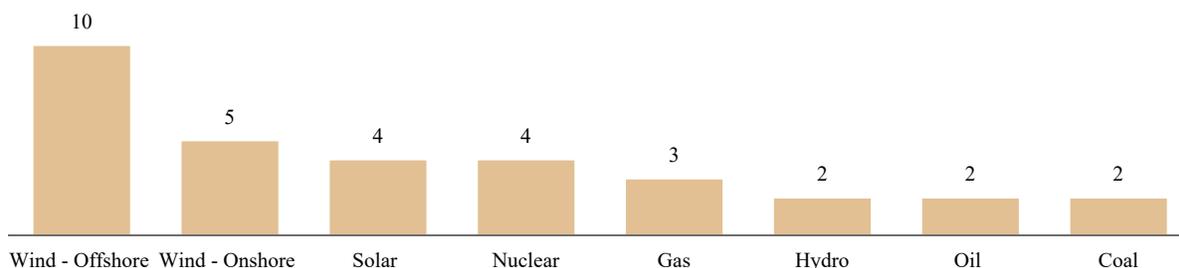
Meanwhile, 42-volt systems, hybrid and electric vehicles and numerous electrical and electronic applications provide additional growth prospects for the use of copper within the automotive sector. Over the years the number of electrical and electronic components installed per unit has been rising steadily, thereby creating the need for growth in the power and signal distribution system (otherwise known as the wiring harness). Many of the electrical components will have to be redesigned in order to work effectively with the higher-voltage systems which could result in the copper content of some of the electrical components falling, but as more power becomes available, new electrical components will emerge. Such examples include electronic valve actuation and electric braking, resulting in several kilos of copper, per unit, being added. Meanwhile, the introduction of electric and hybrid vehicles will also increase demand for copper from this sector as they typically have a much higher copper content than the traditional internal combustion engine vehicles because of the amount of copper in batteries among other components. Copper's fifth largest consuming sector, industrial machinery and equipment, accounts for ~11% of total consumption. Both copper wire and cable and semi products supply this sector which includes equipment and machinery, industrial valves and fittings, off-highway vehicles and heat exchangers.

Copper's final end-use category is the catch all category of consumer and general products. Copper consumed in this sector accounts for ~21% of total copper consumption. The three main end-uses are electrical appliances, military and civilian ordnance and coinage.

Copper in renewable energy & electric vehicles

Copper is a critical component in the global transition to renewable energy and as noted above, particularly in relation to electric vehicles (EVs). Renewable energy sources, such as solar, wind, geothermal, fuel cells require more copper relative to conventional energy sources due to the metal's excellent conductivity. A similar comparison can be made between EVs and internal combustion engines. The graphic below outlines copper intensity by fuel type. The Cactus Mine will produce LME Grade A copper in cathode form once in production, a key component in the transition to a renewable energy future.

Copper Intensities by Fuel Type (t/MW)



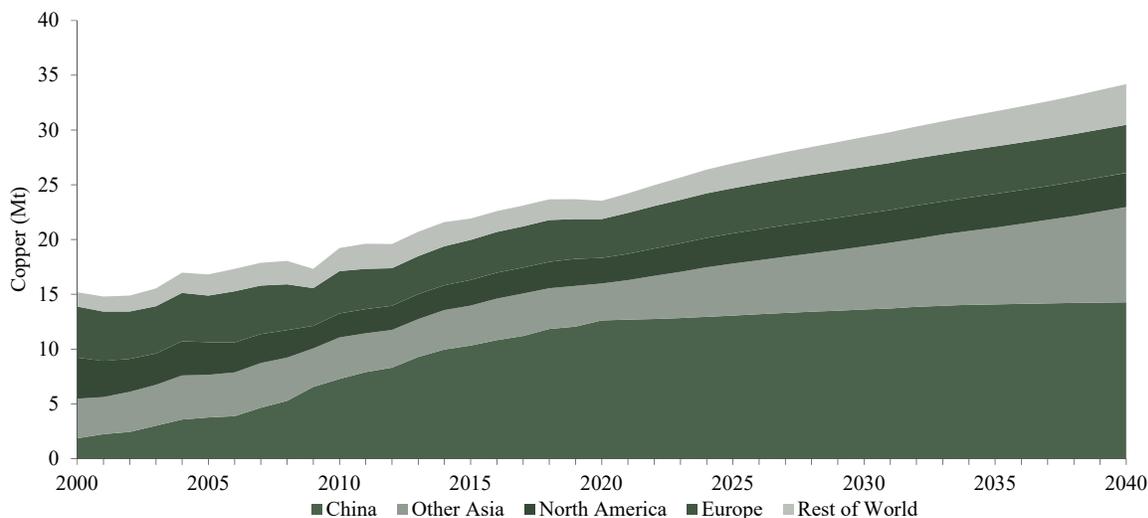
Source: Wood Mackenzie, Copper 2021 update to 2040, June 2021

Copper Demand¹⁰

The global demand for copper continues to grow. According to Wood Mackenzie, the medium term outlook for the copper market has been impacted by the global pandemic, however the fall in demand in 2020 was less than expected while the 2021 recovery looks set to be better than originally anticipated. Last year's China led recovery has been reinforced this year with progress on vaccinations and continued efforts by governments to boost growth via large stimulus policies across major markets.

According to Wood Mackenzie, total and refined copper consumption will expand by a CAGR of 3.0% and 2.6% respectively, between 2021 and 2026. The energy transition will support global refined consumption growth of 1.8% p.a. for the period 2021-2040. Meanwhile, future demand growth will be shaped by copper's role towards a greener, more sustainable world. Demand will also be met by a rising share of direct use of scrap, with total consumption growth of 2.2% p.a. forecast for the period 2021-2040.

Global Refined Copper Consumption By Region



Source: Wood Mackenzie, Copper 2021 update to 2040, June 2021

Copper Supply¹¹

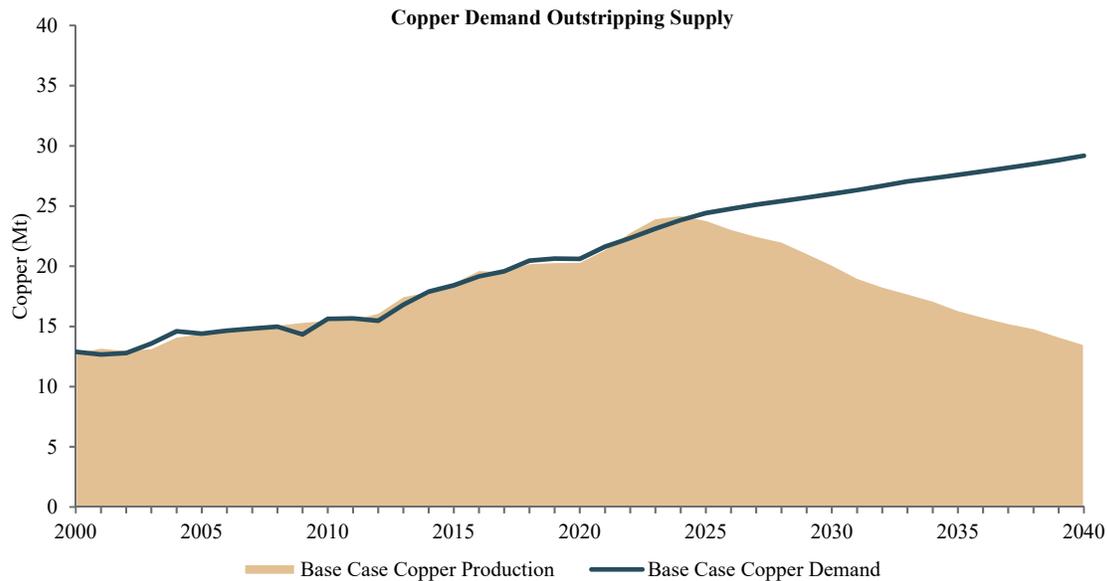
According to Wood Mackenzie, refined copper production is expected to grow at a modest CAGR of 2.3% from 2021 to 2030. Although China continues to be a strong contributor to overall production and will continue to have an increasing

¹⁰Source: Wood Mackenzie, Copper 2021 update to 2040, June 2021

¹¹Source: Wood Mackenzie, Copper 2021 update to 2040, June 2021

share of world copper production, copper mine supply is forecast to peak in 2024, followed by a decline in supply resulting from expected reserve depletion at global SXEW mining operations.

The strong copper price environment is expected to increase investment in copper supply in the short-term; however, long lead times and non-meaningful production capabilities of the projects receiving this investment may limit the impact this has on increasing supply. From 2026 onwards, mine supply constraints are expected to result in an overall deficit in copper supply. More stringent environmental regulations for mines, smelters and refineries may compound the supply deficit in the mid-to long-term.



Source: Wood Mackenzie, Copper 2021 update to 2040, June 2021

Copper Outlook¹²

According to Wood Mackenzie, without additional mine production (assumed to come on stream over and above what is available from the base case scenario as outlined above), the theoretical supply gap would stand at ~5.4 Mt by 2031. This theoretical supply gap reflects the revisions to the global refined demand outlook but also adjustments to the scrap volumes that should be available to smelters and refineries over the long term. Taking all these factors into account, they remain confident that a long term incentive price of US\$7,275/t (US\$3.30/lb) in constant 2021 US dollars should be sufficient to close this supply gap in order to maintain market equilibrium and retain a reasonable market balance over the next decade.

¹²Source: Wood Mackenzie, Copper 2021 update to 2040, June 2021

Cactus Project Acquisition and Financing

The Company was incorporated under the BCBCA on April 3, 2019. Prior to the Cactus Acquisition, the Company carried on no active business, other than the evaluation and negotiation, as applicable, of the Cactus Acquisition and related definitive documentation. See "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine)*" for further details.

Environmental Protection & Permitting

The Company's development and exploration activities are subject to various levels of federal, state, and local laws and regulations relating to the protection of the environment, including requirements for closure and reclamation of mining properties. Since the Cactus Acquisition in July 2020, the Company has operated in material compliance with its environmental approvals and has successfully administered a rigorous environmental monitoring and reporting program.

The Cactus Project is based 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) AP Permit: 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 the Company for the Stockpile Project and becomes effective upon demonstration of financial capability submitted along with an amendment application. The relevant amendments for full project coverage will be filed by the Company 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. As at the last practicable date this permit has been obtained by the Company.
- 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. As at the last practicable date, this permit was obtained for both the mine facility and the TruStone Facility.
- Pinal Air Quality Control Industrial Permit: This permit is required for operations that have the potential to generate PM 10 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.
- General Plan Amendment Application (For Rezoning): Rezoning for certain mine development areas will need to be applied for rezoning from Planned Area Development Zone (Zone 1) to General Industrial Zone (Zone 2) or an exemption will be need be obtained. This rezoning permit is under the purview of the City of Casa Grande and will be applied for in due course. Based on the current timelines, the Company expects that the earliest potential issue of this amendment would be December 2021.

As noted in the Integrated Cactus PEA, the environmental conditions at the Cactus Mine have been reviewed in detail and no environmental fatal flaws that would materially impede the advancement of the Cactus Project have been identified. The Company continues to maintain rigorous baseline data collection programs required to support the future permitting of the Cactus Mine and compliance with local regulations. See "*Cactus Mine Project*".

The Company believes its operational, development and environmental plans adequately address the environmental risks associated with its operations and that it currently has in place appropriate safeguards to protect the environment.

The Company believes it has appropriately accounted for the costs associated with its environmental protection, monitoring and controls; however, environmental regulations are evolving in a manner which has tended to impose higher standards with respect to permitting and environmental controls, and stricter enforcement of non-compliance penalties for companies and their directors, officers and employees with respect to compliance. As the Cactus Mine is advanced, the Company may be required to post additional security in respect of its environmental obligations. Any changes to the current environmental regulatory regime to which the Company is subject may result in increased capital costs and decreased production and revenue to the Company in the future, which could adversely affect the Company's earnings and competitive position. See "*Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – Compliance with environmental regulations can be costly*".

Specialized Skills and Knowledge

The nature of the Company's business requires specialized skills and knowledge, which include, but are not limited to, expertise related to mineral exploration, geology, drilling, permitting, metallurgy, logistical planning, and implementation of exploration programs, as well as legal compliance, finance, and accounting. The Company expects to rely upon various legal and financial advisors, consultants and others in the operation and management of its business.

In order to attract and retain personnel with the specialized skills and knowledge required for the Company's operations, the Company maintains competitive remuneration and compensation packages. To date, the Company has been able to meet its staffing requirements.

Competitive Conditions

The Company's primary business is expected to be to produce and sell copper. Prices are determined by world markets over which the Company has no influence or control. The Company's competitive position will be primarily determined by its costs compared to other producers throughout the world and its ability to maintain its financial integrity through metal price cycles. Costs are governed to a large extent by the grade, nature and location of Mineral Reserves and Mineral Resources as well as by input costs and the level of operating and management skill employed in the production process. In contrast with diversified mining companies, the Company in the shorter term will primarily be focusing on exploration and developing the Cactus Mine and, if commercial production is achieved, copper production, and is therefore subject to unique competitive advantages and disadvantages related to the price of copper. The Company is strongly positioned to benefit from a rising copper price and conversely, if copper prices decrease, the Company will be at a competitive disadvantage to diversified mining companies.

Further, the Company competes with numerous other entities and individuals, including many large established mining companies having substantial capabilities and greater financial and technical resources than the Company. Such competition may result in the Company being disadvantaged in the acquisition of attractive properties. The ability of the Company to acquire attractive properties in the future will also depend on its ability to successfully construct and develop the Cactus Mine and upon the terms and conditions from time to time of arrangements with third parties.

The Company also competes with other mining companies and other third parties over sourcing raw materials and supplies in connection with its construction, development and exploration operations, as well as for skilled experienced personnel and transportation capacity. See "*Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – The mining industry is intensely competitive*".

Cycles

While the Company believes it has adequately accounted for such challenges in its business and operational plans, there are nevertheless risks associated with such operations. See "*Risk Factors – Risks Related to the Company and to Mineral Exploration and Development*".

Demand for and the price of copper are volatile and affected by numerous factors beyond the Company's control. See "*Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – Copper prices are volatile and may be lower than expected*".

Employees

The Company employed a total of seven full-time employees, inclusive of executives, and three contractors as at December 31, 2020, and six full-time employees and five contractors as at June 30, 2021. The number of employees and contractors of the Company is expected to increase during 2021 and 2022 and reach approximately sixteen full-time employees and five contractors.

Policies

The Company has adopted several policies concerning health, safety, and the overall welfare of people and the environment. These policies include the Code, the Board of Directors Charter, the Compensation Committee Charter, Audit Committee Charter, Governance and Nominating Committee Charter, the Technical & Sustainability Committee Charter, the Health, Safety, Environmental and Community (HSEC) Policy, the Whistleblower Policy, the Foreign Corrupt Practices Policy, the Disclosure Policy, the Diversity and Inclusion Policy and the Insider Trading and Blackout Policy. The Code sets the Company's expectations of its directors, officers and employees in a number of areas, including respectful behavior and relationships with others and the communities in which the Cactus Mine is located. The Code also clearly states, among other things, the Company's commitment to health, safety, and the environment, and that the Company has no tolerance for discrimination, harassment or violence. The Code can be found on the Company's website and will be available under the Company's profile on SEDAR at www.sedar.com.

The Board has also adopted a Whistleblower Policy for individuals to report complaints and concerns regarding, among other things, violations of the Code. As well, the Company has a Foreign Corrupt Practices Policy which requires that the Company, directors, officers, other employees, consultants and contractors conduct business in an honest and ethical manner reflecting the highest standards of integrity and in compliance with all applicable laws and regulations applicable to the Company, including the *Corruption of Foreign Public Officials Act* (Canada).

The Company is committed to maintaining environmental protection practices compliant with applicable laws and the Company's contractual obligations, and to practicing environmental stewardship which seeks to minimize the impact of the Company's operations on the environment. For further details on the Company's environmental protection activities, see "*Environmental Protection & Permitting*" above.

The Company's employee health and safety and environmental protection activities are overseen by the Technical & Sustainability Committee of the Board and activities including sustainable development. See "*Statement on Corporate Governance – Technical & Sustainability Committee*".

The Board has adopted the Insider Trading and Blackout Policy to set forth basic guidelines for trading in the Company's securities (including, without limitation, its common shares) and to preserve its confidential information so as to avoid any situation that might have the potential to damage the Company's reputation or which could constitute a violation of applicable securities law by the Company, its officers, directors, or employees. Under this policy, all directors, officers, employees of the Company or its subsidiaries, consultants and other individuals or entities related to directors, officers, employees or consultants are prohibited from trading in Common Shares and other securities on the basis of such material non-public information until after the information has been disclosed to the public. All matters regarding the "materiality" or "non-public" nature of any information shall be determined by the Company's Disclosure Committee, which is comprised of the Chair of the Board, the CEO, Director of Investor Relations and any such director identified from time to time by the Chair of the Board.

Restructuring Transactions

The Company has not effected any material restructuring transaction since incorporation, nor is any material restructuring transaction proposed for the current financial year.

Two Year History

All figures in this "Two Year History" section are provided on a pre-Consolidation basis, unless otherwise indicated.

The Company was incorporated on April 3, 2019. The following is a description of ASCU's business development over the last two years since its incorporation.

Consolidation

On July 20, 2021, the Company completed a consolidation of its Common Shares on the basis of three (3) pre-Consolidation common shares for one (1) post-Consolidation common share. All figures set out in this prospectus, other than in the audited consolidated financial statements for the years ended December 31, 2020 and 2019 and related management's discussion and analysis or as otherwise stated, relating to a number, value or price of Common Shares have been adjusted to reflect the Consolidation. If the application of the Consolidation to an issuance of Common Shares resulted in a fractional Common Share, such Common Share was rounded down to the nearest whole Common Share. As a result, certain post-Consolidation numbers described in this section will vary slightly from a 1:3 ratio from the applicable pre-Consolidation number because the issuance they relate to comprises of individual issuances that were rounded down.

Acquisition of the Cactus Mine (formerly the Sacaton Mine)

Cactus Purchase Agreement

On July 23, 2019, ASCU USA entered into a purchase agreement with ASARCO Trust and Le Petomane XXV Inc. (in its representative capacity as Trustee of ASARCO Trust) for the purchase of certain properties which included the Cactus Mine (formerly the Sacaton Mine) for an aggregate purchase price of US\$6.0 million, as amended on March 24, 2020, April 29, 2020 and June 15, 2020 ("**Cactus Purchase Agreement**"). In accordance with the Cactus Purchase Agreement, ASCU USA agreed to purchase approximately 2,035.67 acres of real property located in Pinal County, Arizona from ASARCO Trust (the "**Cactus Project**"). Pursuant to the terms of the Cactus Purchase Agreement, ASCU USA acquired all rights and interests in and to the Cactus Project, including: (i) all improvements and appurtenances located on the Cactus Project and all patented mining claims related to the Cactus Project; (ii) all minerals located on, under or within the Cactus Project and any and all mineral rights, royalty interests, profits interest of any type, relating to the Cactus Project; (iii) fixtures, equipment and fixed assets located on the Cactus Project. ASARCO Trust held ownership rights in the Cactus Project pursuant to a certain quitclaim deed from AR Sacaton LLC and acquired title to the Cactus Project through bankruptcy proceedings. The Cactus Purchase Agreement was amended to extend the closing date to allow the Company more time to secure the required funds to complete the acquisition of the Cactus Project. The Property was purchased on July 10, 2020 concurrently with the completion of each of the Loan and July Unit Offering.

Loan Agreement

On July 10, 2020, the Company entered into a secured loan agreement (the "**Loan Agreement**") by and between the Company, as borrower, ASCU USA, Cactus 110 LLC, ("**Cactus 110**", together with ASCU US, the "**Guarantors**"), as guarantors, and Tembo, as agent and lender, and RCF, as lender. Pursuant to the terms of the Loan Agreement, Tembo and RCF agreed to loan a principal amount of US\$8,786,000 to the Company for the purpose of acquiring or refinancing the acquisition of properties associated with the Cactus Project as well as to advance the development and operation of such properties ("**Loan**"). The scheduled maturity date for the Loan is January 15, 2022, which may be accelerated by reason of an event of default under the Loan Agreement (the "**Maturity Date**"). The Loan is secured by the Company's real and personal property, whether now owned or acquired in the future, and pledges of the equity of the Company's subsidiaries. The Company has received notices of exercise of option from both Tembo and RCF and the respective principal amounts outstanding under the Loan Agreement will be offset against the respective purchase price under the Option Agreement (as defined below).

The principal amount of the Loan bears interest at a rate of 12.0% per annum, compounded monthly, and the interest on the Loan is payable in cash or Common Shares (at an interest conversion price of \$0.15 per Common Share (post-Consolidation: US\$0.45 per Common Share)), at the discretion of the Company. Interest is payable on the outstanding principal amount of the Loan at the end of each quarter. Any accrued and unpaid interest is payable in full on the Maturity Date.

The Loan is due and repayable in full on the earlier to occur of: (i) the Maturity Date, or (ii) for a particular lender, in accordance with the repayment demand notice from such lender as provided for in the Loan Agreement ("**Demand Notice**"). The Demand Notice provides Tembo and RCF the right, at any time and for any reason, to demand repayment in full, of the portion of the Loan that it funded; provided that such lender has also previously or concurrently delivered notice to the Company and the Guarantors that it is exercising its option under the Option Agreement (defined below). The Demand Notice shall be provided to the Company in writing and specify a date of repayment, which date shall be between five and thirty days following the Demand Notice. Additionally, the Loan may be prepaid at any time in full at

the option of the Company upon 20 days' notice and the opportunity for each of Tembo and RCF to exercise its option under the Option Agreement (as defined below).

In conjunction with the Loan Agreement, the Guarantors entered into a net smelter royalty agreement with each of Tembo and RCF, pursuant to which Tembo and RCF were granted a net smelter royalty on the Cactus Project equal to 1.5% for Tembo and 0.41% for RCF (the "**NSR Royalty Agreements**"). In addition, the Company entered in to an option agreement with each of Tembo and RCF, pursuant to which Tembo and RCF have an option to purchase a net smelter royalty on the Cactus Project of 1.0% for Tembo (the "**Tembo Option Royalty**") and 0.27% for RCF (the "**RCF Option Royalty**", together with the Tembo Option Royalty, the "**Option Royalties**") at a purchase price of US\$6,900,000 and US\$1,886,000, respectively (the "**Option Agreements**"). Pursuant to each of the Option Agreements, the purchase price payable by Tembo and RCF, respectively, may be offset by any indebtedness, obligations, or amounts owed by the Company to Tembo and RCF, respectively. Each of Tembo and RCF have exercised the option pursuant to the Option Agreements on October 27, 2021. The purchase price for each of the Option Royalties under the Option Agreements will be offset by the outstanding principal amounts due under the Loan Agreement. The closing of the option exercises and set-off against the Loan Agreement will be completed by December 31, 2021 (the "**Option Exercise Closing**"). As a result of the Option Exercise Closing, the principal amount outstanding under the Loan Agreement will be reduced to zero. If Tembo acquires the Tembo Option Royalty, the Company will have the right at any time prior to July 2025, to buy-down 0.5% of the percentage interest of the Tembo Option Royalty granted to Tembo, for a purchase price of US\$7,000,000. If RCF acquires the RCF Option Royalty, the Company will have the right at any time prior to July 2025, to buy-down 0.14% of the percentage interest of the RCF Option Royalty, for a purchase price of US\$1,913,333.

The Company also completed a non-brokered private placement of 33,955,560 units (post-Consolidation: 11,318,520 units) to Tembo and RCF for aggregate gross proceeds of US\$5,093,334 (the "**Lenders' Subscription**"), as more particularly described below under the heading "*General Development and Business of the Company – Two Year History – Financings and Issuances of the Company's Securities*".

The Loan Agreement contains terms and conditions with respect to the Loan customary for a transaction of this nature, including representations, warranties, borrower covenants, permitted indebtedness, assignment rights and events of default. In particular, the Company has agreed to certain negative covenants which include, among other things, restrictions on: (a) incurring certain indebtedness; (b) granting or assuming any lien in respect of the Company's properties or assets; (c) assuming certain guarantees of indebtedness; (d) completing any liquidation or dissolution, entering into any consolidation, merger or other similar transaction; (e) entering into any streaming agreements or other similar forward or future sale of minerals in respect of the Company's properties; (f) selling, transferring or otherwise disposing of any of the Company's material assets or properties; (g) purchasing or acquiring any equity interest or purchasing or acquiring all or substantially all of the assets of any person; (h) declaring or paying any dividends while any amounts under the Loan Agreement remain outstanding; (i) entering into or amending any material agreement without the prior written consent of the lenders under the Loan Agreement; and (j) amending the Company's articles or other constating documents in any manner adverse to the interests of the lenders under the Loan Agreement. In addition, the Loan Agreement contains a cross-default provision, whereby a default under the NSR Royalty Agreements, Option Agreements, the Investor Rights Agreement or the subscription agreements relating to the Lenders' Subscription, will constitute as an event of default under the Loan Agreement.

Investor Rights Agreement

On July 10, 2020, the Company entered into an investor rights agreement with Tembo and RCF (the "**Investor Rights Agreement**"). Provided that each of Tembo and RCF, together with any of their respective affiliates, hold or control 9.9% or more of the issued and outstanding Common Shares (calculated on a non-diluted basis), then each of Tembo and RCF, as applicable, have, among other things the right: (i) to designate one nominee each for election or appointment to the Board; (ii) to maintain their *pro rata* shareholdings in the Company (calculated on a fully diluted basis) upon certain equity issuances undertaken by the Company to raise capital including the Offering ("**Equity Issuance**"); (iii) to maintain their *pro rata* shareholdings in the Company (calculated on a fully diluted basis) upon the completion of any merger, acquisition of all or substantially all of the shares of a third party, tender offer, exchange offer, take-over bid or any other arrangement pursuant to which the Company will issue Common Shares to any third party ("**Business Combination**"); and (iv) to maintain their *pro rata* shareholdings in the Company (calculated on a fully diluted basis) once per year to accommodate for the completion of any Non-Financing Issuance.

In particular pursuant to Section 3 of the Investor Rights Agreement, any time the Company desires to complete an Equity Financing or Business Combination, the Company shall first, or concurrently, offer Tembo and RCF a sufficient number

of Securities, so as to permit Tembo and RCF to maintain, immediately following the closing of any Equity Financing or Business Combination, up to its *pro rata* shareholding in the Company, or of the entity surviving the Business Combination, as applicable, that it had immediately prior to the closing of the Equity Financing or Business Combination (calculated on a fully-diluted basis) (the "**Pre-Emptive Right**").

The Securities issuable pursuant to the Pre-Emptive Right for the purposes of an Equity Issuance shall be issued on the same terms as the Securities issued under the Equity Issuance and the Securities issuable pursuant to the Pre-Emptive Right for the purposes of a Business Combination shall be issued at a price not less than fair-market value. The Company shall provide Tembo and RCF written notice of any Equity Financing or Business Combination as soon as possible, but in any event at least fifteen Business Days prior to the expected closing of the Equity Financing or Business Combination (the "**Offer**"). However, if the fifteen Business Days prior written notice requirements of the Offer is not practicable in certain instances, the Company may proceed with the Equity Financing or Business Combination, provided that the Company takes all steps necessary to enable Tembo and RCF to exercise their respective Pre-Emptive Right as soon as practicable following closing. Upon receipt of the Offer, each of Tembo and RCF shall provide an irrevocable and unconditional written notice to the Company that it intends to exercise its Pre-Emptive Right within fifteen Business Days. In addition to the Pre-Emptive Right, each of Tembo and RCF have the right, once per calendar year during any day during the month of June, to subscribe for additional Common Shares up to such number as necessary to maintain their respective *pro rata* shareholding in the Company (calculated on a fully diluted basis) as at the later of: (i) the earlier of: (a) the last trading day of the Common Shares in the month of June of the immediately preceding calendar year; and (b) the closing date of Tembo or RCF's exercise of the Top Up Right (as defined herein), as applicable, if any, during the month of June in the immediately preceding calendar year; and (ii) the closing date of Tembo's and RCF's latest exercise of Pre-Emptive Right, if any, since the last trading day of the Common Shares in the month of June of the immediately preceding calendar year (the "**Top Up Right**"). Each of Tembo and RCF may assign its Pre-Emptive Right and Top Up Right to an Affiliate.

As of the date of this prospectus, RCF holds less than 9.9% of the issued and outstanding Common Shares and as such does not have a Pre-Emptive Right, Top Up Right or nomination rights pursuant to the Investor Rights Agreement at this time. RCF will regain these rights under the Investor Rights Agreement should it or its affiliates hold or control 9.9% or more of the issued and outstanding Common Shares (calculated on a non-diluted basis). As of the date of this prospectus, Tembo has confirmed that it will subscribe for 3,727,674 Common Shares under the Offering for aggregate proceeds of approximately C\$9 million (equivalent to US\$7.4 million) and Tembo has waived its Pre-Emptive Right for the purposes of the Offering.

Other Transactions

The Company has also entered into two land acquisition agreements in 2021 which form part of the site plan for the Cactus Project, as further described below.

Arcus Purchase and Sale Agreement

On February 2, 2021, Cactus 110 entered into a purchase and sale agreement ("**Arcus Agreement**") with Arcus Copper Mountain Holdings, LLC, Arcus Forever 7, LLC, East Pioneer-Arcus Copper Mountain, LLC, and Arcus & Arete Capital Investments, LLC (the "**Sellers**") for the purchase of approximately 750 acres of real property located in Pinal County, Arizona (the "**Arcus Property**") for an aggregate purchase price of US\$6.0 million (the "**Arcus Transaction**"). In connection with the Arcus Transaction, Cactus 110 deposited in escrow US\$100,000 as an earnest money deposit (the "**Deposit**"). The Arcus Agreement provided for a ninety day due diligence period which expired on May 5, 2021, at which time and upon Cactus 110's delivery of a notice confirming that the Arcus Property satisfies its criteria (the "**Approval Notice**"), the Deposit would become non-refundable unless Cactus 110 terminated the transaction prior to such time. On May 5, 2021, the Arcus Agreement was terminated as Cactus 110 did not provide the Approval Notice. On May 17, 2021, the parties entered into a reinstatement and amendment agreement (the "**R&A Agreement**"), whereby the Arcus Agreement was reinstated in its entirety and amended. Pursuant to the R&A Agreement, Cactus 110 acknowledged that the Arcus Property satisfied its criteria, waived its right to terminate relating to suitability of the property and the Deposit became non-refundable except in an event of an uncured event of default by the Sellers.

Pursuant to the Arcus Agreement, as amended by the R&A Agreement, the Arcus Transaction was completed in three phases (the "**Phases**" and each, a "**Phase**"), comprised of: (i) the closing of the first portion of the Arcus Transaction for a cash purchase price of approximately US\$2.7 million, initially scheduled for June 30, 2021 (the "**Phase 1 Closing Date**"), subject to the Arcus Extension (as defined below), was completed on August 29, 2021 (as further described

below); (ii) the closing of the second portion of the Arcus Transaction for a cash purchase price of approximately US\$2.4 million set for September 30, 2021 (the "**Phase 2 Closing Date**"); and (iii) the closing of the third and final portion of the Arcus Transaction for a cash purchase price of approximately US\$900,000, initially scheduled for September 30, 2021 (the "**Phase 3 Closing Date**"), was completed on September 29, 2021. Cactus 110's obligation to purchase the Arcus Property pursuant to the Arcus Agreement is conditional upon Cactus 110's ability to obtain financing for the Arcus Transaction prior to the Phase 1 Closing Date (the "**Arcus Financing Condition**"). If Cactus 110 had been unable to satisfy the Arcus Financing Condition, it could have terminated the Arcus Agreement on or prior to the Phase 1 Closing Date by written notice to the Sellers. Moreover, Cactus 110's intended use of the Arcus Property may require certain land use approvals, as determined by the applicable local governmental authorities governing the Arcus Property (the "**Entitlements**"). If Cactus 110 did not expect to obtain the Entitlements prior to the Phase 1 Closing Date, it could elect to extend the Phase 1 Closing Date for a period of sixty days (the "**Arcus Extension**") by providing twenty days' written notice to the Sellers and making an additional non-refundable deposit in escrow in the amount of US\$100,000. The Arcus Extension did not affect the Phase 2 Closing Date or Phase 3 Closing Date. Cactus 110's obligation to complete the purchase of the Arcus Property was not contingent on its ability to obtain the Entitlements.

On June 8, 2021, Cactus 110 elected to obtain the Arcus Extension and the Phase 1 Closing Date was extended to August 29, 2021. As consideration for the Arcus Extension, Cactus 110 deposited an additional non-refundable deposit of US\$100,000 in escrow to the Sellers. As of the date of this prospectus, the remaining portion of the aggregate purchase price under the Arcus Transaction due to the Sellers on the Phase 1 Closing Date, being US\$2.6 million, has been paid in full. The Company satisfied the US\$2.6 million payment by drawing down on available funds under the 2021 Loan. On September 29, 2021, the Arcus Transaction successfully closed.

LKY Purchase and Sale Agreement

On May 20, 2021, Cactus 110 entered into a real estate purchase and sale agreement (the "**LKY Agreement**") with LKY/Copper Mountain Investments Limited Partnership L.L.P. to purchase approximately 1,000 acres of real property located in Township 5, South Range 5 East in Pinal County, Arizona (the "**LKY Property**") for an aggregate purchase price of US\$20 million (the "**LKY Transaction**"). The purchase price will be adjusted if a survey of the land indicated total net acreage of the LKY Property deviates more than 1% from the approximated acreage. An escrow account was established on May 20, 2021 with First American Title Company (the "**LKY Escrow Agent**") for the LKY Transaction ("**LKY Escrow Account**").

Pursuant to the LKY Agreement, Cactus 110 provided an initial deposit of US\$100,000 (the "**Initial Deposit**") into the LKY Escrow Account and has delivered an additional deposit of US\$400,000 (the "**Second Deposit**", together with the Initial Deposit, the "**LKY Deposit**") prior to the end of the due diligence period. As at the date of this prospectus, Cactus 110 has provided the LKY Deposit, which is non-refundable, except in the event of an uncured event of default by LKY.

The purchase price in connection with the LKY Transaction is payable in three installments and delivered to the LKY Escrow Agent: (i) US\$7.5 million less the LKY Deposit (the "**First Installment**") on the closing date of the LKY Transaction, subject to and upon satisfaction of certain conditions precedents to closing, (ii) US\$7.5 million plus accrued interest at a rate of 6.0% per annum from the closing date (subject to any prepayments in accordance with the LKY Note and Carryback Loan (as defined below)) (the "**Second Installment**") payable on the first anniversary of the closing date (the "**Second Installment Date**"), and (iii) US\$5.0 million (subject to any prepayments in accordance with the LKY Note and Carryback Loan) (the "**Third Installment**", together with the Second Installment, the "**Post-Closing Purchase Price**") payable on the fifth anniversary of the closing date (the "**Third Installment Date**"). A real estate broker fee of 3.0% broker is payable by Cactus 110 to a third party real estate broker on the closing date pursuant to the LKY Agreement.

The Post-Closing Purchase Price will be secured by a commercial carryback real estate loan in the amount of the Post-Closing Purchase Price (the "**Carryback Loan**") to be evidenced by a secured promissory note (the "**LKY Note**") bearing an interest rate of 6.0% on the Second Installment from the closing date until the Second Installment Date, with no interest applicable on the Third Installment. The LKY Note matures on the Third Installment Date. The Post Closing Purchase Price will be distributed to LKY on execution of a deed of release and full reconveyance by LKY prior to the Third Installment Date.

The closing date of the LKY Transaction will be thirty days after the City of Casa Grande's approval of the general plan amendment, rezoning of the LKY Property to industrial use and a development agreement being entered into between the City of Casa Grande and Cactus 110. If closing does not occur by March 31, 2022, then Cactus 110 will have the right to

purchase two thirty-day extensions beyond March 31, 2022 (each an "**LKY Extension**") for a non-refundable payment of US\$100,000 per LKY Extension. These payments will not be applied towards the purchase price of the LKY Property. This would entail the First Installment being payable on May 31, 2022.

In connection with the LKY Transaction, the LKY Agreement includes certain restrictions on the sale of the LKY Property:

Foreclosure

If within fifteen years from the closing date, the LKY Property becomes subject to a third party foreclosure proceeding due to a default on a third-party loan encumbering the LKY Property and during such process of foreclosure, if the LKY Property is subject to a sale, Cactus 110 must deliver a written notice (the "**LKY Notice**") to LKY appointing an affiliate of LKY as the broker to sell the LKY Property at the highest possible price within the immediately ensuing 12-month period from the date of the LKY Notice in accordance with the terms of the LKY Agreement (the "**Sale Period**"). The net proceeds of such sale will first be applied and paid to Cactus 110 in the amount of US\$20 million and all interest paid under the Carryback Loan (together, the "**Buyer Repayment Amount**"). The remaining proceeds will be paid to LKY. The LKY affiliate brokering the sale will receive a success fee of 5.0% of the sale price of the LKY Property. If the sale of the LKY Property is not consummated before the expiration of the Sale Period, Cactus 110 will retain full ownership and control of the LKY Property and the LKY Agreement will terminate; provided, however, that if Cactus 110 is subject to undertake post mine-closure remediation actions as required by law or statute, Cactus 110 will have the right to fully discharge such obligations prior to the close of the acquisition of the LKY Property and in such case exclusively the Sale Period will be extended to accommodate such period.

Sale

If Cactus 110 decides to sell the LKY Property at any time after the fifteenth-year anniversary of the closing date, it is required to exercise one of but not both of the LKY Put Option (as defined below) or the LKY Sale Option (as defined below).

- **LKY Put Option:** Cactus 110 has the right to sell the LKY Property to LKY on "as is where is basis" subject to certain conditions, at a purchase price equal to the Buyer Repayment Amount and upon the terms and conditions in the put option purchase and sale agreement (as appended to the LKY Agreement) (the "**LKY Put Option**"). The LKY Put Option is binding on LKY and LKY will have 12 months from the date of exercise of the LKY Put Option (the "**LKY Purchase Period**") to pay Cactus 110, provided that LKY shall have provide proof of committed funds within 180 days of such exercise. If (i) LKY fails to timely provide such proof of committed funds; or (ii) Cactus 110 reasonably determines that the proof of funds provided is unacceptable and thirty days have passed without providing proof of funds reasonably satisfactory to Cactus 110; or (iii) LKY fails to consummate the acquisition of the LKY Property for the Buyer Repayment Amount within the LKY Purchase Period, then the LKY Agreement and the put option purchase and sale agreement will automatically terminate, Cactus 110 will retain full ownership and control of the LKY Property, and neither Cactus 110 nor LKY will have any further rights or obligations under the LKY Agreement; provided, however, to the extent that Cactus 110 needs time beyond the LKY Purchase Period to complete any mine closure and associated cleanup processes as required by applicable environmental regulations or laws (including any reclamation plans, as required under applicable laws) prior to the close of the acquisition of the LKY Property to LKY then, the LKY Purchase Period will be extended to accommodate such period.
- **LKY Sale Option:** Cactus 110 may engage an affiliate of LKY as a broker to sell the LKY Property to a third-party purchaser at the highest possible price (the "**Third-Party Purchase Price**"). The Third-Party Purchase Price shall be first applied to pay the success fee (being 5% of the Third-Party Purchase Price) to the LKY affiliate acting as broker and second to the Buyer Repayment Amount and any remaining amount shall be apportioned 80% to LKY and 20% to Cactus 110. Cactus 110 will not be obliged to sell the LKY Property for a Third-Party Purchase Price less than the Buyer Repayment Amount. If the LKY broker affiliate is unable to find and arrange for a third-party purchaser prior to the expiration of the LKY Notice Period then, the LKY Agreement shall automatically terminate and Cactus 110 shall retain full ownership and control of the LKY Property and the parties shall have no further obligations, except as expressly provided for in the LKY Agreement.

Tembo Letter Agreement and 2021 Loan Agreement

On June 22, 2021, the Company entered into a binding letter agreement with Tembo ("**Tembo Letter Agreement**"). Pursuant to the terms of the Tembo Letter Agreement, Tembo agreed to exercise its 20,000,000 July Warrants (post-Consolidation: 6,666,666 July Warrants) in accordance with the terms thereof and pay the aggregate exercise price of US\$4,000,000 to the Company in exchange for 20,000,000 Common Shares (post-Consolidation: 6,666,666 Common Shares). As consideration for the early exercise of the July Warrants, the Company issued to Tembo 6,666,666 Common Share purchase warrants ("**Tembo Incentive Warrants**") (post-Consolidation: 2,222,222 Tembo Incentive Warrants). Each Tembo Incentive Warrant entitles Tembo to purchase one Common Share at a price of US\$0.65 per Common Share (post-Consolidation: US\$1.95 per Common Share) for a period of three years following the issue date of the Tembo Incentive Warrants.

In addition, on June 22, 2021, the Company entered into an unsecured loan agreement by and between the Company, as borrower, and Tembo, as lender, pursuant to which the Company may borrow an aggregate principal amount of up to US\$6,000,000 from Tembo (the "**2021 Loan**"). This agreement was amended on July 19, 2021, in connection with the Consolidation (the loan agreement, as amended, "**2021 Loan Agreement**"). Subject to the terms and conditions of the 2021 Loan Agreement, the Company may draw-down the 2021 Loan in multiple advances, each such advance in a minimum aggregate amount of US\$1,000,000 and in whole multiples of US\$1,000,000, or more, thereafter. The amounts borrowed under the 2021 Loan Agreement are to be used towards the Company's working capital requirements and transaction expenses as a bridge financing in the interim period up to a planned listing for trade or initial public offering of the Common Shares on any nationally recognized stock exchange or trading system in Canada. The scheduled maturity date for the 2021 Loan (including, without limitation, the outstanding principal balance of the 2021 Loan, accrued and unpaid interest thereon and any other amounts owing to Tembo under the 2021 Loan Agreement) is December 31, 2021 (the "**2021 Maturity Date**"). The 2021 Loan and transactions contemplated under the Tembo Letter Agreement were completed on June 30, 2021.

The outstanding principal amount of the 2021 Loan bears interest at a rate of 8.0% per annum ("**Interest Rate**"), compounded daily, from the drawdown date up to and including the 2021 Maturity Date, provided that the interest shall continue to accrue at the Interest Rate, together with the Default Rate (as defined herein) following the 2021 Maturity Date in the event that full repayment of the 2021 Loan has not been made as of the 2021 Maturity Date. Additional interest at a rate of 2.0% per annum ("**Default Rate**") shall accrue on the 2021 Loan (i) from the date of the occurrence of an event of default under the 2021 Loan Agreement up to and including the date such event of default has been cured, remedied or otherwise waived by Tembo, or (ii) from the day after the 2021 Maturity Date until the 2021 Loan including all unpaid and accrued interest thereon, any compensation or fees on account of the 2021 Loan has been repaid in full.

All payments of principal, interest, fees and other amounts payable by the Company under the 2021 Loan Agreement shall be payable in cash. Subject to mutual agreement between the Company and Tembo, the indebtedness under the 2021 Loan Agreement may be converted into Common Shares upon an initial public offering at the applicable offering price for the initial public offering.

The outstanding principal balance of the 2021 Loan, accrued and unpaid interest thereon and any other amounts owing to Tembo shall be repaid on the earlier of: (i) the date of a notice of an event of default issued by Tembo to the Company as provided for in the 2021 Loan Agreement; and (ii) the 2021 Maturity Date. The Company is entitled to repay the 2021 Loan, including all accrued and unpaid interest thereon, at any time, in full or in part, without premium or penalty.

The Company has delivered a notice to Tembo of its intent to drawdown on the 2021 Loan pursuant to the terms of the 2021 Loan Agreement for the full amount of US\$6,000,000. The funds are expected to be received on or before September 30, 2021. The funds from the drawdown will be used to meet payments in respect of the Arcus Transaction.

As consideration for making the 2021 Loan to the Company, the Company is required to issue up to an aggregate, on a post-Consolidation basis, of 485,711 Common Shares to Tembo ("**Drawdown Shares**") on each date that proceeds of the 2021 Loan are advanced to the Company as follows: (i) 100,952 Drawdown Shares for the first US\$1,000,000 advanced; (ii) 92,380 Drawdown Shares for the second US\$1,000,000 advanced; (iii) 83,809 Drawdown Shares for the third US\$1,000,000 advanced; (iv) 75,238 Drawdown Shares for the fourth US\$1,000,000 advanced; and (v) Drawdown Shares will be issued to Tembo at the ratio of 66,666 Drawdown Shares for every US\$1,000,000 of the 2021 Loan advanced thereafter. The Drawdown Shares were issued on September 23, 2021.

The 2021 Loan Agreement contains terms and conditions with respect to the 2021 Loan customary for a transaction of this nature, including but not limited to representations, warranties, borrower covenants, permitted indebtedness, assignment rights and events of default.

On November 1, 2021, the Company and Tembo entered into an amending agreement with respect to the 2021 Loan Agreement (the "**2021 Loan Amendment**"). Pursuant to the 2021 Loan Amendment, the 2021 Maturity Date was extended to July 31, 2023. The Company intends to repay US\$5 million of the principal amount of the 2021 Loan from the net proceeds of the Offering at the closing of the Offering. The balance of the principal amount of the 2021 Loan, being US\$1 million, together with all accrued interest payable under the 2021 Loan (including interest that had accrued on the US\$5 million repaid at the closing of the Offering) will be due and payable on July 31, 2023 pursuant to the 2021 Loan Amendment. See "*Use of Proceeds*".

Financings and Issuances of the Company's Securities 2020 to 2021

2020 Issuances of Shares for Services Provided to the Company

Between January 1, 2020 and May 26, 2020, the Company issued an aggregate 605,112 Common Shares (post-Consolidation: 201,700 Common Shares) at deemed issue prices of US\$0.10 to US\$0.40 per Common Share (post-Consolidation: US\$0.30 to US\$1.20 per Common Share) to certain service providers, in consideration for services performed in favour and for the benefit of the Company.

2020 Private Placement of Convertible Debenture Units

On May 8, 2020, the Company issued an aggregate 1,830 units ("**Debenture Units**") at an issue price of US\$1,000 per Debenture Unit for aggregate gross proceeds of US\$1,830,000. Each Debenture Unit was comprised of (i) one secured convertible debenture in the principal amount of US\$1,000 (each, a "**Debenture**"), and (ii) 2,083 Common Share purchase warrants (a "**May Warrant**") (post-Consolidation: 694 May Warrants), with each May Warrant entitling the holder thereof to acquire one Common Share in the capital of the Company at an exercise price of US\$0.15 per Common Share (post-Consolidation: US\$0.45 per Common Share) at any time prior to May 8, 2023. Each Debenture issued by the Company, plus any accrued and unpaid interest in respect thereof, was convertible into units of the Company (each, a "**Conversion Unit**") prior to June 15, 2020, which was subsequently amended to July 17, 2020 ("**Maturity Date**") at a conversion price of US\$0.08 per Conversion Unit (post-Consolidation: US\$0.24 per Conversion Unit). Each Conversion Unit was comprised of (i) one Common Share ("**Conversion Share**"), and (ii) one Common Share purchase warrant ("**Conversion Warrant**"), entitling the holder thereof to acquire one Common Share at an exercise price of US\$0.10 per Conversion Warrant (post-Consolidation: US\$0.30 per Conversion Warrant). In connection with the private placement, the Company issued an aggregate of 50 finder's units to certain finders ("**May Finder's Units**"). Each May Finder's Unit was comprised of 50 secured convertible debentures in the principal amount of US\$1,000, on the same terms as the Debentures, and 104,150 Common Share purchase warrants ("**May Finder's Warrants**") (post-Consolidation: 34,716 May Finder's Warrants). Each May Finder's Warrant is exercisable by the holder thereof to acquire one Common Share in the capital of the Company at an exercise price of US\$0.15 per Common Share (post-Consolidation: US\$0.45 per Common Share) at any time prior to May 8, 2023.

Between June 15, 2020 and July 8, 2020, an aggregate of 3,275,000 Conversion Units (post-Consolidation: 1,091,666 Conversion Units) were issued upon conversion of the Debentures, at a conversion price of US\$0.08 per Conversion Unit. Each Conversion Unit was comprised of one Conversion Share and one Conversion Warrant. Each Conversion Warrant may be exercised for a Common Share at an exercise price of US\$0.10 per Common Share (post-Consolidation: US\$0.30 per Common Share) at any time for a period of three years from the date of issuance. The remaining Debentures were repaid on the Maturity Date.

2020 Private Placements

On January 6, 2020, the Company completed the first tranche of a non-brokered private placement financing of 413,115 Common Shares (post-Consolidation: 137,701 Common Shares) at an issue price of US\$0.40 per Common Share (post-Consolidation: US\$1.20 per Common Share), for aggregate gross proceeds to the Company of US\$165,246.

On February 21, 2020, the Company completed a non-brokered private placement financing of 125,000 Common Shares (post-Consolidation: 41,666 Common Shares) at an issue price of US\$0.40 per Common Share (post-Consolidation: US\$1.20 per Common Share), for aggregate gross proceeds to the Company of US\$50,000.

On March 24, 2020, the Company completed the second and final tranche of a non-brokered private placement of 130,025 Common Shares (post-Consolidation: 43,340 Common Shares) at an issue price of US\$0.40 per Common Share (post-Consolidation: US\$1.20 per Common Share), for aggregate gross proceeds to the Company of US\$52,010.

On July 10, 2020, the Company completed a non-brokered private placement financing of units ("**July Unit Offering**"), pursuant to which the Company issued an aggregate 33,955,560 units ("**July Units**") (post-Consolidation: 11,318,520 July Units) at an issue price of US\$0.15 per July Unit (post-Consolidation: US\$0.45 per July Unit) for aggregate gross proceeds of US\$5,093,334. Each July Unit was comprised of (i) one Common Share in the capital of the Company, and (ii) three-quarters (3/4) of one Common Share purchase warrant ("**July Warrants**"). Each whole July Warrant entitles the holder thereof to acquire one Common Share in the capital of the Company ("**July Warrant Share**") at an exercise price equal to US\$0.20 per July Warrant Share (post-Consolidation: US\$0.60 per July Warrant Share). In connection with the July Unit Offering, the Company issued to certain finders an aggregate 5,333,333 finder's warrants ("**July Finder's Warrant**") (post-Consolidation: 1,777,777 July Finder's Warrants). Each July Finder's Warrant entitles the holder thereof to acquire one Common Share in the capital of the Company at an exercise price of US\$0.20 per Common Share (post-Consolidation: US\$0.60 per Common Share) at any time prior to July 27, 2023. The Company also issued 2,533,333 Common Shares (post-Consolidation: 844,444 Common Shares) in satisfaction of a corporate finance fee payable to a finder in connection with the July Unit Offering.

Between December 21, 2020 and December 22, 2020, the Company completed a non-brokered private placement of 12,685,402 Common Shares (post-Consolidation: 4,228,453 Common Shares) at an issue price of US\$0.30 per Common Share (post-Consolidation: US\$0.90 per Common Share), for aggregate gross proceeds to the Company of US\$3,805,620.60. The Company issued an additional 20,000 (post-Consolidation: 6,666) Common Shares at an issue price of US\$0.30 per Common Share (post-Consolidation: US\$0.90 per Common Share) to a subscriber on December 23, 2020, bringing the aggregate number of Common Shares issued under the private placement financing to 12,705,402 Common Shares (post-Consolidation: 4,235,134 Common Shares) for aggregate gross proceeds to the Company of US\$3,811,621. The Company completed the issuance of an additional 10,000 (Post-Consolidation: 3,333) Common Shares at an issue price of US\$0.30 per Common Share (post-Consolidation: US\$0.90 per Common Share) to a subscriber under the private placement on January 8, 2021. See "*Prior Sales*".

2020 Shares for Debt Issuances

In accordance with the terms of the Loan Agreement, the Company may elect to satisfy any interest amounts owing under the Loan Agreement by issuing Common Shares at a price of US\$0.15 per Common Share ("**2020 Interest Shares**"). On October 23, 2020, the Company issued an aggregate 1,615,035 (post-Consolidation: 538,345) 2020 Interest Shares to satisfy \$242,255.27 in accrued and unpaid interest due under the Loan Agreement. On December 2, 2020, the Company issued an aggregate of 1,590,588 Common Shares (post-Consolidation: 530,196 Common Shares) to Tembo to satisfy \$238,588 in outstanding legal fees payable to Tembo in accordance with the terms of the Loan Agreement. See "*Prior Sales*".

2021 Private Placements

On March 9, 2021, the Company (i) completed a non-brokered private placement of 6,355,073 Common Shares (post-Consolidation: 2,118,357 Common Shares) at an issue price of US\$0.30 per Common Share (post-Consolidation: US\$0.90 per Common Share), for aggregate gross proceeds of US\$1,906,521.90 ("**March Financing**"); and (ii) issued 3,261 Common Shares (post-Consolidation: 1,087 Common Shares) to a consultant of the Company ("**Consultant**"), equal to 15% of the Consultant's participation in the March Financing, pursuant to a consulting agreement dated January 4, 2021. See "*Prior Sales*".

On June 8, 2021, the Company completed a non-brokered private placement financing of units ("**June Unit Offering**"), in respect of previously agreed contractual arrangements with an employee, pursuant to which the Company issued an aggregate of 343,750 units ("**June Units**") (post-Consolidation: 114,583 June Units) for aggregate gross proceeds of US\$27,500. Each June Unit was comprised of (i) one Common Share, and (ii) one Common Share purchase warrant ("**June Warrants**"). Each June Warrant entitles the holder thereof to acquire one Common Share in the capital of the Company at an exercise price equal to US\$0.10 per Common Share (post-Consolidation: US\$0.30 per Common Share). On January 25, 2021, the Company issued an aggregate 373,333 Common Shares (post-Consolidation: 124,444 Common Shares) to a service provider, in consideration for services performed in favour and for the benefit of the Company. See "*Prior Sales*".

On July 7, 2021, the Company completed a non-brokered private placement of Common Shares in respect of previously agreed contractual arrangements with an employee, pursuant to which the Company issued an aggregate of 714,286 Common Shares (post-Consolidation: 238,095 Common Shares) for aggregate gross proceeds of US\$500,000.20. See "*Prior Sales*".

During the year ended December 31, 2020 and the six month period ended June 30, 2021, the Company raised a total of approximately \$9.2 million and \$2.4 million, respectively, from private placements. A significant proportion of these funds were spent on acquisition costs for the Cactus Project with remaining funds allocated towards drilling and advancement of project related studies and general and administration.

Haywood Letter Agreement

On September 1, 2021, the Company entered into a binding letter agreement with Haywood ("**Haywood Letter Agreement**"). Pursuant to the terms of the Haywood Letter Agreement, on September 8, 2021 Haywood exercised its post-Consolidation 1,777,777 July Finder's Warrants in accordance with the terms thereof and paid the aggregate exercise price of US\$1,066,666.20 to the Company in exchange for 1,777,777 post-Consolidation Common Shares ("**Underlying Finder's Warrant Shares**"). As consideration for the early exercise of the July Finder's Warrants, the Company issued to Haywood 161,616 post-Consolidation Common Share purchase warrants ("**Haywood Incentive Warrants**"). Each Haywood Incentive Warrant entitles Haywood 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. See "*Prior Sales*".

CACTUS MINE PROJECT

The scientific and technical information in this section relating to the Cactus Project is derived from, and in some instances is a direct extract from, and based on the assumptions, qualifications and procedures set out in, the Integrated Cactus PEA. Such assumptions, qualifications and procedures are not fully described in this prospectus and the following summary does not purport to be a complete summary of the Integrated Cactus PEA. Reference should be made to the full text of the Integrated Cactus PEA, which is available for review under the Company's profile on SEDAR at www.sedar.com.

Project Description, Location and Access

The Cactus Project is located 40 road miles south southeast of the Greater Phoenix metropolitan area and approximately 3 miles northwest of the city of Casa Grande, Pinal County, Arizona. The Cactus Project, located at the historic Sacaton mine, is 10 miles due west of the Interstate 10 (I-10) freeway. Access to the Cactus Project is approximately 4.6 miles west of Arizona State Route 387 (AZ-387) on North Bianco Road off the West Maricopa-Casa Grande Highway. The Greater Phoenix area is a major population center (approximately 4.5 million persons) with a major airport and transportation hub, and well-developed infrastructure and services that support the mining industry.

The following figure shows the general location of the Cactus Project:



In July and August 2019, ASCU USA, a subsidiary of ASCU, executed a purchase agreement and prospective purchase agreement with the ASARCO Trust and the Arizona Department of Environmental Quality (the "ADEQ"), respectively, for the right to acquire all American Smelting and Refining Company ("ASARCO") land parcels representing the Cactus Project, as well as all infrastructure therein, and all associated mineral rights.

In July 2020, ASCU USA successfully closed on the property and acquired full title for the Cactus Project. In addition, Cactus 110 closed on the Merrill land parcels comprising the Parks/Salyer Property. Also in 2020, ASCU acquired a prospecting permit for adjacent land owned by the Arizona State Lands Department.

In February 2021, Cactus 110 entered into the Arcus Agreement to purchase 750 acres of land also adjacent to the Cactus Project known as the Arcus Property. Further, in May 2021, Cactus 110 entered into the LKY Agreement to purchase 1,000 acres of land adjacent to the Cactus Project referred to as the LKY Property.

The Cactus Project comprises total landholdings of over 4,000 acres. The privately-owned land assets represent, among other things, the mineral rights to the old Sacaton East, Sacaton West and Parks/Salyer deposits. ASCU USA intends to operate the mine under the name Cactus.

Property and Rights

The following table describes the surface, mineral and leasehold property rights comprising the Cactus Project. These rights and title have not been independently verified and the title documents have been relied upon by the authors of the Integrated Cactus PEA.

Owner	Parcel No.	Property Description	Township	Range	Section	Acres
CACTUS 110 LLC						
CACTUS 110 LLC	503-31-004B	NWNW LESS WEST 215 FEET OF SEC 10, 6S-5E	6 South	5 East	10	33.5
CACTUS 110 LLC	502-36-004A	S1/2S1/2NW OF SEC 27, 5S-5E	5 South	5 East	27	40

Owner	Parcel No.	Property Description	Township	Range	Section	Acres
CACTUS 110 LLC	502-36-001A	S1/2S1/2W1/2NE OF SEC 27, 5S-5E	5 South	5 East	27	20
CACTUS 110 LLC	502-36-009A	S1/2S1/2E1/2NE OF SEC 27, 5S-5E	5 South	5 East	27	20
CACTUS 110 LLC	502-37-001E	SESENE OF SEC 28, 5S-5E	5 South	5 East	28	10
CACTUS 110 LLC	502-37-006B	E1/2E1/2SE OF SEC 28, 5S-5E	5 South	5 East	28	40
CACTUS 110 LLC	502-41-0080	LOT 7 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0090	LOT 8 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0100	LOT 9 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0110	LOT 10 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0220	LOT 21 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0230	LOT 22 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0240	LOT 23 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0250	LOT 24 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0310	LOT 30 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-41-0330	LOT 32 OF SEC 33, 5S-5E	5 South	5 East	33	10
CACTUS 110 LLC	502-25-0120	SW OF SEC 34-5S-5E	5 South	5 East	34	160
CACTUS 110 LLC	503-69-004B	WEST 215 FET OF SW OF SEC 3-5S-5E	5 South	5 East	3	10
CACTUS 110 LLC	503-31-004A	WEST 215 FET OF NWNW OF SEC 10-5S-5E	5 South	5 East	10	6.5
CACTUS 110 LLC	502-36-0060	SW OF SEC 27-5S-5E	5 South	5 East	27	160
CACTUS 110 LLC	502-36-0070	W1/2SE OF SEC 27-5S-5E	5 South	5 East	27	80
CACTUS 110 LLC	502-36-0080	E1/2SE OF SEC 27-5S-5E	5 South	5 East	27	80
CACTUS 110 LLC	502-25-008A	SW OF SEC 26-5S-5E	5 South	5 East	26	160
CACTUS 110 LLC	502-25-007A	SE OF SEC 26-5S-5E	5 South	5 East	26	160
CACTUS 110 LLC	502-25-007C	S-265.72 OF E-1450 OF NE OF SEC 26-5S-5E	5 South	5 East	26	8.85
CACTUS 110 LLC	502-25-005A	W-630 OF THE N-1855 OF THE S-2905 OF SEC 25-5S-5E	5 South	5 East	25	26
CACTUS 110 LLC	502-25-014A & 502-25-014B	NE OF SEC 35-5S-5E	5 South	5 East	35	160
CACTUS 110 LLC	502-25-0130	NW OF SEC 35-5S-5E	5 South	5 East	35	160
CACTUS 110 LLC	502-25-0110	N1/2 OF SEC 34-5S-5E AC E-CRETE IPR #502-25-800	5 South	5 East	34	320
CACTUS 110 LLC	502-25-0220	SW SEC 35-5S-5E (surface only)	5 South	5 East	35	160
CACTUS 110 LLC	502-25-0150	SE OF SEC 35-5S-5E	5 South	5 East	35	160
CACTUS 110 LLC	502-25-021A	COMM @ NW COR OF SEC 36-5S-5E TH S-1316.64' TO POB TH S88D E-227.58' TO POB THE POINT OF A TANG-CUR CONCAVE SW W/RAD OF 217.19' TH SWLY 325.21- TH S02D E-980.73' TO THE POINT OF A NON- TANG-CUR CONCAVE NW W/RAD OF 123.28' TH SWLY 192.7' TH W-360.55' TH N (Surface Only)	5 South	5 East	36	13.5
CACTUS 110 LLC	503-69-001A	LOTS 1-4 & S1/2N1/2 OF SEC 3-6S-5E	6 South	5 East	3	340.24

Owner	Parcel No.	Property Description	Township	Range	Section	Acres
CACTUS 110 LLC	515-28-0020	SEC 28-5S-6E WATERWELL SITE #1 NWNENE AND PIPELINE RIGHT OF WAY EXTENDING IRREGULARLY FROM EAST EDGE OF NE TO N EDGE OF NE	5 South	6 East	28	15.46
CACTUS 110 LLC	515-28-0100	SEC 28-5S-6E WATERWELL SITE IN NENENESE AND PIPELINE RIGHT OF WAY ALONG EAST EDGE OF SE	5 South	6 East	28	15.12
TOTAL FOR CACTUS 110 LLC						2,459.17
ARCUS COPPER MOUNTAIN HOLDINGS LLC (OPTIONED LANDS)						
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-006A	W1/2E1/2SE OF SEC 28-5S-5E	5 South	5 East	28	40
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-005C	NWSE OF SEC 28-5S-5E	5 South	5 East	28	40
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-005A	E1/2SWSE OF SEC 28-5S-5E	5 South	5 East	28	20
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-005B	W1/2SWSE OF SEC 28-5S-5E	5 South	5 East	28	20
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-001A	N1/2NE OF SEC 28-5S-5E	5 South	5 East	28	80
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-001B	SWNE OF SEC 28-5S-5E	5 South	5 East	28	40
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-001C	W1/2SENE OF SEC 28-5S-5E	5 South	5 East	28	20
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-001D	NESENE OF SEC 28-5S-5E	5 South	5 East	28	10
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-37-0040	SW OF SEC 28-5S-5E	5 South	5 East	28	160
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-41-0360	NE OF SEC 33-5S-5E 160.00 AC (surface only)	5 South	5 East	33	160
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-41-0340	W1/2NW OF SEC 33-5S-5E (surface only)	5 South	5 East	33	80
ARCUS COPPER MOUNTAIN HOLDINGS LLC	502-41-0350	E1/2NW OF SEC 33-5S-5E (surface only)	5 South	5 East	33	80
TOTAL FOR ARCUS COPPER MOUNTAIN HOLDINGS LLC (OPTIONED LANDS)						750
LKY/COPPER MOUNTAIN INVESTMENT LIMITED PARTNERSHIP (100% Ownership Subject to Contract Terms)						
LKY/COPPER MOUNTAIN INVESTMENT LTD PSHIP	50225005B	W1/2 OF SEC 25-5S-5E EXC W-630 OF N-1855 OF S-2905 THEREOF	5 South	5 East	25	Partial
LKY/COPPER MOUNTAIN INVESTMENT LTD PSHIP	502250040	NE OF SEC 25-5S-5E	5 South	5 East	25	Partial
LKY/COPPER MOUNTAIN INVESTMENT LTD PSHIP	502250060	SE OF SEC 25-5S-5E	5 South	5 East	25	Partial

Owner	Parcel No.	Property Description	Township	Range	Section	Acres
LKY/COPPER MOUNTAIN INVESTMENT LTD PSHIP	50225008B	NWNW OF SEC 26-5S-5E	5 South	5 East	26	Partial
LKY/COPPER MOUNTAIN INVESTMENT LTD PSHIP	50225008C	NENW & S1/2NW OF SEC 26-5S-5E	5 South	5 East	26	Partial
LKY/COPPER MOUNTAIN INVESTMENT LTD PSHIP	50225007D	NE OF SEC 26-5S-5E EXC S-265.72 OF E-1450 THEREOF	5 South	5 East	26	Partial
LKY/COPPER MOUNTAIN INVESTMENT LTD PSHIP	50225021B	ALL OF SEC 36-5S-5E EXC SESESESE AND THAT POR DESC AS FOLLOWED; COMM @ NW COR OF SEC 36- TH S-1316.64' TO POB TH S88D E-227.58' TO THE POINT OF A TANG-CUR CONCAVE SW W/RAD OF 217.19' TH SWLY 325.21' TH S02D E-980.73' TO THE POINT OF A NON/TANG/CUR CON (Surface only)	5 South	5 East	36	Partial
TOTAL FOR LKY						1000
ARIZONA STATE LANDS DEPARTMENT (LEASED LANDS)						
Arizona State Lands Department (Prospecting Permit # 008-121173-00-100)	503-26-7000	Lots 3 4 S2NW S2	6 South	5 East	1	489.12
TOTAL						4,698.29

A graphical representation of the above landholdings is as provided below:



Along with these properties, ASCU filed a Notice of Intent to Locate with the Bureau of Land Management Arizona in October 2019 (AZA 37933), staked 18 lode claims on January 17, 2020, and acquired the rights to the federal minerals under the Arcus surface. These claims are for lands in the north half of section 35, Township 5 South, Range 5 East, of which ASCU has recently entered into a definitive purchase agreement with the current landowner, Arcus.

Royalties and Encumbrances

A 3.18% royalty is assumed to be applicable to the Cactus Project for the purposes of the Integrated Cactus PEA based on current contractual arrangements. In addition to the royalties granted by ASCU USA, the Cactus Project is also subject

to existing 5% NSR on the SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, and E $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 27 and the SW $\frac{1}{4}$, Township 5 South, Range 5 East, which are outside the areas contemplated by the mine plan in the Integrated Cactus PEA. Presently, ASCU also has debt facilities pursuant to which the property is a secured interest.

Existing Litigation

Ramm Power Group LLC ("**Ramm**") had expressed interest in developing a pumped hydro renewable energy project at the site and had previously publicly announced that it would apply for a Federal Energy Regulatory Commission ("**FERC**") license so that it could use FERC's eminent domain authority to acquire the property. The application was not contested and, consistent with its practice to issue preliminary permits to uncontested applications, by order of 19 July 2018, FERC granted the preliminary permit. The preliminary permit gives Ramm no rights in the site or rights to develop their project. The preliminary permit only initiates the longer permitting process. On January 15, 2020, Ramm began the formal licensing process by filing its Notice of Intent ("**NOI**") and Pre-Application Document ("**PAD**"), together with a Letter Requesting Use of Traditional Licensing Process ("**TLP**"). The ASARCO Trust, to which ASCU is under contract to acquire the property from, ASCU, and ADEQ all filed comments opposing Ramm's initiation of the licensing process. ASCU is an interested party in any permitting and licensing activities related to the Sacaton mine site. On March 4, 2020, FERC rejected Ramm's NOI and PAD as "patently deficient". FERC determined the pre-application document relied upon a single study conducted for the purpose of remediating a copper mine site, lacked agency or tribal consultation, and was therefore incomplete. FERC also cited the public comments received from ASCU that Ramm does not have rights to access the site to conduct the required studies.

On July 9, 2021, Ramm requested a two-year extension of its preliminary permit. On August 12, 2021, FERC denied the request because Ramm filed the request after the deadline. FERC noted, however, that the rejection does not preclude Ramm from filing for an entirely new preliminary permit for the project. On September 9, 2021, Ramm requested rehearing of FERC's denial of Ramm's request for a two-year extension of Ramm's preliminary permit. FERC did not act on the request for rehearing within 30 days of the filing of the request, and therefore the request was considered denied by operation of law. An aggrieved party has 60 days from FERC's action on a request for rehearing or the request's denial by operation of law to appeal the decision to the United States Court of Appeals. Until FERC files the record on appeal with a reviewing court, FERC may modify a previous order. FERC's right to modify a previous order applies regardless of whether an appeal is actually filed.

However, by June 10, 2020, ASCU was notified of a FERC application filed by REAggregators ("**REA**") for a preliminary permit for Project No. 15010-000 to study the feasibility of developing an approximately 200 megawatt (MW) closed-loop, pumped-storage hydro project near Casa Grande in Pinal County, Arizona. Note that REA is a direct affiliate of Ramm. As portrayed in the application, approximately 50-100 acres of the proposed project site ("**Casa Grande Hydro Site**") would overlap with land ASCU purchased in July 2020 from the ASARCO Trust. As a result, ASCU is an interested party in this matter. On August 8, 2020, ASCU filed their response with FERC, again outlining plans to develop a copper mine on the Cactus Project, further re-iterating that REA has no permission to access the property. The Casa Grande Hydro Site would encroach on the mine shaft of the Cactus Project materially impeding underground extraction activities. On October 21, 2021, FERC granted REA's application for a preliminary permit. In its Order granting the preliminary permit to REA, FERC noted ASCU's concerns and stated the permit does not grant land-disturbing or other property rights and that if REA later filed a license application, FERC would consider all relevant issues, including potential land use conflicts such as those raised by ASCU.

History

ASARCO geologists first discovered the Sacaton mineral deposit in the early 1960s while examining an outcrop of leached capping composed of granite cut by several thin monzonite porphyry dikes. The nature of this original find indicated the likely presence of porphyry copper-type mineralization. Following this lead, ASARCO initiated a drilling program that defined copper mineralization zones. The west zone contained the ore body that was ultimately accessed through the open pit. The deeper east zone was the target of potential mining by underground methods.

During the life of the project, ASARCO drilled an approximate 223,246.4 feet of both core and rotary exploration drilling. A detailed list of historic drilling is provided in Appendix "A" to the Integrated Cactus PEA.

Project construction and mining of the west zone via open pit method commenced by 1972, and the mine operated continuously from 1974 to 1984. An underground copper deposit at Sacaton was under development until September

1981, when work was suspended because of high costs and a weak copper market. The Sacaton mine permanently closed on March 31, 1984, due to exhaustion of the open pit ore reserves.

The resultant Sacaton open pit mine is roughly circular, approximately 3,000 feet (914 metres) in diameter and 1,040 feet (317 metres) deep. The pit has a visible internal lake with the surface at approximately 980 feet in depth from the pit rim. During operation, the Sacaton mine consisted of the pit, crushing facilities and coarse ore stockpile, a 9,000 tpd flotation mill, a tailings storage facility that covered approximately 300 acres, a return water impoundment, an overburden dump, and a waste rock dump that covered approximately 500 acres. Copper flotation mill concentrate was sent by rail to the ASARCO smelter in El Paso, Texas.

Over the operating life of the mine, 38.1 million short tons of ore were mined and processed, recovering 199,030 short tons of copper, 27,455 ounces of gold and 759,000 ounces of silver. See table below for the Sacaton mine historic production.

Sacaton Mine Historic Production (Fiscal Years Ended 12/31)

Year	Ore Milled Short Tons	Mill Grade Cu%	Mill Grade Ag Oz./T	Cu Short Tons	Au Troy Oz.	Ag Troy Oz.
1974	2,020,000	0.63	0.05	9,516	N/A	N/A
1975	3,630,000	0.74	0.06	21,918	3,153	N/A
1976	3,782,000	0.71	0.07	22,021	3,151	N/A
1977	3,471,000	0.70	0.06	19,872	3,103	N/A
1978	4,153,000	0.67	0.07	23,042	3,691	N/A
1979	4,006,000	0.65	0.07	21,367	3,558	142,000
1980	3,819,000	-	-	16,097	2,504	124,000
1981	4,103,000	-	-	21,015	3,334	172,000
1982	4,165,000	-	-	20,892	2,499	154,000
1983	4,003,000	-	-	18,794	1,983	134,000
1984	1,000,000	-	-	4,496	479	33,000
Total	38,152,000	0.69	0.06	199,030	27,455	759,000

Source: Sacaton Mining Operations Report Version 2005. By David F. Briggs 10/22/2004.

During mining of the open pit, a waste dump was created through dumping of defined waste material. All oxide copper mineralization, and sulfide copper mineralization below the working grade control cutoff of 0.3% copper, were deposited to the waste dump. The historic waste dump forms the basis of the Stockpile Project resource modelled in the Integrated Cactus PEA due to the level of mineralized material discarded.

During the operating period, ASARCO also sank a 2,000-foot shaft just east of the pit to access the deeper east deposit. Since the suspension of activity at the site in 1984, intermittently and per a site improvement plan ("SIP"), fixed equipment and rolling stock have been removed from the site, and fixed plant locations and the tailings disposal facility were covered with previously salvaged and stockpiled desert alluvial soil material and revegetated.

In 2005, ASARCO filed for reorganization under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Corpus Christi Division (the "**United States Bankruptcy Court**"). By 2008, the United States Bankruptcy Court approved the process by which ASARCO would pursue the selection of a plan sponsor and sale of its operating assets. During that year, and after a bidding process for the purchase of ASARCO's assets, Sterlite (USA), Inc. ("**Sterlite**"), a subsidiary of Vedanta Resources PLC, executed a purchase and sale agreement in the amount of US\$2.6 billion for ASARCO's assets. After the purchase and sale agreement was executed, copper prices began to decline, and by October 2008, Sterlite representatives informed the United States Bankruptcy Court that the company could not honor the contract.

On June 5, 2009, the United States Bankruptcy Court approved a custodial trust settlement agreement (the "**Settlement Agreement**") that resolved claims pertaining to past and potential future cleanup costs associated with approximately 18

sites owned by ASARCO in 11 states. The Settlement Agreement required the establishment of a custodial trust to oversee cleanup of the sites and transfer of site property to the custodial trust. The Settlement Agreement also provided funding in the amount of US\$20 million to clean up the Sacaton site and to fund the administrative expenses associated with the ASARCO Trust.

From 2009 to 2018, attempts were made by other parties to purchase the Sacaton site and associated facilities. In 2019, Cactus 110 executed a purchase agreement and prospective purchase agreement with the ASARCO Trust and the ADEQ, respectively, for the right to acquire all ASARCO land parcels representing the historic Sacaton mine, all infrastructure therein, and all associated mineral rights. The acquisition closed in July 2020 following the completion of SIP activities undertaken by the ASARCO Trust and approved by the ADEQ. Since 2020, the Sacaton deposits are referred to as the Cactus deposits.

ASARCO worked continuously on the project from the early 1960s to the mid-1980s, and significant records of the development of the geological understanding, mining operations and processing results remained with the property. ASCU is benefiting from the high quality of work and historical records remaining from the past operators.

Geological Setting, Mineralization and Deposit Types

Regional Geology

The Cactus Project occurs in the desert region of the Basin and Range province of Arizona. The basal formation in the area is the Proterozoic Pinal Schist. At the close of Older Precambrian, the Oracle Granite batholith intruded the Pinal Schist. In Younger Precambrian time, Apache Group sediments were deposited and igneous activity resulted in the emplacement of the Sacaton Granite northwest of the mine along with numerous diabase dikes. In the Paleozoic Era, an unknown thickness of sediments was deposited and later eroded along with most of the Apache Group rocks. During the Laramide Orogeny, two granitic stocks, the Three Peaks Monzonite and the Sacaton Peak Granite, were emplaced in the vicinity of the Cactus Project.

At a location removed from the current mine, Laramide porphyries of a similar composition intruded the Oracle Granite and introduced hydrothermal solutions that altered and mineralized a large area of the surrounding rocks. Subsequent Tertiary extension rotated and dismembered the mineralized rocks. A low angle listric fault (the Basement fault) moved the Sacaton deposits to their current location. Quaternary basin-fill deposits covered all evidence of mineralization except for the small Sacaton discovery outcrop.

With the exception of the Pinal Schist, found below the Basement fault, all pre-mineral rocks in the vicinity of the mineralized deposits are pervasively altered. In addition, two stages of brecciation are present, often resulting in an intimate mixture of rock types. These features have complicated the delineation and identification of the rocks. Major host rocks are Precambrian Oracle Granite, Laramide monzonite porphyry and quartz monzonite porphyry.

The porphyries are similar in composition and texture but are distinguished by the presence of 10% clear quartz phenocrysts in the latter. They intrude the older rocks and occur as large masses, poorly defined dike-like masses and thin well-defined but discontinuous dikes. They also form monolithic breccias and mixed breccias containing varying percentages of granite. Discontinuous pre-mineral diabase and post-mineral dacite porphyry dikes intrude the older rocks in both deposits.

Structurally both deposits are complex with intense fracturing, faulting and brecciation. Pre-mineral brecciation is related to the intrusion of the Laramide porphyries and occurs primarily in the west deposit, which had a central core of pre-mineral brecciation that was a control for hypogene mineralization. Angular vugs are a diagnostic feature of the pre-mineral breccia. They occur between fragments in the breccia and vary in size from 0.2 inch to 2.0 inch. Post-mineral brecciation is ubiquitous in both deposits and has affected the rocks in a number of ways, depending on rock composition, degree and type of alteration, and relative location in the mineralized deposits. Manifestations of this period of brecciation include shattering, crushing and granulation, mixing of rock types, and the presence of linear breccia structures containing crushed sulfides. Mineralized fractures in the west deposit generally strike E-NE while post-mineral fractures strike N-NW.

A great number of minor faults have been mapped in the west mineralized deposit. The faults are often variable in strike and dip, and are usually difficult to trace along strike. The prevailing strike direction is N60°E to E-W. Slickensides on some of the faults indicate that horizontal components of displacement are relatively common. Generally, the lack of

predictable lithologic contacts to act as markers makes the direction and magnitude of displacement difficult to estimate. Total displacement on most of the faults is thought to be less than 100 feet. Both pre-mineral and post-mineral movement is often present.

Besides being terminated at depth by the Basement fault, both deposits are bounded by normal faults that drop post-mineral conglomerate into contact with the mineralized rocks. The west deposit is in a horst block formed with the Sacaton fault forming the east side, which strikes N20°W, and the West fault trending N45°W on the west side. The Sacaton fault dips 60° to the east and has a displacement of up to 1,500 feet (457 metres). The east deposit is the displaced portion of the west deposit in the hanging wall of the Sacaton fault.

The Parks/Salyer Property, also owned by ASCU, is located 1.3 miles to the southwest of Cactus and displays the same geological characteristics as Cactus. Located within a repeat horst block similar to Cactus, it is a portion of the same larger porphyry system that shows lesser displacement from the in situ source. Similar northwest trending normal faults are interpreted to bound the Parks/Salyer mineralization.

Alteration and Mineralization

The dominant hypogene alteration assemblages in the deposit are phyllic and potassic. Phyllic alteration is characterized by quartz, sericite and clay, but quartz and sericite predominate. Secondary silica in the porphyries occurs as a fine-grained replacement of the groundmass (intergrown with sericite and clay). Minor amounts of quartz are also found, with sericite and clay replacing plagioclase phenocrysts in the porphyries and granite. Quartz-sulfide veinlets are associated with the phyllic assemblage and comprise up to 1% of the rock by volume. Alteration minerals occurring in rocks of the potassic assemblage include varying quantities of biotite, chlorite, quartz, sericite and clay, with traces of secondary K-feldspar, calcite and anhydrite. Secondary biotite and chlorite characterize the potassic assemblage. Since phyllic and supergene alteration are superimposed upon, and largely destroy, potassic alteration, it is uncertain how much of the quartz, sericite and clay are part of the original potassic suite. Supergene alteration associated with the process of secondary enrichment of sulfides has modified the suite of hypogene alteration minerals. In Cactus West, effects of this supergene overprint are not always assessable due to post-enrichment oxidation and leaching penetrating the chalcocite blanket into the primary sulfide zone.

The major hypogene sulfide minerals at Sacaton are pyrite, chalcopyrite and molybdenite. Traces of bornite and sphalerite have been observed in concentrate samples. Hypogene sulfides occur as disseminated grains, veins and vug fillings. Disseminated sulfides are more abundant in the granite and strongly brecciated rocks than in the porphyries and weakly brecciated rocks. In the West mineralized zone, disseminated grains usually comprise less than 50% of the hypogene sulfides, but in the East mineralized zone, where granite breccia is the main rock type, disseminated grains account for over 50% of the sulfides.

The total sulfide content for both mineralized zones is variable, ranging from approximately 1.0% to 4.0% by volume. Rock type and pre-mineral brecciation cannot be directly correlated to variations in total sulfide content. North and south of the mineralized zones, the total sulfide content decreases similarly to the overall alteration intensity. Drilling and pit mapping have defined a core zone within which the grade of hypogene mineralization is at least 0.40% copper as chalcopyrite. Outside the zone, the copper grade gradually drops off to less than 0.10% copper. The pyrite to chalcopyrite ratio varies from 1:1 to 3:1 within the core zone and increases to 10:1 or more outside of it. Molybdenite occurs in quartz veins and as smears on fractures. The molybdenum content averages approximately 0.010% for the Cactus West mineralized zone and 0.025% for the Cactus East mineralized zone.

The major supergene sulfide mineral at Cactus Project is chalcocite. Covellite and digenite are also present in much smaller quantities. The intensity of secondary enrichment is greatest at the top of the enriched zone and decreases gradually toward the base. In the upper portions of the enriched zone chalcocite completely replaces chalcopyrite and partially replaces pyrite. Toward the base of the zone chalcopyrite is partially replaced and pyrite is rimmed by thin coatings of chalcocite. The enrichment factor (the ratio of supergene copper grade to hypogene copper grade) varies from 3:1 to 5:1 for both mineralized zones. The most important control for supergene enrichment is the grade of primary mineralization. The bulk of economic supergene mineralization is underlain by primary sulfides averaging at least 0.40% copper.

The Cactus deposits have undergone two periods of oxidation and leaching. The first period resulted in the formation of what was probably a uniform high-grade chalcocite blanket that was continuous through the Cactus East and Cactus West deposits. Some, and probably all, of the original blanket formed prior to movement on the Sacaton and West faults.

Substantial quantities of oxidized copper minerals are found erratically distributed through the capping of both deposits. In the Cactus East deposit, the oxide minerals usually occur just above chalcocite mineralization and are thought to have resulted from in-place oxidation of chalcocite along zones of deep oxidation. Copper grades over 1.0% are common. In-place oxidation is also found in the Cactus West deposit, but generally the oxides occur over a greater horizontal and vertical range, and the copper has likely been transported from the point of oxidation. Chrysocolla, brochantite and malachite are the most common oxidized copper minerals. In upper portions of the capping chrysocolla predominates, while brochantite and malachite predominate in the lower portions.

Deposit Types

The Cactus deposit is a portion of a large porphyry copper system that has been dismembered and displaced by Tertiary extensional faulting. Porphyry copper deposits form in areas of shallow magmatism within subduction-related tectonic environments. Cactus has typical characteristics of a porphyry copper deposit, defined as follows:

- One wherein copper-bearing sulfides are localized in a network of fracture-controlled stockwork veinlets and as disseminated grains in the adjacent altered rock matrix.
- Alteration and mineralization at 1 km to 4 km depth are genetically related to magma reservoirs emplaced into the shallow crust (6 km to over 8 km), predominantly intermediate to silicic in composition, in magmatic arcs above subduction zones.
- Intrusive rock complexes that are emplaced immediately before porphyry deposit formation and that host the deposits are predominantly in the form of upright-vertical cylindrical stocks and/or complexes of dikes.
- Zones of phyllic-argillic and marginal propylitic alteration overlap or surround a potassic alteration assemblage.
- Copper may also be introduced during overprinting phyllic-argillic alteration events.

Hypogene (or primary) mineralization occurs as disseminations and in stockworks of veins, in hydrothermally altered, shallow intrusive complexes, and their adjacent country rocks. Sulfides of the hypogene zone are dominantly chalcopyrite and pyrite. The hydrothermal alteration zones of porphyry copper deposits are well known and provide an excellent tool for advancing exploration.

Uplift of the porphyry system to shallow depths can result in secondary enrichment processes where copper is leached from the weathering of hypogene mineralization and redeposited below the water table as supergene copper sulfides, such as chalcocite and covellite. Above the water table, copper oxide minerals typically form. Cactus has a history of oxidation and leaching which resulted in the formation of an enriched chalcocite blanket. A later stage of oxidation and leaching modified the blanket by oxidizing portions of it in place and mobilized some of the chalcocite to a greater depth.

Historical Exploration

ASARCO geologists first identified the Sacaton mine area in early 1961 while performing regional mapping and sampling in and around the Sacaton Mountains. A lone outcrop of altered and weakly mineralized granite encompassed by alluvium was the only indicator of the potential for porphyry copper-type mineralization in the surrounding area. Following its acquisition of mineral rights, ASARCO conducted several geophysical surveys, including magnetics and induced polarization ("IP"). The IP survey identified a large area just south of the outcrop with a chargeability response indicative of sulfide mineralization.

Drilling

In the fall of 1961, ASARCO authorized and initiated a modest six-hole drilling program. The first drill hole was located just north of the discovery outcrop, intersecting approximately 50 feet (15 metres) averaging close to 0.5% Cu. The next four holes were drilled south, east and west of the first hole in the geophysical target area but did not hit significant results. The sixth and final budgeted drill hole (located to the northwest of the IP anomaly and the discovery outcrop) did intercept high grade mineralization — the discovery of the Sacaton West deposit. In 1962 through to the first half of 1963, 82 more holes were drilled. These 88 holes outlined a northeasterly trending alteration zone approximately 4 miles (6.4 km) long and 1.5 miles (2.4 km) wide dominated by what was recognized as two potential ore bodies, the Sacaton West and Sacaton

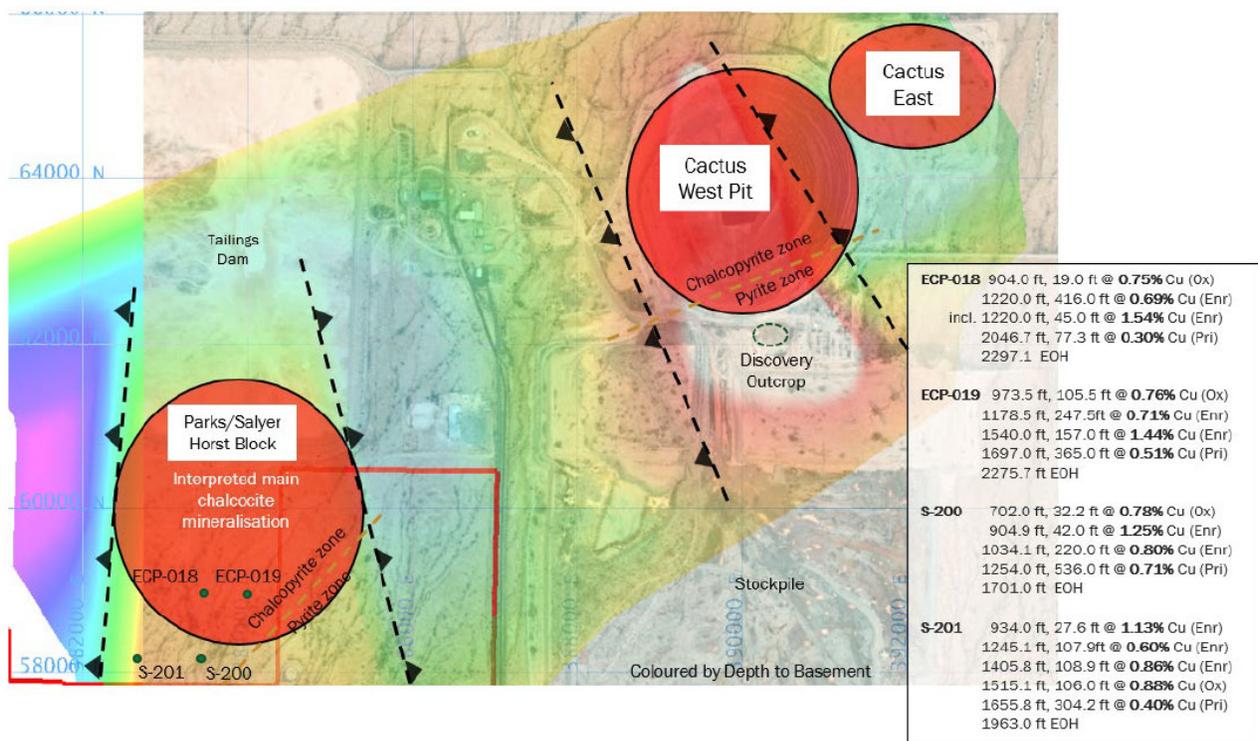
East deposits, as well as widespread intercepts of copper mineralization throughout. Low copper prices precluded any further exploration drilling at that time.

Improving market conditions prompted ASARCO to continue exploration drilling in 1968 and 1969, leading to 37 more holes being drilled. The additional information led to the decision to plan and develop the mine. An additional 10 holes were drilled (1970 and 1971) to sterilize areas under planned facilities. After mining was initiated in 1972, development and definition drilling was conducted for the open pit (Sacaton West deposit). Through 1974 and 1976, 8 additional holes were drilled in the Sacaton East deposit for definition purposes.

The adjacent Parks/Salyer Property was variably explored between the 1970s and the late 1990s. Parks/Salyer is a less displaced portion of the larger porphyry copper system that both deposits were detached from. A number of diamond drill holes identified mineralization and geological characteristics consistent with the Cactus deposits in a similar horst block environment. In 1996, two exploration diamond drill holes were undertaken by ASARCO at the southern edge of the Parks/Salyer Property (S-200 and S-201). As interpreted, they intersected well-mineralized zones of oxide, enriched and primary material that indicated grades were increasing to the north.

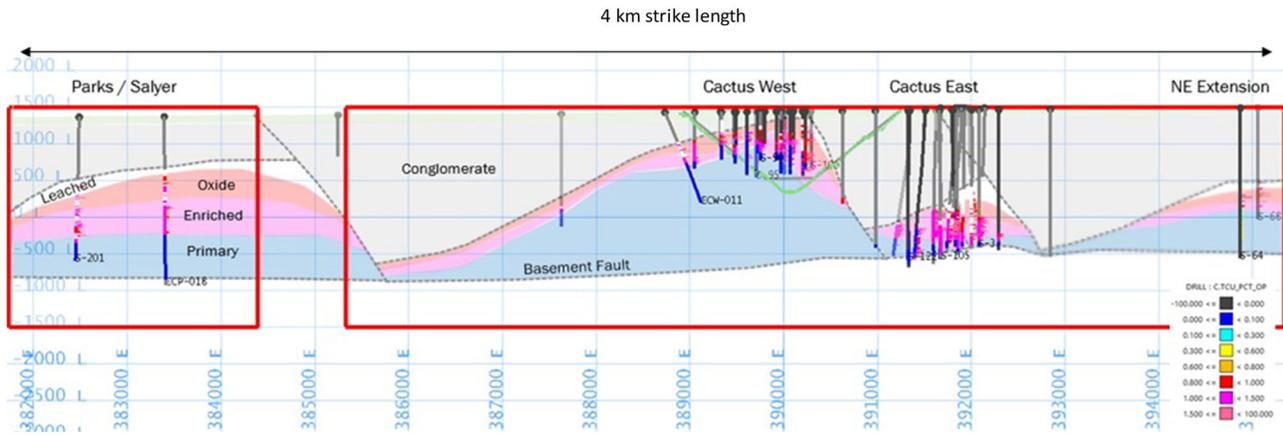
ASCU conducted an ionic leach soil geochemistry program over the Parks/Salyer Property in 2019 on 325-foot (100 metre) spacing. This confirmed anomalous soil geochemistry across the property for copper, molybdenum, silver and gold and a general northeast trend of the higher anomalous values. ASCU followed this work with two diamond drill holes in 2020 (ECP-018 and ECP-019). This extended mineralization a further 900-1,000 feet (275-305 meters) to the northeast of previously drilled mineralization. The figure below plots the location and scale of the potential Parks/Salyer deposit with respect to the Cactus mine deposits and highlights the significant intercepts defined by the four exploration holes drilled into the deposit on the property to date.

Location and Scale of the Potential Parks/Salyer Deposit with respect to the Cactus Mine Deposits



The figure below is a northeast oriented long section displaying the horst and graben block fault and mineralization interpretation from the Parks/Salyer deposit in the southwest through to the NE Extension mineralization in the northeast. Northeast movement along the Basement fault was accommodated by block rotation and the formation of northwest trending normal faults. The red boxes indicate ASCU controlled property boundaries. The existing Cactus West pit is displayed on the long section.

Northeast Oriented Long Section Displaying Mineralization Interpretation and Property Boundaries



The NE Extension is located 3,000 feet (915 metres) to the northeast of Cactus East. ASARCO defined the mineralized zone with wide spaced exploration drilling (> 1,000 feet, 305 metres) in 1962 and 1963 as part of the initial property-wide exploration program. The table below provides the significant intercepts for the two main holes drilled into the NE Extension mineralization. ASCU has not performed any exploration programs on the NE Extension area to date.

Significant Intercepts for the Two Main Holes Drilled into the NE Extension Mineralization

Hole ID	From (ft)	To (ft)	Length (ft)	TCu (%)	Mineral Zone
S-68	1,016.5	1,044.5	28.0	1.27	oxide
	1,078.5	1,125.8	47.3	0.95	oxide
	1,161.0	1,208.8	47.8	3.05	oxide
	1,275.0	1,290.1	15.1	1.96	enriched
	1,322.4	1,354.1	31.7	0.97	enriched
	1,354.1	1,526.0	171.9	0.38	primary
S-64	1,093.9	1,104.2	10.3	1.01	oxide
	1,163.0	1,227.3	64.3	1.37	enriched
	1,333.7	1,350.9	17.2	0.89	enriched
	1,350.9	1,776.0	425.1	0.34	primary

ASCU has focused their exploration by way of definition and expansion core drilling around the two known mineralized zones (now known as Cactus East and Cactus West). In 2019, two vertical PQ core holes were drilled into the Cactus East mineralized zone for verification of grade and for metallurgical testing as part of the evaluation program prior to purchase. One additional vertical PQ core hole was drilled into Cactus East in 2020 for further metallurgical testing, for a total of 5,768 feet (1,758 metres). Five angled HQ core holes totaling 9,252 feet (2,820 metres) were drilled in late 2019 and 2020 around the northern and western edges of Cactus East to define and expand mineralization. Also in 2020, 11 angled HQ core holes totaling 15,377 feet (4,687 metres) were drilled around the perimeter of the Cactus West pit to further define and expand Cactus West mineralization beyond the pit limits.

The Cactus deposits are covered with post mineral alluvium and conglomerate, which may be up to 1,500 feet (457 metres) thick. ASARCO rotary drilled through the cover alluvium and conglomerate and completed the remainder of the holes with NX/HX core tails. All of ASARCO's drill holes, exploratory and production holes within the developing pit were drilled vertically and very few were downhole surveyed. ASCU started a similar program in 2019 on the first two (PQ) metallurgy holes but converted to coring the full hole after unsatisfactory results. Core recovery, on average, was greater than 95%.

As detailed in the table below, ASCU completed a total of 20 core holes in the resource area in 2019 and 2020 for a total of 30,397 feet (9,265 metres) of drilling. Of the 20 diamond drill holes completed, 19 were used for the Mineral Resource estimate.

2019 – 2020 Drilling Completed by ASCU

Drill Hole	Core	Total Depth (ft)	Total Depth (m)	Azimuth	Dip
SE-01	PQ	2,058	627.3	0	-90
SE-02	PQ	2,013	613.6	0	-90
SE-03	PQ	1,697	517.2	0	-90
ECE-001	HQ	1,896	577.9	220	-80
ECE-002	HQ	2,013	613.6	230	-80
ECW-003	HQ	1,936	590.0	180	-60
ECW-004	HQ	500	152.4	0	-60
ECW-005	HQ	664	202.4	129	-60
ECW-006	HQ	1,000	304.8	10	-60
ECW-007	HQ	1,811	552.0	123	-55
ECW-008	HQ	1,000	304.8	20	-65
ECW-009	HQ	906	276.1	30	-60
ECW-010	HQ	1,469	447.8	110	-65
ECW-011	HQ	1,329	414.2	60	-65
ECW-012	HQ	1,459	444.7	65	-65
ECW-013	HQ	1,616	492.6	205	-55
ECW-014	HQ	1,687	514.2	160	-50
ECE-015	HQ	1,723	525.2	0	-90
ECE-016	HQ	1,783	543.5	0	-90
ECE-017	HQ	1,837	559.9	0	-90
Totals		30,397	9,265.0		

In 2019, 55 surface sonic drill holes totaling 5,120 feet (1,560 metres) of 6-inch diameter holes were drilled across the Stockpile Project to support an initial resource based on approximately 750 feet (229 metres) spaced drilling. Through late 2020 and early 2021, an infill surface sonic drill program was undertaken to reduce the spacing to 400 feet (122 metres). The resource database for the Stockpile Project resource contains 210 holes, including four historical sterilization holes drilled into the barren alluvium dumps to the immediate north of the Stockpile Project. Drilling continues on the Stockpile Project to reduce the spacing to 200 feet (61 metres).

Collar Surveying

The coordinates for drill hole collars for the Cactus diamond drilling were determined using a Trimble Geo 7x handheld unit with sub-foot accuracy, post-processed by Allan Instruments using TerraSync software from Trimble. Collar coordinates (metric in Universal Transverse Mercator (UTM) Zone 12 grid projection) for the sonic drilling on the Stockpile Project were determined using a Trimble R8 Model 2 Base and Rover GNSS GPS, surveyed in Real Time Kinematic with sub-centimetre accuracy. Data processing was completed using Trimble Business Center software.

Downhole Surveying

All of ASCU's diamond drill holes for the Cactus Project, including vertical drill holes, have downhole surveys completed by the drill contractor using either a Reflex EZTRAC XTF magnetic survey instrument or a Reflex EZGYRO MEMS gyroscopic survey instrument. Surveys were taken nominally every 100 feet (30.5 metres) while the hole was being drilled.

All drill holes for the Stockpile Project were drilled vertically. Due to the depth of holes averaging approximately 80 feet (24.4 metres), downhole surveys were not deemed necessary.

Core Logging and Photography

Core logging was performed in ASCU's core shed at the project site. Drill core was delivered to the core shed by the drillers at the end of each drill shift. The following preparation and logging processes were performed on the core:

- The core was given a final cleaning.
- Core boxes were marked for identification / verification of footages.
- Core boxes were photographed.
- Point-load testing was performed.
- Geological characteristics of the core, such as lithology, copper mineralogy, brecciation, alteration and oxidation, were logged.
- Geotechnical characteristics of the core, such as core recovery, rock quality designation, fracture frequency and joint types, were logged.
- Two holes (one in Cactus West and one in Cactus East) were drilled with oriented core. For these holes, structures were measured for orientation data and the information was logged into the database.

Data logging of all core characteristics is performed digitally on Galaxy S5e tablets that write directly into the cloud-based MX-Deposit drill hole database when internet connection is available. When internet connection is not available, holes are locked by the logging geologist, who can then log the hole offline. Locking out of the hole ensures two geologists cannot edit the same hole at the same time. Once internet is available, the logging information is uploaded to the database. In addition to the digital table view of the database for logging, a visual strip log view is used to review logging.

Core sample intervals are determined by the logging geologist based on logging characteristics. Sample interval breaks are determined by geological parameters, but within core containing the same geological characteristics, samples are undertaken on a regular 10-foot (3.28 metre) sample length. Each sample interval is defined as follows:

- Sample interval is marked at its beginning in the core box with the interval and a unique sample identification ("ID") number.
- The sample number is taken from a tag book of sequential sample cards to ensure duplicate samples cannot be produced. The sample tag is stapled into the box at the sample start location.
- A twin sample tag is stapled to a clean sample bag to collect the sample when it is split and sent to the lab.
- Interval information for the hole ID and from/to depths is written in the tag book.
- The logging geologist enters the same from/to intervals directly into the sample logging table of MX-Deposit for the drill hole being logged.

All cores sampled are split into two equal portions along the long axis of the core, using either a diamond saw or a hydraulic blade splitter. One half of the split core is placed into the sample bag marked with that sample's unique sample number. The bagged samples are placed in a shipping tote for transport to the analytical lab in Tucson. The other half of the split core is placed back in the core box and is archived in ASCU's secure core storage room located at the Cactus site.

For the Stockpile Project, sonic drill holes are logged for main material type, lithologies, color, iron oxide minerals, copper minerals and clast size distribution. Data logging of all characteristics is performed digitally on Galaxy S5e tablets that write directly into the cloud-based MX-Deposit drill hole database and use the same lockout version control features as

the Cactus Project deposit logging. Stockpile Project drill holes are managed in a separate database activity to the Cactus Project deposit drill holes.

All Stockpile Project samples are collected at the drill in plastic tubing at regular 2.5-foot (0.7 metre) intervals. After logging, each sample interval is placed into a new sample bag with a unique sample number unrelated to drill hole number or drill interval in a manner similar to that described for core samples.

QP Opinion

The QP reviewed the survey methodology and results of the drill hole location and downhole data for historical and recent drilling on the Cactus Project. The QP also reviewed abnormal grades within the mineralized zone to ensure they were based on visible mineralization.

Individual high grades were dealt with in the capping grades as explained below. The drill recovery has been consistently above 95%, with good control of sample location with the downhole survey program. The QP feels that the drilling results of the in situ mineralized zones and the stockpile resource meets the expected standards and best practices as defined in the CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines 2019 (the "**CIM Best Practice Guidelines 2019**"). The drill hole spacing and sample location data meets the level of accuracy expected for the Integrated Cactus PEA.

Sample Preparation, Analysis and Security

Sample Preparation

ASCU has been exclusively using Skyline Assayers and Laboratories ("**Skyline Labs**") in Tucson, Arizona for their sample preparation and analysis. This lab is accredited in accordance with the recognized International Standard ISO/IEC 17025:2017, Certificate #2953.01. This accreditation demonstrates technical competence for a defined scope and the operation of a laboratory quality management system. The QP has visited this lab to review the procedures used for sample preparation, analysis and the lab's internal quality assurance / quality control ("**QA/QC**") system.

The lab dispatches drivers to pick up samples at the mine site when they are informed there is a full shipment ready. Upon arrival at the lab, totes were offloaded and stored. When the samples were ready to be processed, the bags were emptied into metal bins and the sample bags with tags placed on top. The bins and bags were placed in an oven at 220°F (105°C) for 24 hours to dry before moving into the lab for processing.

Each sample was crushed in a TM Engineering – Terminator roll crusher to 95% passing 1/4 inch. This material was passed through a riffle splitter and mixed three times to ensure homogeneity of the sample. Three-quarters of the sample was then bagged, labelled and returned to ASCU as coarse reject. The remaining material was returned to the roll crushers and crushed to 95% passing -10 mesh. A 280-gram sample of this material was put in a Labtech LM2-P puck pulverizer and run to 95% passing -150 mesh. This sample was then placed into labelled heavy paper envelopes and sent to the lab for assay.

Sample Analysis

As a first pass, each sample was assayed for total copper ("**CuT**"). The pulverized samples were received from sample preparation and a measured portion of the sample was digested in a mix of hydrochloric acid, nitric acid and perchloric acid on a hot plate for 15 to 20 minutes. The sample was left to cool, rinsed with distilled water and then digested in hydrochloric acid for an additional 15 minutes on a hot plate. The sample was then cooled and sent to atomic absorption ("**AA**") analysis to return a CuT value.

To support potential heap leaching for metal recovery, a sequential acid leach assay procedure was conducted on each sample to return an acid soluble copper value ("**CuAS**") and a cyanide soluble copper ("**CuCN**") value. The samples were first run using a digestion in 5% sulfuric acid for one hour on a shaker table, then 15 minutes in a centrifuge, before the liquid was transferred to a 250-millilitre flask. The residue was rinsed and that liquid was used to top up the flask. The flask was sent to the assay lab for AA analysis to return a CuAS value. The residue from the centrifuge was then digested in 10% sodium cyanide for 30 minutes on a shaker table. After 15 minutes in the centrifuge, the liquid portion was transferred to a flask and the residue was rinsed and that liquid used to top off the flask. That sample was sent to the assay

lab for AA analysis to return a CuCN value. The remaining pulverized sample in the heavy paper envelope was returned to ASCU together with the coarse reject.

Sample Security

Bagged samples with identification tags are placed in large 3-foot (1 metre) square plastic totes which are stored at a core shed situated within the secured mine site away from any point of access until ready for transport. ASCU uses a private contractor to transport the sampled totes to the lab. When 8 to 10 totes are filled, the contractor is called to make a pickup. A transmittal sheet is prepared that lists all the samples in the shipment with an assay order sheet for the analysis to be done. A chain of custody sheet is signed by ASCU upon dispatch, signed by Skyline Labs upon arrival, and returned to ASCU to show secure delivery.

Laboratory Quality Assurance / Quality Control

Skyline Labs is accredited in accordance with the recognized International Standard ISO/IEC 17025:2005. Their quality management system has been certified as conforming to the requirements defined in the International Standard ISO 9001:2015. The standard operating procedure used while processing the ASCU samples was to process samples in groups of 20. Each tray consisted of 18 samples, with samples No. 1 and No. 10 repeated as duplicates. The results from each tray were analyzed and any variance in the duplicates of more than 3% would result in the entire tray being re-assayed.

The results of these analyses, including the QA/QC checks, were transmitted to a select set of individuals at ASCU and Stantec.

QP Opinion

For this section of the Integrated Cactus PEA, the QP has reviewed the assay lab's procedures and QA/QC results in detail and finds that it meets all of the expected standards and best practices as defined in CIM's Best Practice Guidelines 2019. The assay results and associated data meets the level of accuracy expected for the Integrated Cactus PEA.

Data Verification

The bulk of the drilling database was rebuilt from historical drilling logs and assay certificates from exploration work undertaken by ASARCO. ASCU performed significant verification work on the historical drill holes to support the use of this data in the Integrated Cactus PEA. Since 2019, ASCU has also drilled 20 new holes at the Cactus Project to support verification, metallurgical testing and resource extension for the new mineral resource estimate. An additional two holes were drilled at the Parks/Salyer exploration site.

Historical Exploration Data

Two core sheds were located at the Cactus Project that stored the historical drill core and sample pulps from ASARCO's exploration programs. This physical data verified the historical data quality and its use in the new mineral resource statement. While modern assay QA/QC procedures have evolved significantly, there is evidence in the historical records that ASARCO was using best practices of the day. In addition to these procedures, ASARCO ran a series of pulp duplicate checks against their regular laboratories to test assay quality.

Specific data verification work undertaken by ASCU for the historical drill holes included the following:

- Verification of the collar locations.
- Reinstatement of downhole survey data drilled into the Cactus East deposit.
- Verification of drill hole locations and geological interpretations against historical cross sections and pit maps.
- Relogging of historical drill hole lithology, copper mineral zones and alteration.
- Re-assaying of historical pulp samples to compare CuT grades and establish soluble copper contents confirming expected copper mineral zones and leachable copper mineralogies.

Historical Collar Locations

Historical collar locations were verified through the identification of historical survey control and field survey pickup. A final ASARCO control document entitled *Sacaton – Drill Hole Files and Information* produced in 1998 by Bret S. Canale was located. A page from this document detailed the final collar survey coordinates for all Sacaton drill holes and the aerial control survey points for the property. The coordinates were specified in two local grids: the Santa Cruz coordinate system and the Sacaton coordinate system. The Sacaton coordinate system was used for all drilling and mapping information related to the Cactus deposits. In addition to this document, a survey control map was located at the site that detailed the location of the historical drill holes and survey control points spatially and in conjunction with site locations, such as land sections and the discovery outcrop. From this information, new survey control could be established from the known historical locations in the field to tie the historical local grid coordinates to a modern grid system.

As a cross validation of this work, historical drill hole collars were located in the field and surveyed by differential GPS ("DGPS"). There were holes that could not have their collar surveys checked due to their location being within the mined pit extents or under alluvium dumps. The consistency of the field collar locations and historical collar coordinates for those that could be located, and the consistency of historical drill hole locations against historical cross sections and pit maps, confirmed that collars that could not be verified in the field are correctly spatially located.

Historical Downhole Survey Data

Deep vertical holes were drilled in the Cactus East deposit. In some cases, the holes deviated significantly as a function of depth and local drilling conditions. The downhole survey data was plotted on downhole survey plots. Using Vulcan software, the plots could be remapped into three dimensions ("3D") and the downhole survey data reinstated. From these strings, downhole surveys were created so that the drill holes were plotted correctly in 3D. Holes were then compared against historical cross sections to confirm downhole survey data had been reinstated correctly. The following holes from Cactus East contained historical downhole surveys: S-49, S-98, S-99, S-104, S-108, S-113, S-118, S-121, S-123, S-137, S-138, S-139, S-140, S-142, S-145, S-146, S-147 and S-149. All other historical holes within Cactus East and all historical holes within Cactus West were drilled vertically and contain no downhole surveys.

Recent Drilling

The Qualified Person completed physical checks on collar, downhole survey and logging for the 22 new Cactus Project drill holes and 206 new Stockpile Project drill holes undertaken by ASCU since 2019.

Collar locations were picked up in the field by DGPS and the coordinates imported into the MX-Deposit drill hole database by CSV file. Collar coordinates were independently field checked by the QP on a site visit at the end of the drilling program to ensure surveyed collar coordinates matched their field locations. Visual inspection by the QP confirmed that the drill holes were located as shown in the drilling database. This was also confirmed with a handheld GPS.

All modern drill holes, regardless of the drill angle or depth, are surveyed with a Reflex EZTrac XTR instrument for their downhole deviation. Downhole surveys were reviewed by the QP against the designed survey and in the field for the collar survey orientation. A review of the downhole survey data for a few of the early holes drilled in ASCU's 2019 / 2020 drill campaign revealed that magnetic declination had been improperly applied. This was fixed in the affected holes. The entire database was reviewed to ensure that the error did not occur elsewhere. The database was found to be correct.

All modern drill holes are also logged for lithology, copper minerals and mineralization, alteration, oxidation, brecciation and geotechnical attributes. Logging is viewed in three-dimensional software to confirm consistency with surrounding drilling and the geological interpretation. Once assays are attained, results are compared back against the logged copper mineral zones to ensure consistency and as continuous improvement of the logging process. The QP reviewed specifically requested drill holes to confirm logging and assays against the physical core. Three pseudo-random drill holes were selected, as each had intervals that were inconsistent in comparison to intervals on either side. The first reviewed drill hole contained an interval with a comparatively high CuAS assay. It was explained by a zone of near massive malachite and other copper oxides. The second reviewed drill hole contained high grades in a dacite dyke. Visual inspection revealed the presence of significant covellite mineralization. The third drill hole reviewed contained high grades over a narrow zone. This occurred on the contact between the oxide and the enriched zone, which typically contains the highest grades intercepted within the enriched zone. All the pseudo-random checks of drilling showed compliance with logging.

In addition to validation checks performed in the MX-Deposit drill hole database, specific drill hole database checks are undertaken on the Vulcan ISIS drill hole database to be used for the resource estimate. Checks that were undertaken and passed were as follows:

- All drill hole collars had a unique collar location.
- No collar end of hole depth was less than individual intercept depths logged within the hole.
- There was no overlapping from/to intervals in any table.
- All fields (including depths) that should increase between records were increasing.
- All hole IDs and sample IDs were unique.
- All assay grades were within expected tolerance ranges.
- All mandatory critical fields were populated in the database (e.g., easting, northing, elevation, total depth, from, to, azimuth, dip and assay values).

Sample Quality Assurance / Quality Control

For the Cactus Project and Stockpile Project drill holes undertaken by ASCU since 2019, and the re-assay program undertaken on historical pulps, a modern QA/QC program was undertaken composed of blanks and standards.

Blanks were inserted into the sample stream at a rate of one per 20 samples (or 5%) to test for contamination in the sample preparation process. Two blanks were used. In all cases, the assayed CuT grades were below the maximum value and indicate no evidence of contamination in the sample preparation process.

Site-specific standards were created from onsite samples. Standards were inserted into the sample stream at a rate of one per 20 samples (or 5%) to test for precision of the lab to replicate an expected assay value. In all cases, the assayed CuT grades were within expectations. Pulp duplicates will feature in future programs on modern pulp samples.

QP Opinion

For this section of the Integrated Cactus PEA, the QP has reviewed all of the associated data in detail and finds that it meets all of the expected standards and best practices as defined in CIM's Best Practice Guidelines 2019. The drill results and associated data meets the level of accuracy expected for the Integrated Cactus PEA.

Mineral Processing and Metallurgical Testing

The material to be processed as part of the Cactus open pit expansion project is an extension of the open pit mining operations conducted by ASARCO that took place in the 1970s and early 1980s. The prior operations comprised traditional copper milling and flotation concentration operations to produce copper sulfide concentrates for processing at local smelters.

In consideration of a potential copper heap leaching and solvent extraction / electrowinning ("**SX/EW**") processing facility at Cactus based on processing existing Stockpile Project oxidized copper resources, a hydrometallurgical approach was also contemplated to process the oxide and enriched sulfides (chalcocite / covellite dominant) material identified in the mineralized Cactus East and Cactus West extensions to the existing open pit reported in the Mineral Resource estimate.

ASCU geologists are working with metallurgical engineers to quantify the recovery of copper from samples obtained in a large drilling campaign. The drill core samples are safely recovered and placed in bags to be studied by geologists and shipped to a well-established mineral processing research and development firm in Reno, Nevada — McClelland Analytical Service Laboratory, an ISO 17025 accredited facility. The metallurgical test program has been developed by Samuel Engineering, Inc. and supervised by Mr. James L. Sorensen.

Metallurgical characterization testing has been completed as part of the Integrated Cactus PEA in the form of sequential assay (sulfuric acid and cyanide steps) for the resources considered and bottle roll testing. Three samples from newly drilled core were selected to reflect copper grades close to the presumed average of the economically processable material in the open pit resource for column testing to be completed in the next phase of work. Assay data and bottle roll testing was completed for this study on head samples from the three column test samples currently under acidic and bioleach conditions.

Based on typical recovery estimates for CuAS and CuCN as provided by a standard sequential copper assay methodology developed at the Skyline Labs facility in Tucson, Arizona, projected copper recovery estimates have been derived based on leachable copper content that will be validated in the ongoing column testing program.

Based on the current understanding of the potential Stockpile Project resources to be processed, the leachable materials are characterized as oxide having a CuAS content of greater than or equal to 80% and a CuCN content for the balance to a cutoff grade of 0.095% CuAS + CuCN content, or soluble copper ("TSol") that is potentially recoverable.

The cutoff grade considered at 0.095% is estimated from preliminary operating costs and is not based on a mining evaluation or detailed analysis and was therefore used to establish a potential economically viable component of the resources estimated. There is a reasonable probability of eventual economic extraction of this resource using sulfuric acid leaching and SX/EW recovery at a cutoff of 0.095% TSol.

Materials with a TSol grade above the cutoff of 0.095% TSol but having a CuAS content of less than 80% is classified as sulfide or enriched materials for leaching purposes. Primary mineralization that is not acid or cyanide copper soluble (e.g., chalcopyrite) that reports in the CuT assays is not considered as recoverable metal in the current analysis.

The distribution of leachable oxide and enriched material types in the current mine plans is set out in the table below.

Potential Leach Materials Distribution

Mining Source	Material Type	Tons of Leach Material (tons)	Grade % TSol (% Cu)	Leachable Cu (tons)	Distribution Percent	
					Material	Cu
Stockpile Project	Oxide	82,331,000	0.141%	116,279	100%	100%
Open Pit	Oxide	46,810,000	0.190%	88,939	67%	48%
	Enriched	23,131,000	0.420%	97,150	33%	52%
Underground	Oxide	6,317,000	1.100%	74,271	23%	21%
	Enriched	21,208,000	1.330%	274,597	77%	79%
Total	Oxide	135,458,000	0.203%	279,489	75%	43%
	Enriched	44,339,000	0.822%	371,747	25%	57%
	Total	179,797,000	0.355%	651,236		

In parallel, copper flotation testing is also being conducted on higher grade sulfide material to consider the possible future incorporation of a traditional copper milling and flotation operation to treat higher grade enriched and primary mineralization (chalcocite / chalcopyrite dominant) material identified. Resources containing a maximum of 20% oxidized copper content are considered potential mill feed based on ASARCO historical performance.

The following is a summary of the major results and conclusions from the metallurgical test programs.

Stockpile Project Metallurgical Testwork

Based on the preliminary scoping testwork completed for Stockpile Project materials, the authors of the Integrated Cactus PEA provide the following observations:

- Copper recovery exceeded bottle roll 90-day predictions for the initial Stockpile Project column testing and should achieve extraction levels more than the predicted 83.3% for the soluble copper components.

- Based on the results to date, a copper recovery for 90% of CuAS and 40% of CuCN for a 90-day leaching cycle is recommended for resource evaluation and economic assessment at this time.

Additional considerations include the following:

- TSol recovery sensitivity showing at over 3/4 inch and P80 particle size of approximately 1.5 inch may indicate some oversize crushing could be considered.
- Larger run-of-Stockpile Project testing is required to evaluate the need for crushing particles larger than 1 inch.
- Rapid copper recovery less than 60 days and low CuCN content / impact indicates potential for on-off pad to minimize excess acid consumption and capital investment requirements for oxide ore types.
- Scalability has been considered in extending the timeframe to achieve the column testwork by 50% and employing a 95% extraction efficiency factor to both the CuAS and CuCN average column copper extractions achieved to date, allowing for inefficiencies in the leach solution flows and heap operations. As more information is developed, these factors will be reevaluated in future reporting.

Acid consumption exceeded bottle roll expectations for test composites WD-22 and WD-50. A gross acid consumption of 20-40 pounds of acid per ton leached appears to be required for completion of the leaching process which implies a net acid consumption of 18-21 lb/t for the expected Stockpile Project resource soluble copper grades and 15-18 lb/t for higher copper grade open pit resources.

Additional considerations include the following:

- Acid / water initial leach solution is likely more aggressive than SX raffinate (buffering not realized). Ongoing testing will employ leach solutions more like SX raffinate.
- Targeted initial leach solution acid concentration 15 gpl sulfuric acid was too high; pregnant leach solution pH ≤ 1.4 indicates that excess acid was applied and apparent for much of the testing period. Future testing will adopt a lower initial acid concentration of 10 gpl sulfuric acid as a starting point with additional adjustments as results warrant.
- Possible slow reacting gangue consumption (biotite and limonite) could be problematic for longer term leaching based on the preliminary results. Consideration of a longer duration (96-hour) bottle roll testing will be incorporated in future protocols.

Open Pit Metallurgical Testwork

Open pit column testwork is in progress and results presented in the Integrated Cactus PEA are indicative in nature only until column tail assays are completed for the sulfide / enriched columns.

Copper recovery for oxide materials appears to be consistent with the Stockpile Project materials tested so far, and copper extraction and acid consumption recommendations should be used for oxide open pit resource evaluation.

Based on the indicative results for sulfide materials, a longer leaching time will be required to achieve copper extraction of 70% to 75% for the soluble copper components. Mineralogy also suggests that gangue encapsulation and pyrite inclusion is present, also indicating a longer leaching time requirement.

Scalability has been considered in extending the timeframe to achieve the column test work by 100% projected average column copper one-year extractions, allowing for inefficiencies in the leach solution flows and heap operations. As more information is developed, these factors will be reevaluated in future reporting.

Historically, ASARCO testing in 1968 suggested a gross acid consumption of approximately 20.8 lb/t for the Sacaton West fresh core material. Gross acid consumption for the materials tested in the column work completed to date ranged from 21 lb/t to 31 lb/t.

Bottle roll tests suggest a net acid consumption of approximately 7 lb/t; however, copper extractions were low due to the mineralogical content. Net acid consumption was highly variable and ranged from 28.5 lb/t to 5.6 lb/t for the columns completed and is generally associated with the sample copper grade. The column result for the open pit oxide column was 5.6 lb/t on a net basis, attributing to the higher copper grade in this sample.

Due to the higher copper content and sulfide mineralization oxidation, the sulfide columns are presently net acid producing. This may be an advantageous feature once sulfide material is mined. For resource evaluations, an experience-based long-term net acid consumption of 1 lb/t is recommended as a conservative value for use in current economic evaluations until the current column testing is completed.

Floating Scoping Metallurgical Testwork

Based on the initial testing results, reasonable concentrator options exist for the Cactus primary copper sulfide material:

- Copper flotation recoveries approaching 90% or better appear to be reasonable.
- Significant improvement in the oxide copper recovery components with modern reagents are apparent which can simplify the prior ASARCO plant design.
- A SAG/Ball milling circuit is the most likely grinding option given the relatively soft material at Cactus. Given the apparent power requirements, relatively low energy costs should also be expected.
- The associated rougher concentrate grades provide positive starting points for saleable final concentrate grades once locked cycle testing is completed.
- No optimization work was completed; the results provide only indicative performance expectations. Locked cycle testing is planned as part of this initial program; however, this testing has not been started or completed.

Deleterious Elements

Preliminary testing has been completed on leach solutions, residues and testwork head samples that do not indicate the presence of constituents that would be deleterious to the proposed process methodology or indicate unexpected environmental impacts.

Head samples for the enriched samples leached were provided by McClelland to PMC Laboratory Ltd for multi-element analysis by 4-acid digest with ICP-AES finish (22 element). A polished block section was systematically scanned in high-resolution particle mapping mode using the Tescan Integrated Mineral Analyser (TIMA) equipped on the Tescan Vega Scanning Electron Microscope to determine the modal composition of the sample and collect more detailed information on the Cu-department. These analyses do not indicate the presence of known deleterious elements.

Minor amounts of atacamite (chloride copper mineral) have been historically observed, however no presence has been reported in current sampling. Silver is a known minor constituent of the deposit.

TCLP 8 RCRA metals (As, Ba, Cd, Cr, Pb, Se, Ag, Hg) analysis of final leach residues from the initial stockpile column tests was completed by Western Environmental Testing Laboratory (January 2021) and results included in the McClelland final report (February 2021). Results do not show significant or concerning levels of RCRA elements. The completed open pit oxide column 4600-01 head sample was submitted by McClelland to ALS USA Inc. for 4-acid digest with ICP (48 element) and trace mercury analysis for initial consideration of potential environmental concerns. Fresh material was deemed to be most representative of the material as mined. No material or unusual levels of potential contaminants or processing concerns were identified in this initial work. Water chemistry for probable site well make up sources have not been analyzed as part of this work. Prior hydrogeologic characterization completed by Tetra Tech Inc. for the Site Improvement Plan – Sacaton Mine Site, for the ASARCO Trust (11 March 2019) indicates water sources may contain natural chloride levels up to approximately 120 ppm which may have an impact on bio-leaching if confirmed and not mitigated.

Mineral Resource Estimates

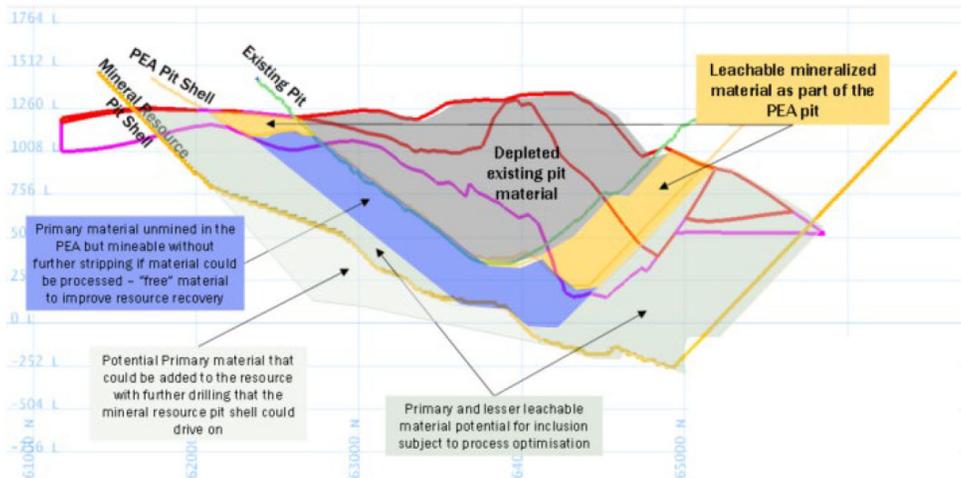
The Mineral Resource estimate for the Cactus Project is comprised of two parts:

- **Cactus Project deposits** – in situ Cactus West and Cactus East deposits located adjacent to the historical Sacaton pit. This is the first Mineral Resource estimate undertaken under CIM Definition Standards for the Cactus Project in situ deposits. The Mineral Resource estimate includes all drilling, geological logging and historical mapping completed prior to February 13, 2021, and mining depletion of the historical pit mined by ASARCO between 1972 and 1984.
- **Stockpile Project** – a historic mineralized Stockpile Project generated as a result of waste dumping from the historic Sacaton pit. Material historically considered as waste included all oxide material, sulfide material considered below the mining cutoff grade of 0.3% CuT, and sulfide material above the mining cutoff grade but where the oxide component was considered too high. This is an update to the previously reported Mineral Resource estimate undertaken under CIM Definition Standards for the Stockpile Project (dated March 1, 2020) and includes infill drilling to 400-foot spacing. The Mineral Resource estimate includes all drilling, geological logging, historic pit dump information and topographical updates from rehabilitation work to April 4, 2021.

The Mineral Resource estimate was prepared in accordance with CIM Definition Standards. The estimate supports both Indicated Mineral Resources and Inferred Mineral Resources for the Cactus Project in situ deposits, and Inferred Mineral Resources for the Stockpile Project.

The copper mineralization at the Cactus Project was estimated using Vulcan modelling software (v2020.2). Modelling of the geological domains to support the estimate was undertaken by ASCU personnel. Grade estimates were undertaken by Allan Schappert, Certified Professional Geologist (CPG #11758) of Stantec. All data coordinates are presented in NAD83 ft., Zone 12 truncated to the last six whole digits for easting and five whole digits for northing. All quantities are given in imperial units unless indicated otherwise. All copper values are presented in percent. The below figure represents a cross-sectional view of the Cactus West pit. The green outline is the existing pit reflecting depletion. The PEA pit shell contains the leachable resource contemplated for that shell. The Mineral Resource pit shell captures all leachable and primary material as reflected in the Mineral Resource.

Cross Section Looking North Reflecting Depleted Material and Current Resource



The table below details the breakdown of Mineral Resources by mineral zone and classification within the Cactus Project open pit and potential underground mine.

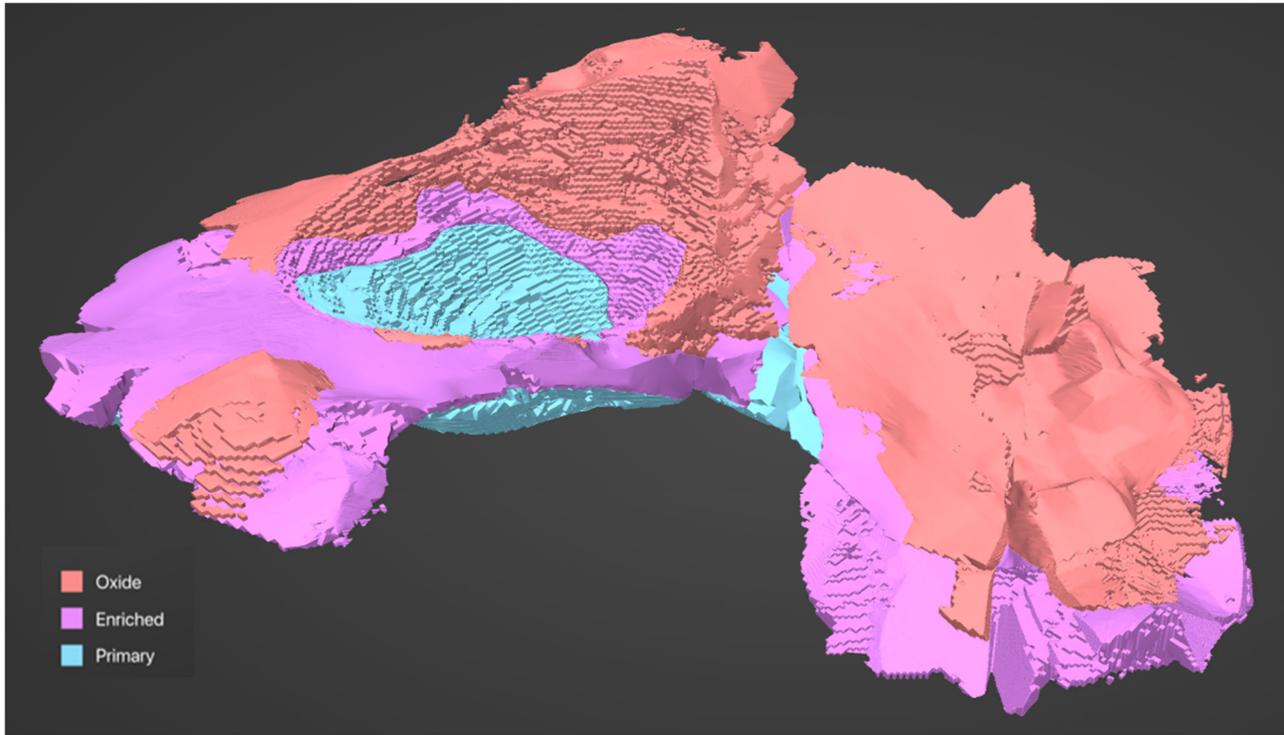
Cactus Project Deposits – Total Mineral Resources as of March 1, 2021

Material Type	Tons (kt)	CuT (%)	TSol (%)	TSol_lb (klb)
Indicated				
Oxide	31,400		0.559	349,700
Enriched	42,500		0.844	715,500
Total Leachable	73,900		0.723	1,065,200
Primary	77,900	0.350		545,500
Total Indicated	151,800	0.531		1,610,700
Inferred				
Oxide	62,500		0.346	430,500
Enriched	55,100		0.498	548,800
Total Leachable	117,600		0.417	979,300
Primary	111,300	0.349		776,000
Total Inferred	228,900	0.384		1,755,300

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 resources 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; and 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 Mineral Resource or a Measured Mineral Resource; it is uncertain if further exploration will result in upgrading them to an Indicated Mineral Resource or Measured Mineral Resource classification.
- (9) Totals may not add up due to rounding.

A graphical representation of the Oxide, Enriched and Primary material is as below:



The Inferred Mineral Resources for the Stockpile Project are reported in the table below.

Total Cactus Stockpile Project Inferred Mineral Resources as of April 2021

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 Mineral Resource or a Measured Mineral Resource; it is uncertain if further exploration will result in upgrading them to an Indicated Mineral Resource or Measured Mineral Resource classification.

The tables below provide a breakdown of resource by mineral zone and classification within the Whittle pit and the same for the potential underground mineral resource in Cactus East.

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

Notes:

- (1) Refer to Table 14 17 for applicable notes to the open pit resource parameters and assumptions. Totals may not add up due to rounding.

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.

Resource Classification

There were three key criteria affecting the classification of Mineral Resources for the Cactus deposits: understanding of the geological model and controls on mineralization, drill hole spacing, and the presence of downhole surveys for deeper mineralization, such as Cactus East.

The geological model and its controls on mineralization is generally well understood with the combination of copper mineral zones and sequential copper analyses to confirm relationships. Due to more local variation in geology and the current drill spacing, there is no material considered for Measured Resources.

Drill spacing within the Cactus Project deposits was defined with the following in mind:

- Wide exploration drill holes were infilled to 500-foot (152 metre) spacing to support initial resource delineation. A 500-foot spacing was determined to be an appropriate spacing for an Inferred Resource classification. Drilling to 500-foot spacing was undertaken both historically and as part of the resource expansion drilling undertaken by ASCU in 2020.
- In the higher-grade core of the deposits, further infill drilling was undertaken historically to reduce the drill spacing to 250-foot (72 metre) spacing to support resource definition drilling. A 250-foot drill spacing is seen as an appropriate spacing to determine an Indicated Resource classification.

In the historic drilling, only a few of the holes within the core of the Cactus East mineralized zone contained downhole surveys. In the early drilling phases of the Cactus Project, vertical holes drilled were assumed to not deviate significantly at depth. Later downhole surveying proved this to be untrue, especially as holes got deeper. In areas of the Cactus East deposit where holes did not have downhole surveys, material has been downgraded from Indicated Mineral Resource back to Inferred Mineral Resource as the accuracy of the drill hole location, and therefore geological contacts and metal, may vary significantly from that modelled.

The basic definition of Inferred and Indicated classifications was defined by the estimation pass in which the blocks were estimated. Blocks estimated in Pass 1 could be assigned to Indicated and blocks estimated in Pass 2 would be assigned to Inferred. A subsequent test pass of the Indicated classification was undertaken using only holes that contained downhole surveys. From this pass, an interpreted triangulation was created that finalized the classification of Indicated by downgrading areas based on the drill holes supporting it.

The drill spacing for the Stockpile Project has been reduced from approximately 750-foot (229 metre) to 400-foot (122 metre) spacing. Due to the nature of the dumping of material to the stockpile and inherent variability, at this drill spacing the mineral resource classification remains at an Inferred status. Of particular note is that through the process of halving the drill spacing and tripling the number of drill holes, there has been little change to the grade tonnage curve and global resource from that previously reported in 2020.

Capping

Raw assay data was reviewed to determine if there were sufficient high grades in the various populations to require capping of the high grades during compositing. Histogram and log normal cumulative probability plots were reviewed for CuT assays and TSol results in each of the mineral zones in the Cactus Project resource. A review of a log normal probability chart for CuT showed a good linear plot of values above the assay lab's detection levels. There is a visible minor break in linearity at 1.6 on the log normal scale, which transforms to 5% CuT. A review of a histogram plot of CuT values showed that 5% represents the high-end tail of the grades. A further review of a box plot of CuT grades, shows that 5% CuT does represent the high end of grades in the deposit. A capping grade of 5% CuT was chosen, with all grades above 5% set to 5% at time of compositing. This only affected two intervals in the dataset. The process was repeated for TSol, which identified 5% TSol as an appropriate capping grade. This affected 20 intervals in the diamond drill database.

For the Stockpile Project, histogram and log normal cumulative probability plots were reviewed for CuT, CuAS and CuCN assays. Cutoffs were defined within individual Stockpile Project lifts and ranged between 0.45% to 0.51% for CuT, 0.29% to 0.38% for CuAS, and 0.11% to 0.21% for CuCN.

Resource Cutoff Grades

In order to meet a reasonable expectation of eventual economic extraction requirement, as stated in the CIM Best Practice Guidelines 2019, cutoff grades were applied to both a potential open pit across the Cactus West deposit and a potential underground mine at depth in Cactus East.

Conceptually, copper from oxide and enriched material in the open pit would be recovered in a heap leach. Therefore, cutoff grades in the amenable oxide and enriched zones were based on TSol assays. Cutoff grades for the sulfides in the primary material was based on CuT assays. High-level cost analysis for the open pit suggested cutoff grades of 0.096% TSol for the oxides and 0.098% TSol for the enriched material. A cutoff of 0.205% CuT was applied to primary material mined and therefore stockpiled for potential recovery in the future using a sulfide recovery process. Whittle open pit optimization software was run using these parameters to define the ultimate pit shell for reporting of open pit resources.

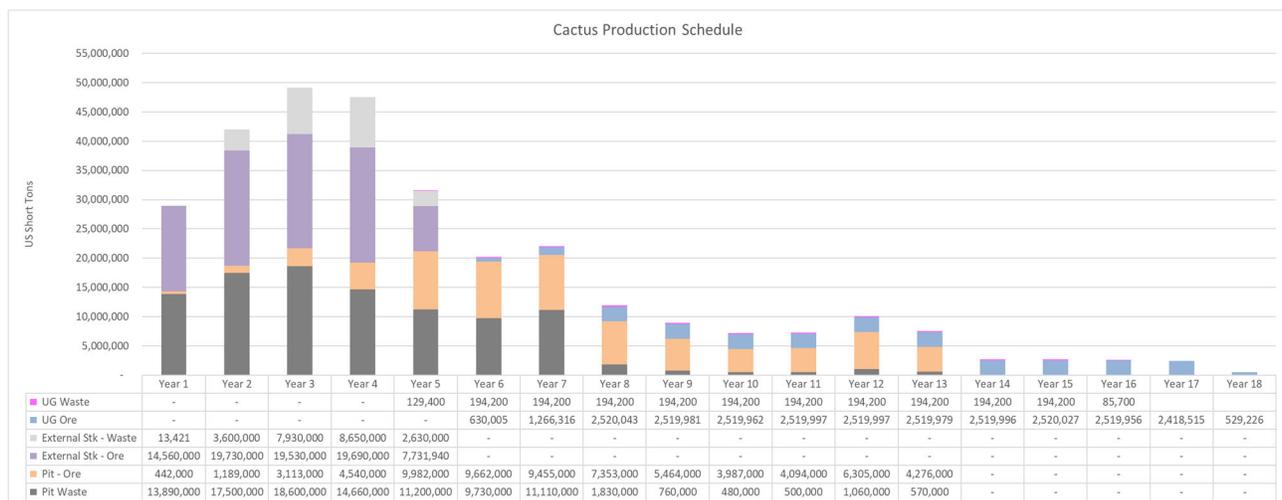
Additional resource outside of the Whittle pit in Cactus East has the potential to be amendable to underground mining. High-level analysis of the material yielded cutoffs of 0.560% TSol for the oxides and 0.700% TSol for the enriched. The primary had a 0.700% cutoff applied to the CuT grade for potential recovery in a future sulfide recovery process.

The Stockpile Project resources were defined using a cutoff grade of 0.095% TSol.

Mining Operations

The Cactus Project considers mill feed originating from three sources: an existing, historical low-grade stockpile (the Stockpile Project) located on the surface, a traditional open pit operation and an underground mine operation. To determine the appropriate mining approach, mine planning exercises were conducted consisting of combinations of processing and mining strategies. For the Integrated Cactus PEA, the outcome was to adopt a layered approach that considered initial Stockpile Project mining concurrent with Cactus West open pit stripping and early production for Years 1-4, before Cactus West achieves steady state production by Year 5. The open pit and Stockpile Project will be a truck and loader / shovel mining method. Once the pit reaches a suitable depth, development and early production of Cactus East via a Transverse Longhole Stopping ("TLS") method will commence in Year 6 and achieve steady state production by Year 8.

Complete extraction of the mineable resource is expected to take 17 years. The production profile for the life of mine is provided in the following table.



Stockpile Project and Open Pit

Since the open pit operation has a limited life, it is envisioned that the operation will be operated with a contract mining fleet. This will increase the unit operating cost to some extent but will reduce mining capital requirements significantly.

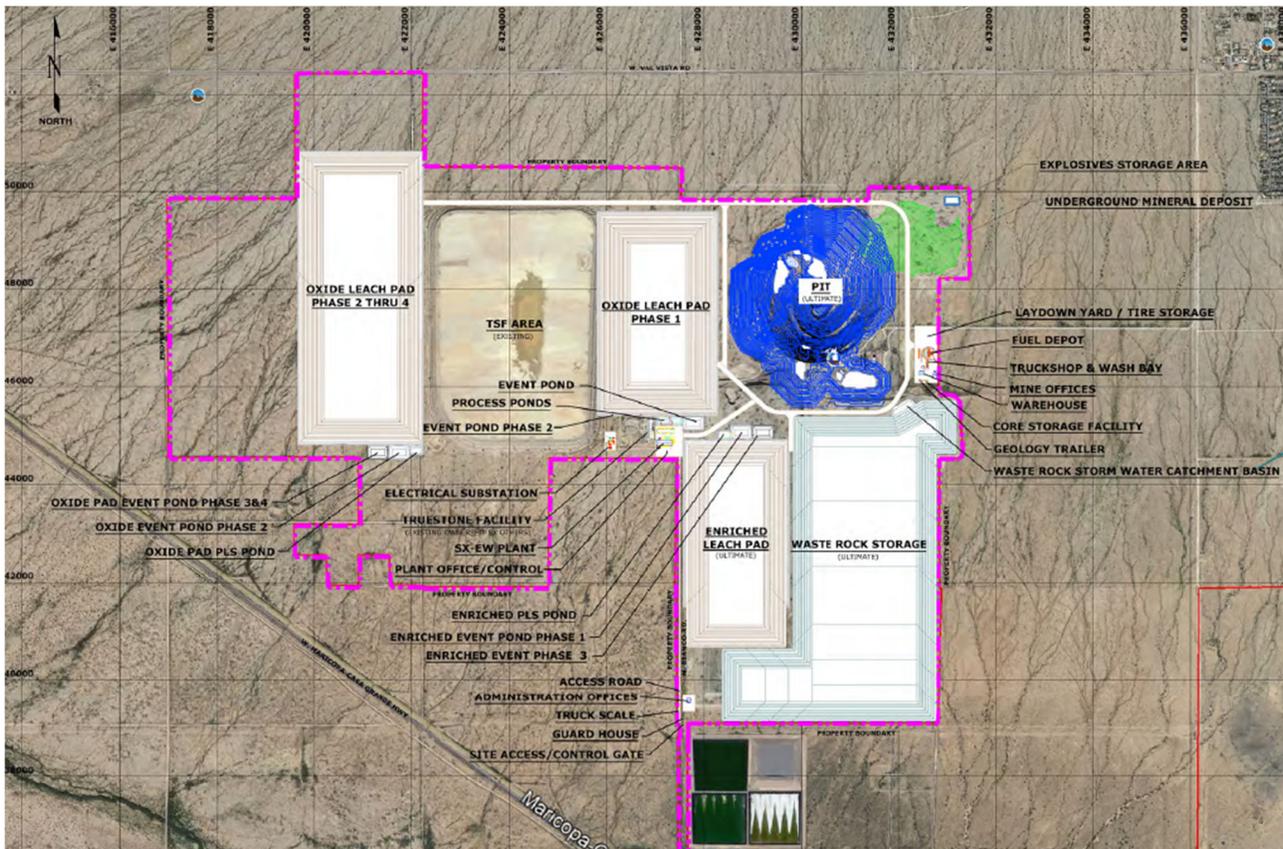
The open pit expansions will provide a total of approximately 71.8 million tons of mineralized material and 101.9 million tons of waste. Based on the planned production rate, the primary equipment fleet will consist of a fleet of rigid dump

trucks in the 100-150 short ton range. Loading equipment will consist of at least two digging units in the mine, assisted by a wheel loader. The sizing of these machines will be determined by the specifications of the haul truck fleet, as well as the actual rock conditions. The primary fleet will be complemented by a fleet of ancillary machines consisting of at least two track dozers, one road grader, one wheel dozer, one water truck and drill and blast equipment.

The Stockpile Project contains approximately 81.2 million tons of low-grade material and 22.8 million tons of waste. It is expected that a separate, smaller fleet will be used to move the low-grade material out of the Stockpile Project. This allows for direct haul to leach pad facilities while keeping larger mining equipment dedicated to overburden stripping of the pit.

Haul trucks will travel approximately 8,000 feet (2,438 metres), on average, to the leach pad, with waste materials re-handled within the current Stockpile Project footprint. The haul trucks will use a maintained dirt haulage road to move material to the leach pad, placing material in lifts.

General Site Arrangement



Material will be removed from the Stockpile Project from a series of sequenced production faces. After each cycle, each face will be sampled and those samples will be sent to the lab for sample preparation and assays. The face will sit stagnant until the CuAS results are received from the lab, then the material will be directed to the correct dump point on the waste pile or leach pad. Three or more production faces will be in rotation to allow time for the assay checks without disturbing a continual feed to the leach pad.

Total waste tonnage per lift is illustrated in the table below. As material is identified as leach pad feed or waste through sampling and assaying, short range mine planning activities will be updated regularly as new information is available to reduce the amount of waste re-handle.

Total Waste Tonnage Per Lift

Lift No.	Leach Material (t)	Strip Ratio	Waste (Mt)	Waste/Tons to be Removed	
				% Waste	Mt
4	0.563	0.024	0.013	100%	0.013
3	36.0	0.16	5.8	60%	3.6
2	30.2	0.91	27.7	30%	8
1	14.7	1.13	16.6	68%	11.5
Total Material	81.2	0.62	50.1	45%	22.8

As illustrated in the above table, all waste encountered in Lift 4 (upper lift) is required to be handled to the designated waste area to ensure subsequent lifts are available for mineralized material release.

For Lift 3, approximately 60% of the waste material will be required to be re-handled to a designated waste area. For Lift 1 (lower lift), material that is under any waste that is left in place from Lift 2 will be sampled using short range mine planning activities coordinating with mine operations to develop drop-cuts as required. This will drop the Lift 3 mining elevation to expose the material to be sampled, assayed and kriged. Subsequent leach pad feed determinations that, at a minimum, meet cutoff grade criteria will determine if the waste material from Lift 2 will be required to be moved to access the leach pad feed in Lift 1. It is currently envisioned that approximately 50% of the modeled waste will be required to be excavated to allow leach pad feed extraction below from Lift 1.

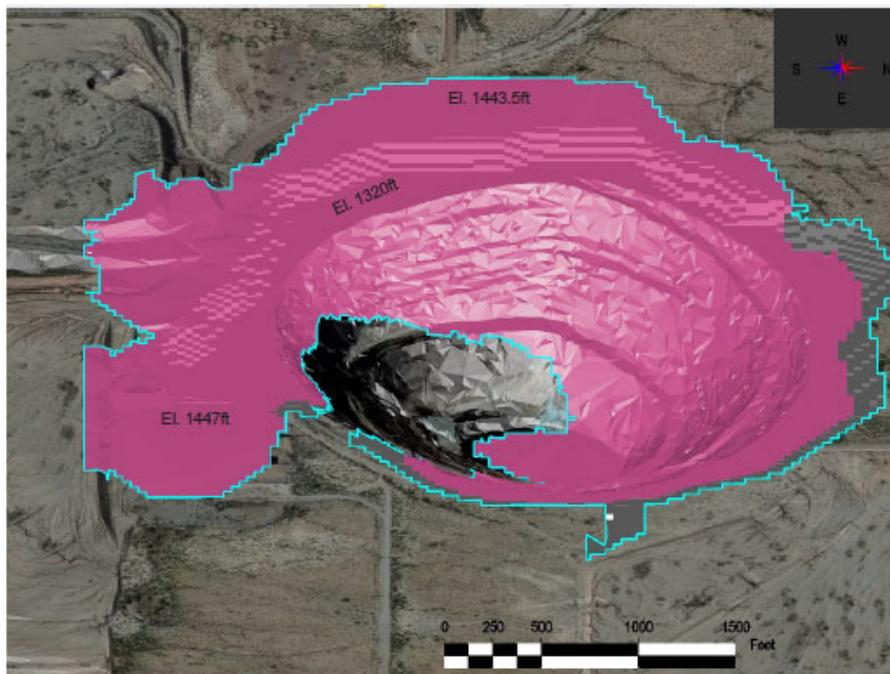
Any waste that is encountered in Lifts 2 and 1 will ideally be left in place except for material that may need to be removed for optimizing haulage and reducing operating costs. It is currently estimated that approximately 30% of this waste will need to be handled and placed in the designated waste area.

All activities will be performed by a contractor; therefore, modifications to this method may include equipment selection changes and discharge changes.

Year 1 (2023)

Pit-stripping of waste occurs in year 1 (2023) at at 13.9 million tons with minimal mineralized material release (0.4 million tons). Mineralized material tons mentioned in this year and all subsequent years have a dilution factor of 5% incorporated. Phase 1 pit shell is mined to elevation 1,320 ft (402 m). The below figure illustrates the end of period put for year 1 (2023).

Open Pit at End of Year 1



Year 2 (2024)

Waste removal ramps up to 17.5 million tons. Mineralized material release increases to 1.29 million tons as Phase 1 is mined to elevation 1,260 ft (384 m) and Phase 2 is mined to elevation 1,380 ft (421 m). A total of nine vertical benches are mined. This vertical advance rate (or sinking rate) was chosen to reflect the difficulty of mining the pit geometry.

Year 3 (2025)

Peak waste removal is reached with 18.6 million tons for the year. Mineralized material release increases to 3.1 million tons. Phase 1 is mined to elevation 1,140 ft (347 m) and Phase 2 is mined to 1,290 ft (393 m). Due to the difficulty of the geometry, a total of nine vertical benches are mined.

Year 4-7 (2026-2029)

As waste removal tons decreases mineralized material release increases. Average waste tons in Year 4-7 (2026-2029) is 11.7 Mtpa and the average mineralized material tons release is 8.4 Mtpa. Phase 1 is mined to elevation 750 ft (229 m) and Phase 2 is mined to 870 ft (265 m). Vertical mining is capped at nine benches where applicable.

Year 8 -13 (2023 – 2035)

Waste rock mining during this period is minimal since the majority of material is ore. Average waste removal is 0.9 Mtpa and average mineralized material release is 5.2 Mtpa. Pit mining is completed to Elevation 240 ft (73.2 m).

Underground

The top of the underground deposit, Cactus East, is roughly 800 feet (244 metres) below the surface and extends an additional 1,000 feet (305 metres) vertically. The deposit averages 800 feet (244 metres) in thickness, from hanging wall to footwall. TLS with cemented rockfill ("**CRF**") for primary stopes and unconsolidated rockfill ("**URF**") for secondary stopes was selected as the preferred mining method. The secondary stopes will be partially filled with CRF to build the bulkhead on the lower sill and then the remaining void can be filled with URF.

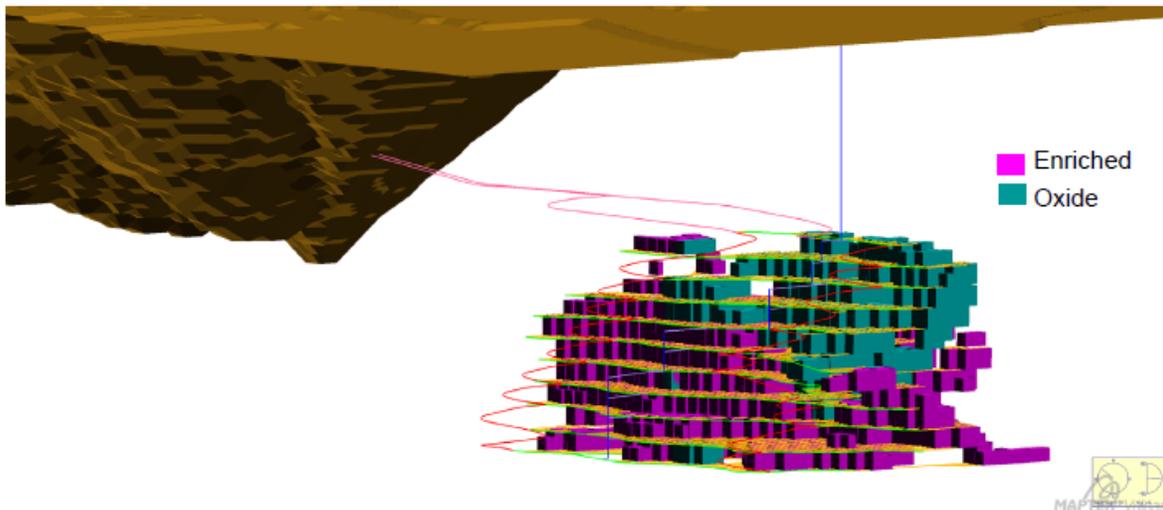
The mine plan is expected to ramp up to an initial production rate of 3,500 tpd and reach a daily production of 7,000 tpd for several years before end of mine life. To achieve this production rate, the deposit will be split into two mining horizons. Given the size of the deposit, both laterally and vertically, each mining horizon will be capable of extraction of 3,500 tpd.

To access the underground mine, twin declines will be developed from the wall of the new open pit. Due to the high daily production rate required, the declines will use one-way traffic to minimize traffic congestion. Pre-production development will excavate the twin declines down to the center of the deposit and split to opposite ends of the deposit.

Once the top sublevel is established, the main ventilation raise can be driven to surface. Dual internal ramps will be driven down to the midpoint of the deposit (15 Level). The 15 Level will define the first horizon. Ventilation from the initial vent raise will be carried down through the sublevels from the top level to the first horizon. Production of the initial stopes will begin once the ventilation circuit is established. All the mined-out stopes on the 15 Level will be filled with CRF to establish a sill pillar and separate the two mining horizons within the mine. While production mining on the 15 Level begins, development of the two internal ramps will continue to the lowest level where the second mining horizon can begin.

Using Vulcan Mining Stope Optimizer software (MSO), transverse stope shapes were generated for the oxide and enriched material at their respective COGs. A grade sensitivity analysis was run on the generated stopes to further optimize the grade and tonnage combination. The 0.85% cutoff was chosen as the base case for the Cactus PEA as it was closest to the 30 million tons requirement for the underground deposit while optimizing cash flow for the underground resource. The 30 million tons was based on processing constraints, production rate and mine life. The resulting LOM development designs and production schedule were based on the 0.85% cutoff scenario. The figure below illustrates the enriched and oxide stopes, with development, within the underground deposit. For the scoping level study, no mineralized material loss or dilution factors were determined for the underground mine.

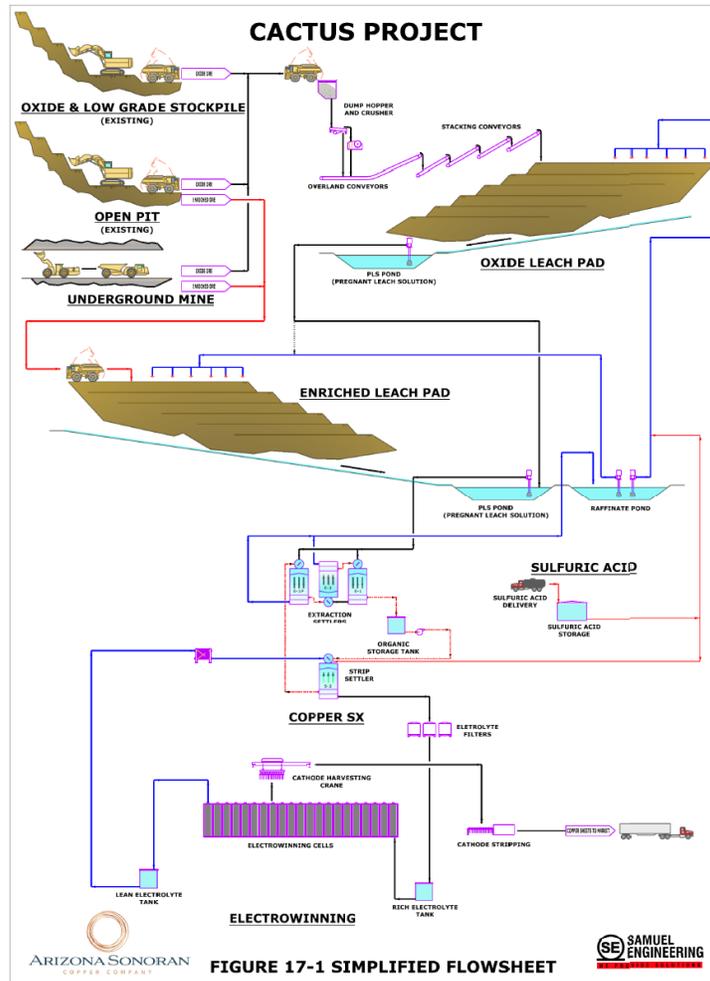
Underground LOM Design – Isometric



Processing and Recovery Operations

A hydrometallurgical approach via a potential copper heap leaching and SX/EW processing facility at Cactus has been contemplated to process existing Stockpile Project oxidized copper resources and Cactus Project oxide and enriched sulfides (chalcocite/covellite dominant) material identified in the mineralized Cactus East and Cactus West extensions.

A conceptual flow diagram for the processing facilities included in the Cactus Project is presented below:



The integrated project has been designed to accommodate a 30,000 tpd permanent acid oxide heap leach and permanent acid enriched heap leach. 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. The following table shows the processing by source and material type.

Processing by Material Type

Mining Source	Material Type	Leach Material (t)
Stockpile Project	Oxide	82,331,000
Cactus West – Open Pit	Oxide	46,810,000
	Enriched	23,131,000
Cactus East – Underground	Oxide	6,317,000
	Enriched	21,208,000
Total	Oxide	135,458,000
	Enriched	44,339,000
	Total	179,797,000

The following table shows the recovery and acid consumption assumptions achieved by bottle roll and column testwork by material type used for the Integrated Cactus PEA.

Average Metallurgical Performance Criteria

Resource Component	Source Information	Net Copper Recovery (% - CuAS)	Net Copper Recovery (%- CuCN)	Gross Acid Consumption (lb/ton)	Net Acid Consumption (lb/ton)
Stockpile					
Oxide	Preliminary Column Tests	90%	40%	22	18
Open Pit & Underground					
Oxide	Preliminary Column Tests	90%	72%	22	18
Enriched	Preliminary Column Tests	90%	72%	22	1

Heap Leaching

Leach material mined from the Stockpile Project and new mining operations will be placed in 20-foot (6 metre) 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 metres) 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 metres) to minimize surface compaction and surface permeability degradation. Fresh materials will be placed over previously leached materials in 20-foot (6 metre) lifts. The height of the leach material on the pad will eventually reach 200 feet (61 metres) in overall height. The leaching sequence for the oxide and enriched pads is planned as follows:

Average Leach Cycle Times by Material Type

Leach Cycle Component	Oxide Leach Pads (days)	Enriched Leach Pads (days)
Pad Loading	14	14
Surface Preparation / Piping	7	7
Active Solution Application	90	180
Drain Down and Decommissioning	9	9
Minimum Total Cycle Time	120	210

Leaching solutions containing dilute sulfuric acid (5-10 g/L H₂SO₄) will be pumped and applied to the top of each lift and allowed to percolate through the copper leach material. Solution application is planned to be by a combination of sprinklers and drip emitters. The planned solution application rate for oxide materials is approximately 0.01 gpm/ft². The solution application rate planned for enriched materials is 0.005 gpm/ft² allowing for slower bio-leaching of sulfide minerals.

Since mineralized material placement occurs over a year's time in the mine production plan, the last quarter of the year (3 months) is not expected to contribute to the production in the year mined. Recovery has been shifted to the following year to account for the placement and preparation time required in the current estimations.

SX/EW Processing Plant

The pregnant leach solution ("**PLS**") from the heap leach ponds will be pumped for processing in a copper SX/EW plant capable of nominally producing 22,000 tpa of copper cathodes (design maximum of approximately 25,000 tpa) with a design PLS flow to the SX units of up to 3,000 gpm and grade at approximately 4.1 g/L Cu based on an average 92% CuT recovery from PLS to cathodes. The plant layout and critical equipment design will allow for easy expansion to 32,000 tpa production (35,000 tpa maximum) in the future.

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

Metalex plants are designed to have a low capital cost and be easily transportable, with everything fitting onto trucks or containers for easy transportation of equipment. Materials of construction and equipment sizing for the facility will generally be based on shop fabricated fiberglass reinforced plastic, high-density polyethylene ("**HDPE**"), chlorinated polyvinyl chloride or similar materials. Metalex has based the SX/EW equipment for Cactus on the designs from two other operating facilities: Benkala Copper Mine and Andacollo. Metalex has endeavored to combine the best features of each to provide ASCU with a package that maximizes the amount of preassembly that can be done, thereby minimizing the time needed onsite for field installation.

The SX plant is designed to process up to 3,000 gpm of PLS and be operated in a series-parallel configuration with a single stage of stripping (E1×E2×E1P×1S). Two minutes mixing time per mixer-settler unit is anticipated. No wash stages or after-settlers are anticipated or included in the current design. A loaded organic tank and diluent storage tank are collocated with the SX mixer settlers.

The initial EW plant construction will be 22,000 tpa copper production able to 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 with a maximum production up to 40,000 tpa 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 ft² 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/ft² current density (design 32 A/ft²). Cathode stripping from the permanent stainless steel blanks will be done in a stripping machine that is of a semi-automatic, robotic design. The addition of 18 EW cells in a new building annex is contemplated for the future expansion, with a single rectifier transformer unit installed compatible with the initial units.

Copper cathode bundles of up to 4,500-5,500 pounds 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.

The leaching system at the Cactus Project is intended for a conventional heap leach built over time in 20-foot (6.1 metre) lifts to a maximum elevation of approximately 200 feet (61.0 metres) over a period of four years. The ASCU pad is in a gently sloping terrain northwest to southeast and considered as a flat pad base (less than 2% grade) arrangement for design purposes. Pad ultimate height is not considered extreme for design purposes. The design will be compliant with ADEQ Best Available Demonstrated Current Technology general principles and prescriptive requirements.

The oxide leach pad will be constructed in two phases. The footprint of the initial leach pad area is about 4,000 ft (1,219.2 m) × 2,250 ft (685.8 m) = 9.0 million ft² (0.84 km²) total and will support approximately 57 million tons of leach material. The initial build out (Phase 1) will be in two sub-phases and will be roughly 42% of the total 135.5 million tons of oxide material to be mined. Phase 1a will be roughly 45% of the Phase 1 total. The capital cost estimate includes only Phase 1a of the leach pad with a base footprint of roughly 2,100 ft (640 m) × 2,250 ft (685.8 m) or 4.8 million ft² (0.45 km²), which will support approximately 25 million tons. Phase 1b will occur in Year 3 of the operations.

The remaining material will be placed on a second oxide pad area west of the existing tailings facility initially constructed in Year 4 (44.8 million tons, 9.3 million ft² (0.86 km²)), with incremental additions in Year 7 (20.1 million tons, 5.2 million ft² (0.48 km²)) and Year 10 (12.3 million tons, 1.3 million ft² (0.12 km²)) of the mine life.

The first phase of the enriched material leach pad will also be constructed in the area made available by mining of the north end of the Stockpile Project area in Years 2-3 of the operations. The footprint of the initial enriched leach pad area is about 2,200 ft (670.6 m) × 1,000 ft (304.8 m) = 2.2 million ft² (0.2 km²) total and will support approximately 5.3 million tons of leach material. The initial build out (Phase 1) will be roughly 12% of the total 44.3 million tons of enriched material to be mined.

The remaining enriched material will be placed on subsequent extensions of the initial pad area constructed in incremental additions extending south in Year 6 (22.4 million tons, 5.1 million ft² (0.47 km²)) and Year 12 (16.6 million tons, 2.0 million ft² (0.19 km²)) of the mine life.

When necessary, solution stacking of PLS from the oxide to enriched leach pads will be employed to manage both overall PLS flow rates and optimal pH in the SX plant.

Leach pad design is assumed to be a double-lined system consisting of a single 60-mil non-textured HDPE primary liner with a compacted soil secondary liner. The soil liner will be a low-permeability soil layer (Kd = 1 × 10⁻⁶ cm/sec hydraulic conductivity rating), compacted amended soil approximately 12 inches in depth (built in two 6-inch layers) consisting of a non-gap graded particle size distribution minus 3/8 inch material with a greater than or equal to P30 of -200 mesh content. Existing site alluvium is expected to meet these requirements.

In addition to the first phase of the oxide leach pad, there are three ponds that would also need to be constructed to initiate operations: the SX raffinate pond, 270 ft (82.3 m) × 190 ft (57.9 m); the PLS pond, 270 ft (82.3 m) × 190 ft (57.9 m); and an event pond, 600 ft (182.8 m) × 320 ft (97.5 m). The three ponds will be situated below the leach pad, and leach solution will flow by gravity downhill via collection ditches that will discharge into the lined storage ponds.

In addition to the first phase of the enriched leach pad, there are two ponds that would also need to be constructed to initiate operations: the PLS pond, 300 ft (91 m) × 190 ft (58 m); and an event pond, 440 ft (134.1 m) × 290 ft (88.4 m). The two ponds will be situated below the leach pad and leach solution will flow by gravity downhill via collection ditches that will discharge into the lined storage ponds.

The second phase of the oxide pad will require a PLS pond for that area. Subsequent pad area expansions at both the oxide and enriched pads will also include additional stormwater pond capacity construction.

The order of precedence for pond volumes is designed as PLS, raffinate and stormwater, whereby fluids from the leaching system (largest inflow contributor) report first to the PLS pond, and when/if this pond is full, a spillway directs the flows to the raffinate pond. For extreme events (e.g., 4.85 inch 100 year / 24-hour storm event), a spillway directs flows to the storm water pond.

All ponds are designed with a 2:1 slope on the sides in an inverted pyramid frustum shape. Pond depths are 30 feet (9.1 metres). A 2-foot (0.6 metre) freeboard is assumed for all ponds. The normal operating volume of the two processing ponds (PLS and raffinate) is 50% full by effective height based on pond inflows under normal operations. Process solution ponds are assumed to be constructed with a triple-lined system consisting of two 60-mil non-textured HDPE liners with a compacted soil tertiary liner and integrated leak detection between the HDPE liners.

Reagents, Water and Power

Projected reagent and operating consumables requirements for the Cactus Project are summarized as follows:

Reagent / Operating Consumable	Requirement
Energy	1.50 kWh/lb Cu produced
Makeup fresh water	658-951 gpm (including dust control)
Sulfuric Acid	300 tpd
Leaching	13.4-3.4 lb/ton leached net of SX/EW credits

SX Reagents	
Extractant	637-890 lb/d (289-404 kg/d)
Diluent	150-200 gallons/d
EW Reagents	
Cobalt Sulfate	0.05 lb/t Cu produced
Guar	0.01 lb/ton Cu produced
Mist Suppressant	FC-1100

The heap leach acid consumption estimate varies with the tonnage rates processed, types or materials leached (oxide and enriched) and the recovered copper content (grade). The expected sulfuric acid consumption in Years 1-6 is high, at approximately 300 tpd on a 100% basis. Acid consumption in Years 7-17 is much different at 14 tpd due to significantly higher copper grades and enriched (sulfide) mineralized material comprising approximately half the material leached overall.

Project Infrastructure

Mining and Maintenance

The mining operations are anticipated to be contracted to a local company experienced in larger scale earthmoving. Given the proximity to major infrastructure in Casa Grande, the contractor may bring temporary facilities onto the site to facilitate their operations and maintenance activities self-sufficiently on the project site. A specific contractor plan has not been developed. This will be similar to the facilities set up on-site as part of the recent reclamation effort.

Waste material will either be set aside in the Stockpile Project as the material is mined or taken to existing nearby waste dumps on site. Although a detailed mine plan and sequence has not yet been developed, it is expected that most of the waste material will remain in the current Stockpile Project area.

Process Buildings

A new SX/EW facility will be constructed inside the fenced area of an abandoned process building known as the TruStone facility. The area has been cleared and graded, and was previously used for parking or laydown.

The EW operation will be housed in a pre-engineered building fitted with an overhead crane for copper production material handling. Siding will be fiberglass, PVC-coated fabric or protected steel. An administration / control building located near the site entrance will consist of a new prefabricated double-wide structure. The facilities will also include a tank farm area composed of electrolyte solution tanks, electrolyte filters, crud handling system and a solution management holding tank.

There are existing access roads to the facilities along with a rail spur that dead-ends in front of the plant across the access road, although it is not currently connected to the main line. There are no current plans to reconnect or use the rail line.

An incoming utility powerline is connected to an existing substation owned by Arizona Power System that was originally used to power the TruStone facility. This substation will be used to power the new SX/EW facility and other project loads. No work is currently planned on the electrical system upstream of the low-side connection to the main transformer.

Site Buildings / Maintenance Shops / Administration Buildings

Given the proximity to the city of Casa Grande, limited non-process facilities are required. The Cactus Project will require minimal buildings and shops in light of the existing infrastructure, contract mining and minimal site-based staffing needed.

The SX/EW plant site offices, control room and security will be housed in a single prefabricated building located on-site near the main gate and process plant facilities. A 200 feet (61.0 metre) × 400 feet (121.9 metre) building is included for these purposes.

The EW process office and process control room will be located in a prefabricated building with space allowed for minor maintenance activities and materials storage, including a small wet laboratory for process control assays and mine grade

control Stockpile Project sample assays. Additional storage of materials will be provided within the fenced area near the plant and in shipping containers repurposed from the delivery of materials and equipment to site. The abandoned TruStone facility may also be considered in the future for additional maintenance, warehousing and other uses.

ASCU maintains a corporate office in Tempe, Arizona for administrative staff not required to be regularly on site.

Mine support infrastructure has been assumed to be provided by the selected contract mining company as required, and locations have been identified for those potential facilities within the property boundaries.

Other Facilities Considerations

The maximum height of all site facilities was considered due to the site's proximity to the existing Casa Grande Municipal Airport that is owned and operated by the City of Casa Grande. A draft airport master plan currently includes proposals for a 4,750-foot (1,447.8 metre) southwesterly extension of the existing runway for a total ultimate runway length of 8,400 feet (2,560 metres). The plan also considered construction of new exit taxiways and a new 3,650-foot (1,112.5 metre) parallel runway located north and west of the existing runway.

Federal Aviation Administration ("FAA") requirements are outlined in the Federal Aviation Act of 1958, as amended and pursuant to 49 U.S.C. Section 46301(a). A summary of the relevant Federal Aviation Regulations, Part 77 Section 77.9 is provided as follows:

§ 77.9 — Any person/organization who intends to sponsor any of the following construction or alterations must notify the Administrator of the FAA:

- Any construction or alteration exceeding 200 feet above ground level.
- Any construction or alteration:
 - Within 20,000 feet of a public use or military airport which exceeds a 100:1 surface from any point on the runway of each airport with at least one runway more than 3,200 feet.
 - Within 10,000 feet of a public use or military airport which exceeds a 50:1 surface from any point on the runway of each airport with its longest runway no more than 3,200 feet.
 - Within 5,000 feet of a public use heliport which exceeds a 25:1 surface.
- Any highway, railroad or other traverse way whose prescribed adjusted height would exceed that above noted standards.
- When requested by the FAA.
- Any construction or alteration located on a public use airport or heliport regardless of height or location.

Acid Supply and Storage (Truck or Rail)

Acid will be provided by a local broker, delivered to site in bulk 3,300 gallon (25 ton) acid truck / trailers. Tanker trucks will be off-loaded to a mild steel site storage tank located in the SX/EW tank farm area with a nominal capacity of 60,000 gallons (two days nominal usage). Approximately eight to nine trucks will be received and off-loaded per day.

Consideration will be given in the future to refurbishing the existing rail spur connecting the site with the Union Pacific Railroad Line approximately 3.7 miles south of the site and delivery by 100 ton railway cars.

Water Supply and Distribution

ASCU, as part of the sale of the property, acquired the historic Type 2 Non-Irrigation grandfather rights (Certificate 58-100706.0005) for 136 acre-foot per year ("afy"). In addition to the grandfathered rights, ASCU has obtained a permit from the Arizona Department of Water Resources ("ADWR") (Permit 59-233782.0000) for an additional 3,600 afy under a Permit to Withdraw Groundwater for Mineral Extraction and Metallurgical Processing within an Active Management Area (A.R.S. § 45-514). The secured water rights have a permit life of 50 years and will serve as water supply requirements for the life of the Cactus Project.

Water will be sourced from two offsite wells, No. 1 and No. 2, and two onsite wells, No. 5 and No. 6. Process makeup water can also be sourced from open pit dewatering and the existing flooded production shaft constructed and abandoned by ASARCO. Potable water is available on the project site via buried pipeline (servicing the prior TruStone and ASARCO facilities) for the minor potable usage requirements.

If needed, additional requirements can be met by purchasing water from the Gila River Water Storage, LLC resources in the Pinal Active Management Area ("**AMA**"), or through mine dewatering credits as the Cactus Project is developed in the future. The Pinal AMA covers approximately 4,000 square miles in central Arizona and consists of five sub-basins with unique groundwater underflow, storage and surface water characteristics. These sub-basins are Maricopa-Stanfield, Eloy, Vekol Valley, Santa Rosa Valley and Aguirre Valley. New on-site metering, storage and distribution systems will be required for the Cactus Project for use of these resources.

Power Supply and Distribution

Approximately 11 MW of power will be required for the initial Cactus Project site process facilities, and 14.3 MW will be required for the expanded facilities. Power is available to an existing 115 kV substation at site. Arizona Public Service ("**APS**") will provide power via existing 115 kV power transmission lines owned by APS which run from its Casa Grande substation to the existing substation on the site located about 400 feet (121.9 metres) west from the planned processing plant location.

The site substation has not been evaluated but it is operational and serviced the prior ASARCO mine operations and more recently the TruStone production facility (now closed) next to the proposed SX/EW plant location. Expected average annual power costs are US\$0.058/kWh (including demand charges) based on preliminary discussion with APS and a new customer services rate for a Small General Service Plan (non-residential).

Environmental Studies, Permitting and Social or Community Impact

Environmental Studies

Several documents were reviewed to provide an indication of the existing environmental conditions at the Cactus Project.

Review of historical water quality data collected from 1972 through the present identified sulfates, nitrates and fluoride exceedances over Arizona drinking water standards at various locations throughout the site.

No environmental fatal flaws that would materially impede the advancement of the project have been identified. Prior due diligence research through the State of Arizona has indicated that the soil and groundwater at the site is highly mineralized and contaminated with heavy constituents such as arsenic, chromium, selenium and zinc, and therefore is unfit for domestic, livestock or agricultural use. These constituents were not the result of any mining activity in the area, but are related to the younger geologic activity in the region. The open pit from ASARCO's mining contains water with high mineralization and a very low pH.

Permitting

The Cactus Project consists of private surface and mineral rights. Permitting for an operation on private land will require the following major permits and certifications, already issued or in progress:

- Dust Permit Pinal Air Quality Control Permit (permit obtained).
- Arizona Pollutant Discharge Elimination System ("**AZPDES**") permits (construction and Multi-Sector General Permit) (permit obtained for both the mine facility and the TruStone facility).
- ADWR Permit to Withdraw Groundwater for Mineral Extraction and Metallurgical Processing Permit No. 59-233782.0000. This permit allows ASCU the rights to 3,600 afy for 50 years for heap leach mining activities, dust control and processing at the Cactus Project site. The effective date of the permit is April 14, 2021, and the expiration date is April 14, 2070.
- ADEQ Aquifer Protection Permit ("**APP**"). This permit has been obtained by ASCU for the Stockpile Project and becomes effective upon demonstration of financial capability submitted along with an amendment application. 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.

- Pinal Air Quality Control Industrial Permit (to be applied for).
- Arizona State Mine Inspector Mined Lands Reclamation Permit (to be applied for).
- Radio Station License & Wireless Communication (to be applied for).

Further permitting will be required, as well as modification of existing permits to account for the final operational and mine plan to be adopted and to reflect processing and other facilities.

The following table outlines the major permits required as a precursor for project construction, along with anticipated timing. An approximate total of US\$0.5 million is required to complete these permitting activities.

Cactus Project – Permitting Plan

		CACTUS MINE PERMITTING TIMELINE																			
Key Permits		Lead Agency	2021						2022												
			Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Acquired	Air Quality Permit	Pinal County	Renewed yearly																		
	Arizona Pollution Discharge Elimination System (402) - Cactus Project	ADEQ	Legacy until Cancelled																		
	Arizona Pollution Discharge Elimination System (402) - TruStone	ADEQ	Legacy until Cancelled																		
	Water Rights	ADWR	2070																		
	Aquifer Protection Permit																				
	Public Comment Period	ADEQ																			
	Permit Approval																				
	Aquifer Protection Permit (Amendment)																				
	Detailed Engineering																				
	Submit Permit Application	ADEQ																			
	Permit Application Review																				
	Public Comment Period																				
	Permit Approval																				
	General Plan Amendment																				
	Pre Application	City of Casa Grande																			
	Application																				
	Review																				
	Approval																				
	Mined Land Reclamation Permit																				
	Finish Engineering	AZ State Mine Inspector																			
	Draft Permit																				
	Submit Permit Application																				
	Permit Application Review																				
	Permit Approval																				
	Submit Reclamation Bond																				
	Industrial Permit																				
	Finish Engineering (Plant FEED)	Pinal County																			
	Draft Permit																				
	Submit Permit Application																				
	Permit Application Review																				
	Permit Approval																				

The following additional permits will be required pursuant to a construction decision:

- Arizona Department of Agriculture Notice of Intent to Clear Land.
- Pinal County Mining Construction Permits.
- ADEQ Above-Ground Tank Storage.

An estimate of US\$1.5 million will be required for the initial reclamation bond based on the initial construction plan and prior estimates for site closure for the Stockpile Project. An additional US\$3.5 million is estimated to be required to close the planned facilities and bonding will be adjusted as new facilities are added, particularly the Phase 2 leach pad. Closure funding is expected to be supplemented by resale of the modular SX/EW plant and other infrastructure and equipment, with a salvage value consideration of US\$5 million.

Hydrogeology

Stantec completed a review of hydrogeologic information and completed a numerical groundwater flow model to assess the groundwater flow conditions and potential for dewatering associated with mine expansion options. This model was used to evaluate predictive flow scenarios from the anticipated mine operations.

For future mining operations and water management, two options were evaluated using the numerical groundwater model: (1) dewatering via wells; and (2) pit extraction via sump pumping.

Dewatering via groundwater production wells was assessed in several model simulations. Due to the low hydraulic conductivity of the bedrock formations, significant production from wells could not be achieved, which also limits the cone of depression from expanding laterally from the wellbore. Therefore, a relatively large number of wells would be anticipated to dewater the bedrock aquifer and the resulting open pit. Model simulations resulted in approximately 18 wells of 200 gpm each required to dewater the conglomerate formation (Layer 1) surrounding the pit (the more productive formation that contributes inflow to the pit).

As an alternative, extraction via pumping from the existing and future pit areas was simulated. Because the open pit is not in direct communication with the groundwater flow system and infiltration rates are low (as evidenced by the pit lake stage approximately 700 feet (213 metres) below the groundwater table), mine water management should be effective via sump pumping from the open pit or underground operations. This was simulated by assigning the pit elevations via drains and evaluating the model output to estimate the outflow (i.e., required pumpage) of the drain features. These results indicate approximately 300-450 gpm of pumping from the future pit areas may be required, depending on the selected mining method and progression schedule.

Groundwater quality below the site has been reported as slightly saline (relatively high specific conductance or total dissolved solids ("TDS")), while pit water has been reported as poor quality. Historic groundwater sample data indicates relatively high concentrations of several parameters including arsenic (ranging from approximately 0.02-2.1 mg/L), fluoride (ranging from approximately 3-19 mg/L), TDS (ranging from approximately 550-10,000 mg/L), nitrate (ranging from non-detect to approximately 68 mg/L) and uranium (ranging from non-detect to approximately 0.1 mg/L). Many of the sample result concentrations exceed respective Arizona Aquifer Water Quality ("AWQ") standards; however, the ranges of concentrations for these parameters is not uncommon in aquifers of central and southern Arizona.

The pit lake is a terminal hydrologic sink, and seepage inflow is subjected to evaporation which enriches the mineral content of the water. Historic pit lake water quality indicates elevated concentrations of arsenic (0.06 mg/L), fluoride (6-84 mg/L), nitrate (6.5-48 mg/L) and TDS (8,400 mg/L), and a relatively low pH (4.1). Although other metals and ion concentrations are higher than the surrounding groundwater concentrations (enriched within the pit lake water), they are unlikely to cause concern for water management.

If mine operation water management includes dewatering the pit lake, water quality considerations should be factored into the management design strategy. If pumped water will be applied to the heap leach and captured (operations adhere to the BADCT), water quality considerations may not be imperative. However, if any discharge is anticipated, permit conditions may dictate water quality thresholds and treatment technology may be necessary for compliance.

Social or Community Impact

In keeping with ASCU's community engagement and partnership standards, the Cactus Project will be developed with a plan to establish and maintain the support of our host communities.

ASCU has commenced early-stage community outreach and is currently evaluating partnerships within the community. As the Cactus Project's permits will involve a public process and are based on the permit submission and review schedule, ASCU plans to elevate outreach during the permitting process and throughout the life of the mine. Some steps have been completed and others have been delayed due to COVID-19. The following actions have been completed or are planned.

- Creation of a Conduit for Concerns. Establish a website, email and phone conduit for members of the community to contact with concerns. All interactions are logged and ASCU takes steps to address legitimate concerns as expediently as possible. The external relations team maintains a record of all steps taken to address concerns.
- Community Partnerships. Form partnerships with community service organizations to identify the needs of the community. This is achieved through the creation of a community partnership foundation with grant and in-kind standards. A committee of community members and ASCU representatives is planned for goal-setting and decision-making. ASCU has also identified several high-visibility projects that will help the community.
- Interact with Local Government. Attend virtual (and when it is safe and permitted to do so post COVID-19, in-person) local council and county board of supervisors' meetings and present project updates. Capture pressing issues, both related and unrelated to mining, with local governments. Reach out and offer site tours and briefings to all interested local and county officials. Create a schedule and develop a plan for frequency of visits with local officials. Keep community leaders and elected officials up to date on project developments.

- Interaction with Opposition Groups. With acceptance that some groups might not change their position on mining, ASCU will take steps to create a constructive and friendly dialogue, and address attainable concerns.
- Participate in Local Events. Create and maintain a calendar of local events. Sponsor, support and attend events as frequently as possible. Keep a record of events and sponsorships.
- Advertise Local Partnerships and Sponsorships. Make sure that the community is aware of ASCU's investments.

The following steps will be completed post-COVID-19, when it is safe, permitted and prudent to do so:

- Open Houses. Lead periodic Cactus Project open houses, which differ from any potential ADEQ or other agency statutory requirements. Open houses should be advertised to drive community attendance.
- Community Support Coalition. Identify enthusiastic community members that will be willing to voice support via person-to-person interactions, comment letters, editorial, and social media posts. Convene meetings of these individuals as needed and make sure they are informed of project development and milestones.
- Downtown Office. Plan a small community office in Casa Grande with enough space to hold and host meetings and maintain a visible presence within the community. Advertise office hours in local publications. The office may be offered to community service organizations as a resource for meetings.

ASCU conducted public opinion research related to the re-development of the site in 2019. The data showed significant support for the Cactus Project in the region. ASCU has committed to maintaining and growing their support over the life of the operation. The polling data also provided ASCU with useful information regarding messages that resonate with the community. ASCU has developed a comprehensive environmental, social and governance framework which aims to address any community concerns and operate the Cactus Project in a socially responsible manner. See "*Business of the Company – ASCU's Environmental, Social & Governance (ESG) Framework: ASCU's Journey to Renewal*".

Capital and Operating Costs

Capital Costs

The estimated initial construction capital cost for the Cactus Project is US\$124 million. The capital cost estimates for the project are summarized in the table below. All cost estimates are expressed in second quarter 2021 US\$ dollars. No provision has been included to offset future escalation.

Initial Capital Cost Estimate

CAPITAL COSTS		-2	-1	0	1
Project Infrastructure	US\$	-			
Leachpad Infrastructure	US\$	(24,500,000)			(4,500,000)
SXEW Facilities	US\$	(74,000,000)			(24,000,000)
Flotation Processing Facilities	US\$	-			
Tailings Facilities	US\$	-			
Capitalised Drilling - Cactus Orebodies	US\$	(7,833,238)	(5,013,878)	(2,819,359)	
Capitalised Drilling - Stockpile	US\$	-			
Technical Studies	US\$	(4,100,543)	(2,696,543)	(1,404,000)	
Project/Other Costs	US\$	(2,582,841)	(1,003,000)	(1,579,841)	
OP- Capitalised Stripping	US\$	(47,085,000)			(20,835,000)
UG-Capitalised Development	US\$	(29,124,000)			
Mobile Mine Equipment (OP_UG)	US\$	-			
Mine Equipment (OP_UG_	US\$	-			
Sustaining Capital - Leachpad Facilities	US\$	(74,600,000)			
Sustaining Capital - SXEW Facilities	US\$	(26,000,000)			
Sustaining Capital - Open Pit	US\$	(130,979,500)			
Sustaining Capital - UG	US\$	(108,752,000)			
Exploration	US\$	-			
Land Acquisitions	US\$	(27,475,000)	(7,000,000)	(7,525,000)	
TAGC Founders Fee	US\$	(1,100,000)			(500,000)
Cash Reclamation	US\$	(5,000,000)			
Salvage Value	US\$	5,000,000			
	US\$	-			
	US\$	-			
	US\$	-			
	US\$	-			
	US\$	-			
Total CAPEX	US\$	(558,132,122)	(15,713,421)	(13,328,201)	(78,250,000)
				(49,835,000)	

The capital cost estimate was put together by Stantec, Samuel Engineering and ASCU based on industry benchmarking, historical information recovered for the site, 2020 project resource drilling and analysis, preliminary metallurgical bottle roll and column testing of fresh mineralized material and Stockpile Project samples, preliminary flowsheets, and conceptual heap leach and SX/EW processing facilities.

The costs reflect the construction CAPEX required to bring the Cactus Project into production and includes US\$23 million in respect of binding obligations entered into by ASCU to make payments for land acquisitions in relation to the Cactus Project. Another US\$99 million is allocated for initial SX/EW and leach pad facilities. The construction cost does not include the cost of open pit stripping for the first year (US\$21 million) or pre-feasibility and feasibility stage work (totaling US\$16 million as of the start of July 2021).

The table below details the initial capital required to build process facilities to support initial copper production of 22,000 tpa.

Process Initial Capital Expenditure

Direct & Indirect Cost Components	Leach Pads, Ponds & Pipelines	SX/EW Facility	Total Capital Cost
Description	Cost (USD)	Cost (USD)	Cost (USD)
Directs			
Mechanical Equipment	0	24,545,000	24,545,000
Civil	16,638,000	1,849,000	18,487,000
Foundations	68,000	2,369,000	2,437,000
Structures	0	1,386,000	1,386,000
Buildings	0	1,849,000	1,849,000
Piping	1,013,000	8,318,000	9,331,000
Electrical	706,000	3,882,000	4,588,000
Instruments	0	1,035,000	1,035,000
Miscellaneous	0	665,000	665,000
Subtotal Directs	18,425,000	45,898,000	64,323,000

<u>Direct & Indirect Cost Components</u>	<u>Leach Pads, Ponds & Pipelines</u>	<u>SX/EW Facility</u>	<u>Total Capital Cost</u>
Indirects			
Contractor Indirect	Included Above	4,720,000	4,720,000
Construction Equipment	Included Above	2,360,000	2,360,000
Surveying & Testing Services	666,000	225,000	891,000
EP Services	1,105,000	4,049,000	5,154,000
Construction Management	921,000	3,179,000	4,100,000
Vendor Reps	0	555,000	555,000
Spare Parts	0	277,000	277,000
Initial Fills	0	500,000	500,000
Commissioning	0	443,000	443,000
Freight	368,486	2,803,000	3,171,486
Mining Equipment	0	0	0
Owner's Cost	Excluded	Excluded	Excluded
Taxes	Excluded	Excluded	Excluded
Subtotal Indirects	3,060,486	19,111,000	22,171,486
Contingency	3,008,000	9,036,000	12,044,000
Total Cost (USD) – 22 ktpa (Initial)	\$24,493,486	\$74,045,000	\$98,538,486

A contingency of 15% has been included in the capital cost for ancillary mine equipment, leach pad infrastructure and the SX/EW facility. Contingency is an allowance to cover unforeseeable costs that may arise during the project execution, which reside within the scope-of-work but cannot be explicitly defined or described at the time of the estimate due to lack of information. It is assumed that contingency will be spent; however, it does not cover scope changes or project exclusions.

Minimal design has been performed on the facilities other than preliminary flowsheets and rough plot plan layouts. The design will continue to evolve throughout future studies. Construction materials, quantities, equipment selection and sizing as well as other design development issues are not resolved at this stage. Costs will increase and decrease as designs develop and the scope is narrowed.

The authors of the Integrated Cactus PEA made the following assumptions in developing the Cactus Project's capital cost:

- Assumes contractor mining and no additional equipment is required for the mining contractor.
- Mobile light duty equipment is assumed to be leased not purchased.
- Pursuant to recent land acquisitions, new fencing around the facilities is required. Some minor repairs or new gates may be necessary.
- It is assumed that there will be no buried interferences. No allowance has been made in the estimate for any utility relocations or demolition. Additionally, no allowances have been made for encountering hazardous waste or other buried items.
- There are sufficient water rights available sourced from both off-site and on-site wells that can be used to supply fresh water to the plant.

Items not included in the capital estimate are as follows:

- Mobile equipment (except cathode forklift).

- Utility power transmission lines and substation, including the main transformer.
- Access roads.
- Ancillary buildings and/or refurbishment of other existing buildings.
- Allowance for special incentives (schedule, safety, etc.).
- Taxes.
- Working capital, sustaining capital, interest and financing cost.
- Force majeure occurrences, such as risk due to labor disputes, permitting delays, etc.

Operating Costs

The operating costs for the Cactus Project were developed based on a combination of benchmarks, direct build-up from metallurgical parameters, typical unit consumption and costs for similar operations and factoring.

For the SX/EW plant and based on an initial plant size of 22,000 tpa copper production, the direct operating costs are expected to average US\$0.59 per pound of copper cathode produced through the first six years of production, as presented in the table below.

Processing Annual Operating Cost Estimate Summary (US\$)

Average Yr 1-6 Cactus Mine Operating Costs - 23.2 ktpy Cu & Combined Tons									
	Units	Unit		Consumption Rate	Unit Price		Annual Cost	\$/ton	\$/lb
		Consumptn				Processed		Copper	
Power	kWh/lb	1.60		8485 kWh	\$ 0.058	\$/kWh	\$ 4,278,900	\$ 0.24	\$ 0.09
EW	kWh/lb	1.00		5303 kWh	\$ 0.058		\$ 2,674,312	\$ 0.15	\$ 0.06
SX/TF	kWh/lb	0.45		2387 kWh	\$ 0.058		\$ 1,203,441	\$ 0.07	\$ 0.03
Utilities/Misc.	kWh/lb	0.15		796 kWh	\$ 0.058		\$ 401,147	\$ 0.02	\$ 0.01
SX/Reagents							\$ 1,953,259	\$ 0.11	\$ 0.04
Extractant	kg/kg Cu	0.005		289 kg/d	\$ 9.95	\$/kg	\$ 1,048,399	\$ 0.06	\$ 0.02
Acid				2 tons/d	\$ 120.00	\$/ton	\$ 87,600	\$ 0.00	\$ 0.00
EW Reagents (Cobalt, Guar, FC1100)			\$	0.015	\$/lb Cu		\$ 660,000	\$ 0.04	\$ 0.01
Diluent					15%	% of Ext	\$ 157,260	\$ 0.01	\$ 0.00
MTCE/Misc.					\$ 0.05	\$/lb Cu	\$ 2,200,000	\$ 0.12	\$ 0.05
Direct Labor		49	staff				\$ 3,536,000	\$ 0.20	\$ 0.08
	Gen Frmn	1			\$ 120,000	\$/yr	\$ 120,000	\$ 0.01	\$ 0.00
	Metallurgist	1			\$ 100,000	\$/yr	\$ 100,000	\$ 0.01	\$ 0.00
	Ops Frmn	4			\$ 95,000	\$/yr	\$ 380,000	\$ 0.02	\$ 0.01
	Mntce Frmn	4			\$ 95,000	\$/yr	\$ 380,000	\$ 0.02	\$ 0.01
	Shift Operator	12			\$ 70,000	\$/yr	\$ 840,000	\$ 0.05	\$ 0.02
	EW Crew	4			\$ 70,000	\$/yr	\$ 280,000	\$ 0.02	\$ 0.01
	Laboratory	6			\$ 50,000	\$/yr	\$ 300,000	\$ 0.02	\$ 0.01
	Mech/Pipe	4			\$ 83,000	\$/yr	\$ 332,000	\$ 0.02	\$ 0.01
	Elect	2			\$ 83,000	\$/yr	\$ 166,000	\$ 0.01	\$ 0.00
	Tech/Instr.	3			\$ 86,000	\$/yr	\$ 258,000	\$ 0.01	\$ 0.01
	Labor	4			\$ 50,000	\$/yr	\$ 200,000	\$ 0.01	\$ 0.00
	Security	4			\$ 45,000	\$/yr	\$ 180,000	\$ 0.01	\$ 0.00
SXEW TOTAL							\$ 11,968,159	\$ 0.67	\$ 0.26
Acid (Net)	lbs/ton ore	13.4		298 tons/d	\$ 120.00	\$/t	\$ 13,067,875	\$ 0.73	\$ 0.28
Oxide Ore	lbs/ton ore	14.5							
Enriched Ore	lbs/ton ore	1.0							
MTCE/Misc.					\$ 0.025	\$/t	\$ 444,650	\$ 0.03	\$ 0.01
Power	100 kW			2400 kWh	\$ 0.058	\$/kWh	\$ 1,210,227	\$ 0.07	\$ 0.03
Water (all Areas)				1,534 ac-ft/y	\$ 10.00	\$/a-ft	\$ 15,340	\$ 0.00	\$ 0.00
Labor		11	staff				\$ 640,000	\$ 0.04	\$ 0.01
	Leach Frmn	1			\$ 100,000	\$/yr	\$ 100,000	\$ 0.01	\$ 0.00
	Eq. Operator	2			\$ 70,000	\$/yr	\$ 140,000	\$ 0.01	\$ 0.00
	Leach Labor	8			\$ 50,000	\$/yr	\$ 400,000	\$ 0.02	\$ 0.01
LEACHING TOTAL							\$ 15,378,092	\$ 0.86	\$ 0.33
Direct OPEX		60	staff				\$ 27,346,251	\$ 1.54	\$ 0.59

No contingency has been included in the operating costs presented. Taxes are considered in the financial analysis model.

With a plant expansion reflecting 35,000 tons of annual copper production, the direct operating costs are expected to average US\$0.26/lb of copper cathode produced, as presented in the table below.

Processing Operating Cost Details (US\$)

Average Yr 7-17 Cactus Mine Operating Costs - 32.5 ktpy Cu & Combined Tons									
	Unit	Consumption Rate		Unit Price		Annual Cost	S/ton		S/lb Copper
		Units	Consumptn				Processed		
Power	kWh/lb	1.60	11875 kWh	\$ 0.058	\$/kWh	\$ 5,987,955	\$ 0.98	\$ 0.09	
EW	kWh/lb	1.00	7422 kWh	\$ 0.058		\$ 3,742,472	\$ 0.61	\$ 0.06	
SX/TF	kWh/lb	0.45	3340 kWh	\$ 0.058		\$ 1,684,112	\$ 0.28	\$ 0.03	
Utilities/Misc.	kWh/lb	0.15	1113 kWh	\$ 0.058		\$ 561,371	\$ 0.09	\$ 0.01	
SX/Reagents						\$ 2,434,817	\$ 0.40	\$ 0.04	
Extractant	kg/kg Cu	0.005	404 kg/d	\$ 9.95	\$/kg	\$ 1,467,145	\$ 0.24	\$ 0.02	
Acid			2 tons/d	\$ 120.00	\$/ton	\$ 87,600	\$ 0.01	\$ 0.00	
EW Reagents (Cobalt, Guar, FC1100)			\$ 0.015	S/lb Cu		\$ 660,000	\$ 0.11	\$ 0.01	
Diluent				15%	% of Ext \$	\$ 220,072	\$ 0.04	\$ 0.00	
MTCE/Misc.				\$ 0.05	\$/lb Cu	\$ 2,200,000	\$ 0.36	\$ 0.03	
Direct Labor		52	staff			\$ 3,739,000	\$ 0.61	\$ 0.06	
	Gen Frmn	1		\$ 120,000	\$/yr	\$ 120,000	\$ 0.02	\$ 0.00	
	Metallurgist	1		\$ 100,000	\$/yr	\$ 100,000	\$ 0.02	\$ 0.00	
	Ops Frmn	4		\$ 95,000	\$/yr	\$ 380,000	\$ 0.06	\$ 0.01	
	Mntce Frmn	4		\$ 95,000	\$/yr	\$ 380,000	\$ 0.06	\$ 0.01	
	Shift Operator	12		\$ 70,000	\$/yr	\$ 840,000	\$ 0.14	\$ 0.01	
	EW Crew	5		\$ 70,000	\$/yr	\$ 350,000	\$ 0.06	\$ 0.01	
	Laboratory	6		\$ 50,000	\$/yr	\$ 300,000	\$ 0.05	\$ 0.00	
	Mech/Pipe	4		\$ 83,000	\$/yr	\$ 332,000	\$ 0.05	\$ 0.01	
	Elect	3		\$ 83,000	\$/yr	\$ 249,000	\$ 0.04	\$ 0.00	
	Tech/Instr.	3		\$ 86,000	\$/yr	\$ 258,000	\$ 0.04	\$ 0.00	
	Labor	5		\$ 50,000	\$/yr	\$ 250,000	\$ 0.04	\$ 0.00	
	Security	4		\$ 45,000	\$/yr	\$ 180,000	\$ 0.03	\$ 0.00	
SXEW TOTAL						\$ 14,361,771	\$ 2.35	\$ 0.22	
Acid (Net)	lbs/ton ore	3.4	14 tons/d	\$ 120.00	\$/t	\$ 602,684	\$ 0.10	\$ 0.01	
Oxide Ore	lbs/ton ore	6.0							
Enriched Ore	lbs/ton ore	1.0							
MTCE/Misc.				\$ 0.025	\$/t	\$ 152,950	\$ 0.03	\$ 0.00	
Power	100 kW	2400 kWh	\$ 0.058	\$/kWh	\$ 1,210,227	\$ 0.20	\$ 0.02		
Water (all Areas)		1,061 ac-ft/y	\$ 10.00	\$/a-ft	\$ 10,610	\$ 0.00	\$ 0.00		
Labor		11	staff			\$ 640,000	\$ 0.10	\$ 0.01	
	Leach Frmn	1		\$ 100,000	\$/yr	\$ 100,000	\$ 0.02	\$ 0.00	
	Eq. Operator	2		\$ 70,000	\$/yr	\$ 140,000	\$ 0.02	\$ 0.00	
	Leach Labor	8		\$ 50,000	\$/yr	\$ 400,000	\$ 0.07	\$ 0.01	
						\$ -			
LEACHING TOTAL						\$ 2,616,471	\$ 0.43	\$ 0.04	
							0	0	
Direct OPEX		63	staff			\$ 16,978,243	\$ 2.78	\$ 0.26	

A total of 49 direct operating staff and 11 attributed general and administrative ("G&A") staff is initially anticipated for the operations running 24 hours per day, seven days per week and 365 days per year. Labor costs include a 30% benefits consideration.

Power has been considered from Arizona Public Service Company at a fully built-up rate of US\$0.058/kWh. Water will be sourced from four wells, two off-site and two on-site, to fulfill anticipated yearly consumption of 1,061 acre-ft. ASCU has secured State water rights for a 50-year period totaling 3,600 afy.

Contract mining costs for the Stockpile Project, open pit and underground were derived from either benchmarking and/or zero-based principles using cost inputs from the local area, including operating and maintenance labor rates and diesel price. Consumables such as tire and ground engaging tools are included in maintenance costs and are calculated as cost per hour. Productivities of the mining equipment are based on OEM performance curves and the fleet has been matched to average production rates and corresponding haulage. A 20% contractor premium has been applied to all costs.

For the life of the project, surface material movements average US\$2.09/t and include mineralized material and waste movements of the Stockpile Project, open pit and underground. The underground unit mining rate of US\$28.93/t is separate and reflects a benchmark cost of mining TLS.

An allowance equal to approximately 7% of direct operating costs has been included for G&A costs for the Cactus Project. These costs are people-related and include G&A staffing directly related to the project, off-site costs (such as offices, computer and office supplies for staff), associated insurance and state and local taxes.

Economic Analysis

A discounted cash flow analysis was completed to evaluate the potential viability of the Mineral Resources at the Cactus Project. The analysis was prepared using technical and cost inputs developed by Stantec, Samuel Engineering and ASCU. These inputs have been reviewed in detail by Stantec and are accepted as reasonable. The table below presents the model inputs used in the economic analysis.

Financial Model Parameters – Model Inputs

Area	Description	Units	Values
	Construction period	Years	1.3
	Mine life (after preproduction)	years	18
	Avg. annual production rate copper	t × 1,000	28,216
Metal pricing	Copper price	US\$/lb	3.35
	Estimate basis	US\$	second quarter 2021
Cost criteria	Inflation/currency fluctuation		None
	Leverage	% equity	100
	United States Corporate Income	% profit	21
Income tax	Arizona Corporate Income	% profit	6.9
	Arizona Mining Severance	% profit	2.5
Royalties / payments	None	n/a	3.18%
Transportation, smelting, and refining charges	Shipping, handling and fees	US\$/lb Copper	0.04

The discounted cash flow analysis was performed on a stand-alone project basis with annual cash flows discounted on an end-of-year basis. The economic evaluation used a real discount rate of 8% and was performed as of July 2021 using average second quarter 2021 U.S. dollars. While all costs prior to the start of construction are considered as "sunk costs", these are still included in the economic analysis for the purpose of a project valuation.

There are no Mineral Reserves for the Cactus Project currently. The information reported in the Integrated Cactus PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. Inferred Mineral Resources are based on limited geological evidence and sampling. The tonnage and grade of Inferred Mineral Resources have significant uncertainty as to their existence and as to whether they can be mined economically. There is no certainty that the Integrated Cactus PEA will be realized. See "*Statement Regarding Forward-Looking Information*".

The Integrated Cactus PEA highlights include the following:

- Life of Mine ("LOM") average annual payable production of 28 ktpa LME Grade A copper cathode.
- An 18 year mine life based on the current mine plan comprising leachable mineralized material only.
- Initial processing capacity of 22 ktpa of copper with ramp up to 35 ktpa of copper by Year 7 of operations resulting in low initial construction CAPEX of US\$124 million.
- Low OPEX driven open pit mining in the initial phase from start of first production until commencement of underground mining anticipated in six years from first production.

- Average LOM cash cost (C1) of US\$1.55/lb of copper produced. Cash cost includes all direct and indirect costs associated with the physical activities that generate concentrate products for sale to customers, including mining, processing, direct G&A costs and royalties.
- Average LOM all-in sustaining costs of US\$1.88/lb of copper produced. All-in sustaining cost includes cash cost and sustaining CAPEX.
- Average LOM total costs of US\$2.06/lb of copper produced. Total cost includes all costs associated with the project each year, including all initial and expansion CAPEX.
- After-tax, a project net present value ("NPV") of US\$312 million at an 8% discount rate and an internal rate of return ("IRR") of 33% based on a copper price of US\$3.35/lb.
- Total inventory of 1.27 billion pounds of copper of a total leachable resource of 2 billion pounds, providing significant upside opportunities for in-pit expansion.

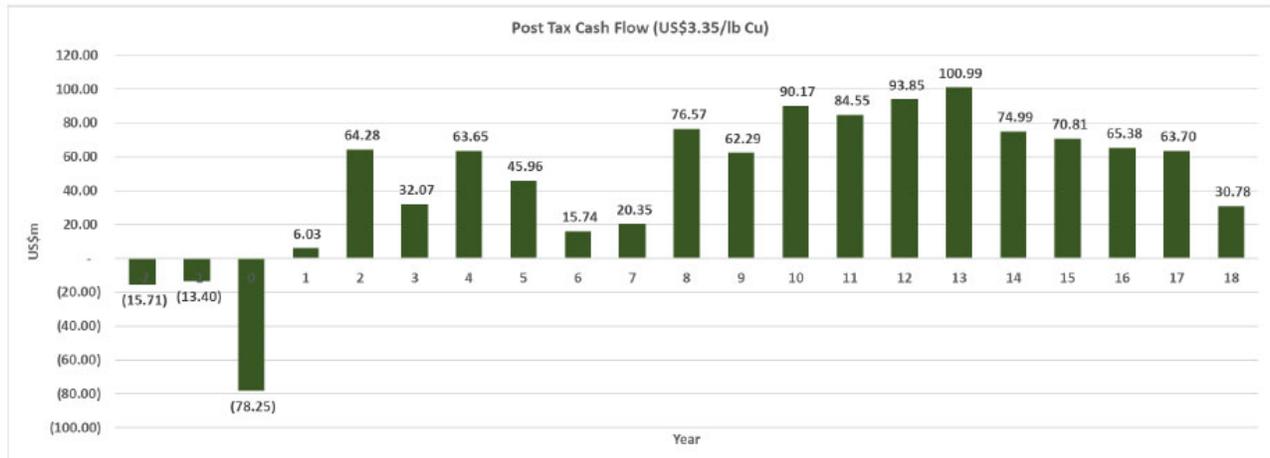
Details of the assumptions and the outcome of the analysis are provided in the following table.

Financial Assumptions and Results

Assumption/Outcome	Value/Results
Copper Price	US\$3.35/lb
Total Mineralized Material Mined	179 million tons
Annual Average Processing Rate Over LOM	10 million tons per annum
Average Recovery Rates Over LOM	Stockpile Project: CuAS: 90%, CuCN: 40% Open Pit / Underground: CuAS: 90%, CuCN: 72%
Average Production Over LOM	28 ktpa
Operating Costs (per ton processed)	US\$9.06/ton
Average LOM Cash Cost (C1)	US\$1.55/lb copper
Average LOM All-In Sustaining Cost (C1 cost + sustaining CAPEX)	US\$1.88/lb copper
Average LOM Total Costs	US \$2.06/lb copper
Sustaining CAPEX Over LOM (open pit and underground, SX/EW and leach pad expansions)	US\$340 million
LOM Free Cash Flow (post-tax undiscounted)	US\$960 million
Post-Tax NPV (8%)	US\$312 million
Post-Tax IRR	33%
Payback	3.5 years

The graphic below captures LOM cash flows on a post-tax basis using a copper price of US\$3.35/lb, with positive cash flow commencing in Year 1 post-development capital investment.

Life-of-Mine Post-Tax Cash Flow



Conclusions and Recommendations

The authors of the Integrated Cactus PEA concluded that the resource estimates for the Stockpile Project and Cactus Project in situ deposits, combined with the associated metallurgical testing, appear adequate for the Integrated Cactus PEA, with additional work warranted to continue to investigate the project. Based on the outcomes of the scoping level study and the absence of fatal or serious flaws, the Cactus Project is worthy of continued development to a prefeasibility study ("PFS") level of confidence, and consequently definitive feasibility study ("DFS") level, to advance the understanding of the technical risks associated with resource confidence, metallurgical performance and project development costs.

The authors suggest that the primary goals of future work programs should be as follows:

- In-fill drill programs of the current resource volume in order to convert Inferred material to Indicated and Measured Resource categories.
- Continue to expand the current resource through additional step-out drilling.
- Continue to explore the mineralized targets away from the deposit, such as Parks/Salyer, in order to evaluate the potential for additional deposits to add to the medium term expansion potential.
- Conduct additional metallurgical testing as outlined in the Integrated Cactus PEA.
- Complete a PFS of the Cactus Project based on the positive outcome from the Integrated Cactus PEA.

Work Program

The authors recommend the completion of a PFS to advance the development of the Cactus Project. 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. Phase 1 is the completed PFS and Phase 2 is advancing the project to a DFS. Phase 2 is dependent on positive results from Phase 1

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 NE Extension. The budget has been estimated for project expenditures commencing in Q4 2021 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.

Phase 1 – Prefeasibility Study 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 – Definitive Feasibility Study 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

According to the authors of the Integrated Cactus PEA, it is expected that the following tasks will be undertaken as part of the Phase 1 work program:

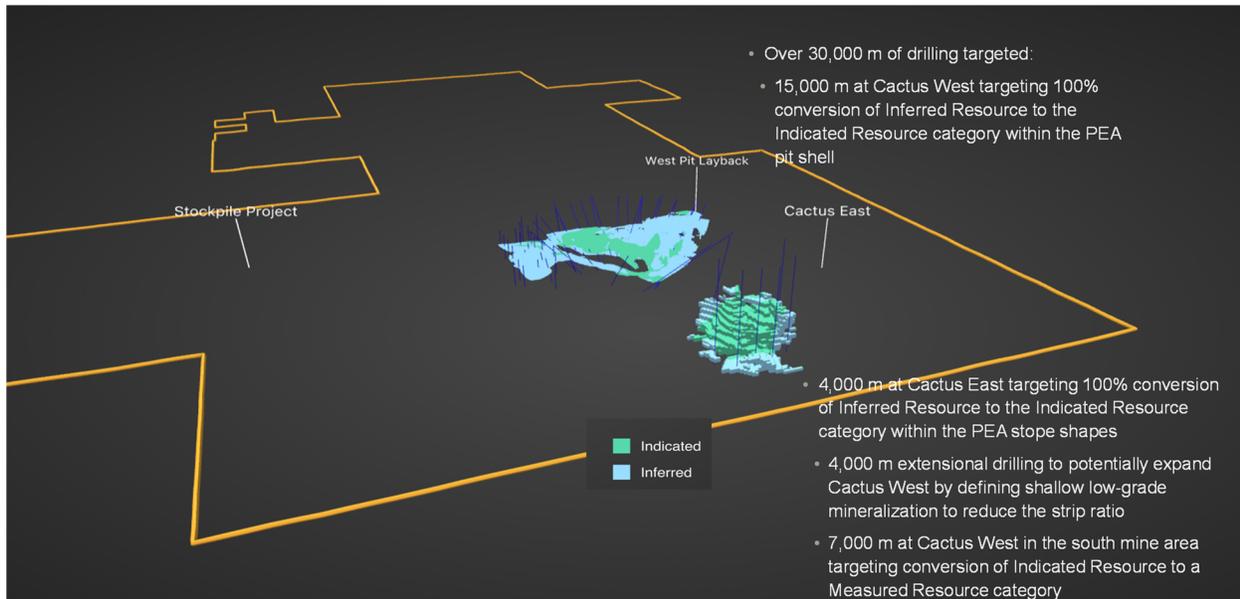
Phase 1 Work Program – Specific Tasks

- | | |
|----------------|---|
| Sustainability | <ul style="list-style-type: none"> • Continue permitting activities and land acquisition as planned. • While adequate for the Integrated Cactus PEA, further hydrogeologic study is required to better quantify aquifer levels and impacts from mining. |
| Geotechnical | <ul style="list-style-type: none"> • Develop geotechnical information required for engineering design. • For example, the proposed pillar between open pit high wall and underground stopes is fairly represented in the Integrated Cactus PEA, but needs geotechnical verification once additional data becomes available. |
| Drilling | <ul style="list-style-type: none"> • The present Cactus West and Cactus East deposit outlines appear to be drill limited to the north and east. Continued step out drilling in these areas could very well extend the limits of known mineralization. • Continue metallurgical sample drilling across the Cactus Project area. • Condemnation/step-out drilling to be completed to confirm the placement of dumps, leach pads and plant facilities. • If the decision is made to go underground at Cactus East, plans should be made to have a close spaced definition drilling program to provide a more detailed understanding of mineralized material zone boundaries for stope design purposes. |

Phase 1 Work Program – Specific Tasks

- | | |
|--------------------|--|
| Lab Testing | <ul style="list-style-type: none"> • Significant additional column testing, particularly large columns, recovery by size fraction to determine merits of crushing / agglomeration and importance of isolating oxides and sulfides from open pit, leaching characteristics of mixed oxides and sulfides will be required. • Reduce the number of calculated soluble grades in the model through assaying of historical pulps (currently 30% of composites use calculated CuAS and CuCN grades based on CuT grades and mineralization domains). |
| Mine Design | <ul style="list-style-type: none"> • Regarding the Cactus East underground: <ul style="list-style-type: none"> ○ While current plans do not expect Cactus East to be operated as an in situ leach operation, this proposed leaching method should be considered further with the existing core and resource information. In situ leach may be an alternative to underground mining in a low copper price environment, thereby still realizing high value material. ○ The proposed TLS mining method is suited for the deposit and the primary/secondary sequence with access from sublevels at 75-foot (23 metre) spacing is logical. An economic trade-off study that envisions Avoca style TLS should be commissioned. With the relatively wide dimensions of the mineralized deposit, additional opposite side access to set up Avoca mining (continuous mining and backfilling) may prove to add enough additional productivity gains to offset the additional development costs. ○ If the timing of the open pit layback schedule is not conducive to commence portal excavation in a timely manner, then access from the surface, which lengthens the development declines, should be considered. |
| Costs and Schedule | <ul style="list-style-type: none"> • The mining costs seem reasonable and sufficient for a PEA-level evaluation, but will need a higher level of detail and productivity analysis in the next stage. This will include a total buildup of equipment, personnel, and materials. • A more detailed production and development schedule is required to verify the mines' ability to achieve the mining schedules presented for the Stockpile Project and Cactus Project. |

A graphical representation of the drill plan is as provided below:



Project Execution Plan

Project execution will follow a typical EPCM approach. The execution timeframe considered is approximately 16 months from notice to proceed through commissioning completion. Project ramp-up will be commensurate with heap leaching pad development. A preliminary development schedule is included in Figure 21-1 of the Integrated Cactus PEA.

Permitting and long lead order timelines are the highest risks to the proposed schedule development plan. Equipment delivery times, particularly the rectifier-transformer units, is expected to be over 6-8 months based on Metalex's budget estimate. Equipment delivery will drive the timeline for completion of the project. Assuming permitting can be achieved as indicated, the overall project schedule could be brought forward 6-8 months by reducing the equipment delivery timeframes and commencing the leach pad construction immediately upon receipt of permits. Any early execution or equipment purchase would be at the risk of project delays.

The following is a high-level expected development timeline for the Cactus Project reflecting Phase 1 PFS and Phase 2 DFS. The execution plan remains conceptual and is subject to various factors outside of ASCU's control. The timeline below outlines actions relevant to the next two phases of work.

Project Development and Funding Timelines

Project Development	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Drilling							
Cactus West & East							
Parks/Salyer & NE Extension							
Metallurgy							
Oxide							
Enriched							
Sulphide							
Technical Studies							
Integrated Cactus PEA							
Integrated Cactus PFS							
Integrated Cactus DFS/FS							
Parks/Salyer PEA							
Engineering							
EPCM/Feed for Cactus							
Permitting							
Integrated Cactus Project							

USE OF PROCEEDS

Available Funds¹³

The Company has agreed to pay the Underwriters a cash commission equal to 6.5% of the gross proceeds of the Treasury Offering and the Advisory fee equal to \$250,000 (with a 50% and 50% allocation of the Advisory Fee payable to RBC and Haywood, respectively). The Underwriters' Fee shall be reduced to 2.5% in respect of sales (up to a maximum of US\$2.5 million) to purchasers on the President's List and 2.5% in respect of sales to Tembo pursuant to the Offering. Prior to giving effect to the exercise of the Over-Allotment Option, gross proceeds from the Treasury Offering are expected to be approximately \$45 million (US\$36 million). Assuming no sales to the President's List and a sale of approximately \$9 million (US\$7.4 million) to Tembo, the Company expects the Underwriters' Fee to total approximately \$3 million (US\$2 million). After deducting the estimated Underwriters' Fee, the Advisory Fee, and the estimated legal and other expenses of the Offering of approximately \$4 million (US\$3 million) in the aggregate, the Company expects to receive approximately \$41 million (US\$33 million) in net proceeds from the Offering (the "**Available Funds**").

¹³Using the daily average exchange rate on November 1, 2021 for C\$1 = US\$0.8085 (US\$1 = C\$1.2368), as quoted by the Bank of Canada.

The Use of Proceeds as outlined herein takes into account projected spending in respect of Phases 1 (PFS) and Phase 2 (DFS) in respect of the Cactus Project. The Company intends to use the Available Funds as indicated in the following table:

Principal Purpose	Work Program Phase- Phase 1 (PFS) (US\$ million)	Work Program Phase – Phase 2 (DFS) (US\$ million)	Estimated Amount to be Expended (US\$ million)	Estimated Amount to be Expended (C\$ million)
Technical requirements including land acquisitions⁽¹⁾⁽⁶⁾⁽⁸⁾:				
Drilling	1.2	3.1	4.4	5.4
Project Support	0.3	0.8	1.0	1.3
Technical Studies	0.7	0.7	1.4	1.7
FEED Engineering	0.0	0.8	0.8	1.0
Lab testing (assaying and metallurgical)	0.2	0.4	0.6	0.7
Permitting	0.1	0.1	0.2	0.3
Land payments ⁽⁵⁾	--	7.9	7.9	9.8
Exploration -Adjacent properties (Parks/Salyer & NE Extension)	--	2.9	2.9	3.6
Sub-Total⁽³⁾	2.5	16.7	19.2	23.8
Debt repayments:	--	--		
2021 Loan Agreement Repayment ⁽⁹⁾	--	--	5.0	6.2
Sub-Total⁽³⁾	--	--	5.0	6.2
Other:	--	--		
Corporate G&A ⁽⁷⁾	--	--	5.6	6.9
Recurring listing fees & marketing costs ⁽⁴⁾	--	--	0.9	1.1
Sub -Total⁽³⁾	--	--	6.5	8.0
Total⁽³⁾	--	--	30.7	37.9
Offering Expenses:	--	--		
Underwriting fees & corporate finance (Advisory Fees)	--	--	2.2	2.7
Legal Fees	--	--	1.2	1.5
Sub-total⁽³⁾	--	--	3.4	4.2
Working Capital	--	--	2.4	2.9
Sub-total⁽³⁾	--	--	36.4	45.0
Underwriting Fees associated with Overallotment Options ⁽²⁾	--	--	0.2	0.2
Discretionary project spending & corporate G&A ⁽²⁾	--	--	2.6	3.2
Total⁽³⁾			39.1	48.4

Notes:

- (1) See "Cactus Mine Project – Work Program". This estimated amount to be expended includes the Q4 2021 Phase 1 Prefeasibility Study Costs and Phase 2 Definitive Feasibility Studies
- (2) The net proceeds of any exercised portion of the Over-Allotment Option will be shared equally by the Company and the Selling Securityholder. Assuming the Over-Allotment Option is exercised in full, the Company would receive additional net proceeds of approximately \$3 million (US\$3 million), after deducting the Underwriters' Fee (assuming that the full Underwriters' Fee of 6.5% is paid on the gross proceeds obtained by the Company from the exercise of the Over-Allotment Option). The Company will not receive any of the proceeds due to the Selling Securityholder under the Over-Allotment Option. The Company anticipates that these additional proceeds will be allocated as follows: US\$1.2 million for further value engineering in relation to the Cactus Project subject to the results of the PFS and DFS; US\$500,000 for further exploration drilling subject to the results of the drilling pursuant to the existing work programs; and approximately US\$851,443 to further increase the Company's cash position.
- (3) Totals may not add up due to rounding.
- (4) Estimated expenses with respect to maintenance fees on the TSX, fees in connection with continuous disclosure filings and requirements, investor relations and ongoing legal and advisory fees.
- (5) Pursuant to the LKY Agreement, the First Installment comprising of US\$7.5 million (less the Initial Deposit and Second Deposit) plus any applicable brokerage fees is due on the closing date of the LKY Transaction, subject to certain conditions precedents to closing. These

conditions precedent comprise of approval of the General Plan Amendment Application, rezoning of the land to industrial use and a development agreement being entered into between the City of Casa Grande and Cactus 110 LLC. The closing date of the LKY Transaction will be thirty days after the satisfaction of these conditions. If closing does not occur by March 31, 2022, then Cactus 110 will have the right to purchase two thirty-day extensions beyond March 31, 2022 for a non-refundable payment of US\$100,000 per extension. These payments will not be applied towards the purchase price of the LKY Property. This would entail the First Installment being payable on May 31, 2022 and the Second Installment of US\$7.5 million being payable on May 31, 2023. As the conditions to the closing of the LKY Transaction are contingent on the approval of, and the agreement with, the third party governmental authorities noted above, closing of the LKY Transaction may not occur until after March 31, 2022, in which case the Company has the right to acquire two thirty-day extensions, resulting in the closing of the LKY Transaction occurring on May 31, 2022 and the Second Installment being payable on May 31, 2023. Given the highly contingent nature of the timing for obtaining the approvals for closing the LKY Transaction, the Company has not allocated funds from the Offering to the Second Installment Payment. See "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*" for the terms of the LKY Transaction and a description of the LKY Property. The amount indicated in the column also includes payment to TAGC of US\$300,000 payable on completion of project permitting.

- (6) Prior to the issue of the permit for commencement of construction at the Stockpile Project, the ADEQ requires a reclamation bond for an amount of US\$1.5 million to be made available (as disclosed under section "*Cactus Mine Project – Environmental Studies, Permitting and Social or Community Impact – Permitting*"). Given ASCU's plans to expand the scope of operations to include the processing of material from the Stockpile Project concurrent with development of the open pit, the scope of the permit for the Stockpile Project is subject to a major amendment as disclosed in this Prospectus. The permit application for the major amendment requires detailed engineering designs in relation to the site layout and other technical information to be submitted which is the scope of the PFS and DFS work programs. It is ASCU's intention therefore to complete relevant studies in respect of the major amendment for full project coverage, pursuant to which modified permit applications will be duly made. The reclamation bond/security required for the full project coverage will then need to be made available to the ADEQ prior to issue of the permit. The permit will be required before commencement of construction. ASCU expects this amount to be an additional US\$3.5 million. As the Company is only raising funding for the next two phases of work programs, funding for such bonding requirements is expected to be raised as part of the construction finance, following a positive construction decision being made in relation to the Cactus Project.
- (7) Corporate G&A includes: employee compensation (including severance payments): US\$2.98 million; consulting & legal expenses: US\$1.4 million; insurance (including D&O insurance): US\$0.43 million; and other head office working capital of US\$0.79 million. This figure includes US\$125,000 of Q4 2021 G&A costs that has been incurred as of the date hereof.
- (8) The Issuer is raising funds for the next two stages of work programs (estimated in respect of the Issuer to be the PFS and DFS expected by Q2 2022). Decisions regarding construction and future spending in respect of the Cactus Project will need to be made by the Issuer in due course and will be contingent on the results of the PFS and DFS. As a result, further estimated expenditures of US\$1.2 million dedicated to potential value engineering work attributable to construction and not the existing work programs is not included in the Use of Proceeds. Further an estimated amount of US\$500,000 could be spent on further drilling in relation to adjacent properties which is contingent on drill results from the work program. Accordingly this amount has also not been included in the Use of Proceeds. This figure includes US\$325,000 of Q4 2021 work program costs that has been incurred as of the date hereof.
- (9) The Company intends to repay US\$5 million of the principal amount of the 2021 Loan from the net proceeds of the Offering at the closing of the Offering. The balance of the principal amount of the 2021 Loan, being US\$1 million, together with all accrued interest payable under the 2021 Loan (including interest that had accrued on the US\$5 million repaid at the closing of the Offering) will be due and payable on July 31, 2023, pursuant to the 2021 Loan Amendment.

The Company's estimated cash balance as at November 1, 2021 was US\$3.4 million and it had an estimated working capital deficit of US\$5.5 million (including the assigned book value of the 2021 Loan and incurred costs for Q4 2021 work program underway and certain Q4 2021 G&A costs)¹⁴. The funds available to the Company following closing of the Offering are anticipated to be as below:

	US\$ million
Gross Proceeds of the Offering (assuming no exercise of the Over-Allotment Option)	36.4
Underwriting fees & corporate finance (Advisory Fees)	(2.2)
Legal fees	(1.2)
Working Capital Deficit (including the assigned book value of the 2021 Loan and incurred costs for Q4 2021 work program underway ⁽¹⁾ and certain Q4 2021 G&A costs ⁽²⁾)	(5.5)
Available Funds	27.50

Notes:

- (1) As of the date hereof, US\$325,000 of Q4 2021 work program costs has been incurred. See footnote 8 to the Use of Proceeds table.
- (2) As of the date hereof, US\$125,000 of Q4 2021 G&A costs has been incurred. See footnote 7 to the Use of Proceeds table.

Pursuant to the terms of the Loan Agreement, Tembo and RCF agreed to loan a principal amount of US\$8.8 million to the Company for the purpose of acquiring (US\$6 million as payable under the Cactus Purchase Agreement) or refinancing the acquisition of properties (US\$1.8 million payable to the CD Debenture holders as defined in Note 5 of the audited consolidated financial statements for the years ended December 31, 2020 and 2019 attached as Appendix "D" to this prospectus) associated with the Cactus Project as well as to advance the development and operation of such properties.

¹⁴ These amounts reflect estimates provided by the Company and have not been audited or reviewed.

On October 27, 2021, both Tembo and RCF exercised their respective Option Royalties. The purchase price of each of the Option Royalties will be offset against the outstanding principal amounts under the Loan Agreement. As a result of the Option Exercise Closing, the principal amount outstanding under the Loan Agreement will be paid in full. See "*General Development and Business of the Company – Two Year History – Acquisitions of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement*".

The Company anticipates that the proceeds of the Treasury Offering, together with its existing working capital deficit, will be sufficient to fund its development and exploration programs from the period from November 1, 2021 – June 30, 2022, Phase 1 and Phase 2 (scheduled to end before June 30, 2022) and to meet its administrative and operating costs through from the period November 1, 2021 to March 31, 2023 (totalling US\$19.2 million for the Technical Work Programs and US\$6.5 million for Other costs as outlined in the table above, but not including the Second Installment).

The proceeds from the 2021 Loan Agreement have been utilized to make requisite payments in respect of the Arcus Transaction.

An amount equal to US\$5 million is intended to be used to repay a portion of the principal loan amount of the 2021 Loan with Tembo, which is a principal securityholder of the Company. The Company intends to repay the US\$5 million of its 2021 Loan at the closing of the Offering. The balance of the principal amount of the 2021 Loan, being US\$1 million, together with all accrued interest payable under the 2021 Loan (including interest that had accrued on the US\$5 million repaid at the closing of the Offering) will be due on July 31, 2023, pursuant to the 2021 Loan Amendment. See "*Principal Securityholders and Selling Securityholder*", "*General Development and Business of the Company – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement*" and "*General Development and Business of the Company – Other Transactions – Tembo Letter Agreement and 2021 Loan Agreement*".

The Company had negative operating cash flows for the financial period from incorporation on April 3, 2019 to December 31, 2019, for the financial period ended December 31, 2020, and the six months ended June 30, 2021. There is no assurance that sufficient revenues will be generated in the near future, and the Company may continue to incur negative operating cash flow. The Company's estimated cash balance as at November 1, 2021 was US\$3.4 million and it had an estimated working capital deficit of US\$5.5 million (including the assigned book value of the 2021 Loan and incurred costs for Q4 2021 work program underway and certain Q4 2021 G&A costs).¹⁵ Although the Company may at some point in the future generate positive cash flow as a result of its business described herein, if the Company continues to have negative operating cash flow into the future, net proceeds may be allocated to funding such negative cash flow in addition to the proposed uses above. See above for a more fulsome description of the Company's expected sources of capital and uses of proceeds. See "*Risk Factors— Risks Related to the Company and to Mineral Exploration and Development – The Company may experience negative operating cash flow for the foreseeable future*".

The aggregate net proceeds to be received by the Selling Securityholder from the sale of Offered Shares pursuant to the Secondary Offering are estimated to be approximately \$2 million (US\$1 million), after deducting that portion of the Underwriters' Fee payable by the Selling Securityholder. The net proceeds of any exercised portion of the Over-Allotment Option will be shared equally by the Company and the Selling Securityholder. Assuming the Over-Allotment Option is exercised in full, the Selling Securityholder will receive additional net proceeds of approximately \$3 million, after deducting the applicable Underwriters' Fee. The Company will not receive any of the proceeds payable to the Selling Securityholder under the Secondary Offering. The Company has agreed to pay the expenses associated with the Secondary Offering other than Underwriters' Fee relating to the Secondary Offering and any and all legal fees and expenses of the Selling Securityholder's external legal advisors, which shall be paid by the Selling Securityholder. See "*Plan of Distribution*".

Business Objectives and Milestones

The primary business objectives that the Company expects to accomplish by using the net proceeds from the Treasury Offering are to:

- (i) complete the PFS and DFS in respect of the Cactus Project expected to be completed by Q2 2022, the work program for which is outlined in this prospectus under the heading "*Cactus Mine Project – Conclusions and Recommendations – Work Program*";

¹⁵ These amounts reflect estimates provided by the Company and have not been audited or reviewed

- (ii) continue to explore the mineralized targets away from the deposit such as Parks/Salyer in order to evaluate the potential for additional deposits to add to the medium term expansion potential as outlined in the work program;
- (iii) make its land acquisition payments as required in respect of the First Installment of the LKY Transaction, a description of which can be found under the heading "*General Development and Business of the Company – Two Year History – Other Transactions – LKY Purchase and Sale Agreement*"; and
- (iv) repay current outstanding debt obligations that become due in December 2021 and interest repayment due prior to January 2022.

See "*Cactus Mine Project – Conclusions and Recommendations – Project Execution Plan – Project Development and Funding Timelines*", "*General Development and Business of the Company – Other Transactions – LKY Purchase and Sale Agreement*", "*General Development and Business of the Company – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement*" and "*General Development and Business of the Company – Other Transactions – Tembo Letter Agreement and 2021 Loan Agreement*", respectively.

The work program outlined in the Integrated Cactus PEA is targeted to allow the Company to deliver a pre-feasibility study and subsequently, a definitive feasibility study in the next 12-18 months.

Unutilized proceeds of the Treasury Offering will be invested by the Company in an interest bearing account with major Canadian and US banks. The Company's unallocated working capital will be available for further exploration work on the Cactus Project, if such work is warranted based on results from the exploration programs currently planned. If not required for further work on the Cactus Project, those funds will be available for acquisition, exploration or development of other mineral properties.

Whilst the Company intends to spend its available funds as set out in this prospectus, there may be situations where, due to changes in the Company's circumstances, business outlook, exploration results, property status and or for other circumstances, that a reallocation of funds is necessary in order for the Company to achieve its overall business objectives. Management has, and will continue to have, the discretion to modify the allocation of the Company's available funds, including the net proceeds of the Treasury Offering, if necessary. If management determines that a reallocation of funds is necessary, the Company may redirect its available funds, including the net proceeds of the Treasury Offering, to purposes other than as described in this prospectus. The actual amount that the Company spends in connection with each of the intended uses of funds may vary significantly from the amounts specified above. See "*Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – The Company may not use the proceeds as described in this prospectus*".

Unallocated Funds in Trust or Escrow

Unallocated funds, including the amount \$2.9 million (US\$2.4 million) under "Working Capital" in the Use of Proceeds table and the Prospectus Summary, will be deposited in the Company's bank account and added to the working capital of the Company. The Chief Financial Officer of the Company is responsible for the supervision of all financial assets of the Company. Based on the Company cash flow requirements, management will determine the appropriate level of liquidity required for operations and will draw down such funds as necessary.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company and the Selling Securityholder have agreed to issue and sell, and the Underwriters have severally (and not jointly nor jointly and severally) agreed to purchase, as principals, an aggregate 19,066,518 Offered Shares at the Offering Price, being comprised of 699,171 Offered Shares being sold under the Secondary Offering and 18,367,347 Offered Shares being issued and sold by the Company under the Treasury Offering, for aggregate gross proceeds of \$1,712,968.95 and \$45,000,000.15 payable in cash to the Selling Securityholder and the Company, respectively, against delivery of the Offered Shares, subject to the terms and conditions contained in the Underwriting Agreement. The Offering Price will be determined by arm's length negotiation between the Company, the Selling Securityholder and the Underwriters based on several factors, such as prevailing market conditions; the capital structure of the Company; estimates of the Company's business potential and earnings prospects; an overall assessment of the Company's management; and the consideration of these factors in relation to market valuation of companies in related businesses, and may bear no relationship to the price that will prevail in the public market.

In consideration for their services in connection with the Treasury Offering, the Underwriting Agreement provides that the Company will pay the Underwriters' Fee to the Underwriters in respect of the Offered Shares issued under the Treasury Offering, which is equal to 6.5% of the gross proceeds of the Treasury Offering, subject to reduction to 2.5% of the gross proceeds from subscriptions from purchasers, if any up to a maximum of US\$2.5 million, whose names appear on the President's List, and 2.5% in respect of subscriptions by Tembo of up to US\$7.4 million under this prospectus, if any.

In connection with the Secondary Offering, the Selling Securityholder has agreed to pay the Underwriters' Fee to the Underwriters in respect of the Offered Shares sold by the Selling Securityholder under the Secondary Offering, equal to a cash commission of 6.5% of the gross proceeds of the Secondary Offering.

The Underwriters propose to offer the Offered Shares initially at the Offering Price stated on the cover page of this prospectus. After the Underwriters have made a reasonable effort to sell all of the Offered Shares offered by this prospectus at that price, the initially stated Offering Price may be decreased, and further changed from time to time, by the Underwriters to an amount not greater than the initially stated Offering Price and, in such case, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Offered Shares is less than the Offering Price. Such reduced price sales will not affect the net proceeds to be received by the Company or the Selling Securityholder under the Offering.

The Company and the Selling Securityholder have granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part, at the sole discretion of the Underwriters, at any time and from time to time, for a period of 30 days from and including the Closing Date, to purchase from the Company and the Selling Securityholder, in equal proportion, at the Offering Price up to that number of Common Shares that is equal to 15% of the aggregate number of Offered Shares purchased under the Treasury Offering to cover over-allotments, if any, and consequential market stabilization. If the Underwriters exercise the Over-Allotment Option in full, the gross proceeds raised under the Offering will be approximately \$53 million (US\$43 million), the Underwriters' Fee will be approximately \$3 million (US\$2 million) (assuming no sales to the President's List and that, of the \$53 million (US\$43 million) of gross proceeds, the full Underwriters' Fee of 6.5% is paid on approximately \$44 million (US\$36 million) and the reduced Underwriters' Fee of 2.5% is paid on approximately \$9 million (US\$7 million), of the Over-Allotment Option will be shared equally by the Company and the Selling Securityholder. Assuming the Over-Allotment Option is exercised in full, the net proceeds to the Company in respect of the Treasury Offering will be \$44 million (US\$35 million) after deducting the Advisory Fee and the estimated legal and other expenses of the Offering of approximately \$5 million (US\$4 million) in the aggregate, and net proceeds to the Selling Securityholder in respect of the Secondary Offering will be \$5 million (US\$4 million). This prospectus also qualifies the distribution of the Over-Allotment Option and the Over-Allotment Shares. A purchaser who acquires securities forming part of the Underwriters' over-allocation position acquires those securities under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or through secondary market purchases.

Tembo currently holds 39% of the issued and outstanding Common Shares, on a fully-diluted basis. As of the date of this prospectus, Tembo has confirmed that it will subscribe for 3,727,674 Common Shares under the Offering for aggregate proceeds of approximately \$9 million (equivalent to US\$7.4 million) and, in connection with the Offering, Tembo has waived its right under the Pre-Emptive Right (as defined herein) to maintain its *pro rata* shareholding in the Company that it had immediately prior to the Closing (calculated on a fully-diluted basis). See "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Investor Rights Agreement.*"

The Offered Shares are being offered for sale to the public in all of the provinces and territories of Canada excluding Québec by way of this prospectus and in the United States and internationally by way of private placement pursuant to available exemptions.

There is currently no market through which the Common Shares may be sold, and purchasers may not be able to resell Common Shares purchased under this prospectus. This may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Common Shares, and the extent of issuer regulation.

The TSX has conditionally approved the listing of the Offered Shares distributed under this prospectus as well as its existing issued and outstanding Common Shares on the TSX under the symbol "ASCU". Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before January 18, 2022.

The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), and are subject to certain closing conditions and may be terminated at their discretion at any time before Closing on the basis of their assessment of the state of the financial markets and upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take up and pay for all of the Offered Shares if any Offered Shares are purchased under the Underwriting Agreement. The Company has agreed in the Underwriting Agreement to indemnify each of the Underwriters, the Selling Securityholder and their affiliates and their respective directors, officers, partners, employees and agents and each other person, if any, controlling the Underwriters or the Selling Securityholder, as the case may be, or any of their subsidiaries, affiliates and each shareholder of the Underwriters or Selling Securityholder, as the case may be, from and against certain liabilities and expenses or to contribute to payments that the such party may be required to make in respect thereof. Further, the Selling Securityholder has agreed in the Underwriting Agreement to indemnify each of the Underwriters and the Company, and each of their affiliates and their respective directors, officers, partners, employees and agents and each other person, if any, controlling the Underwriters or the Company, as the case may be, or any of their subsidiaries, affiliates and each shareholder of the Underwriters or the Company, as the case may be, from and against certain liabilities and expenses or to contribute to payments that such party may be required to make in respect thereof.

Subscriptions for the Offered Shares to be sold pursuant to the Offering will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that the Closing will take place on or about November 16, 2021, or such later date as the Company, the Selling Securityholder and the Underwriters may agree, but in any event, on or before a date that is not later than 42 days after the date of the receipt for this prospectus.

It is anticipated that the Company and the Selling Securityholder will arrange for one or more instant deposits of the Offered Shares issued under the Offering to or for the account of the Underwriters with CDS or its nominee through the non-certificated inventory system administered by CDS on the Closing Date. Except for Offered Shares issued to "accredited investors" in the United States, a purchaser of Offered Shares will receive only a customer confirmation from a registered dealer that is a CDS participant and from or through which the Offered Shares are purchased.

The Offered Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and all applicable state securities laws. The Underwriters have agreed that they will not offer or sell the Offered Shares within the United States except pursuant to an exemption from the registration requirements of the U.S. Securities Act and pursuant to similar exemptions under applicable state securities laws. Pursuant to the Underwriting Agreement, the Underwriters may reoffer and resell the Offered Shares that have been acquired pursuant to the Underwriting Agreement in the United States by or through one or more U.S. Affiliates to (a) Qualified Institutional Buyers pursuant to Rule 144A and/or other available exemptions under the U.S. Securities Act and in compliance with similar exemptions under applicable U.S. state securities laws and (b) "accredited investors", as defined in Rule 501(a) of Regulation D under the U.S. Securities Act that will purchase the Offered Shares as substituted purchasers for the Underwriters, through U.S. Affiliates, directly from the Company pursuant to Section 4(a)(2) under the U.S. Securities Act and similar exemptions under applicable state securities laws. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any Offered Shares in the United States. The Underwriters may also offer and sell Offered Shares outside the United States in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless such offer is made pursuant to an exemption from the registration requirements of the U.S. Securities Act.

Pursuant to the rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase the Company's securities for their own account or for accounts over which they exercise control or direction. The foregoing restrictions are subject to certain exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Common Shares. These exceptions include a bid for or purchase of the Company's securities: (i) made through the facilities of the TSX, in accordance with the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities; (ii) made for or on behalf of a client, provided that the client's order was not solicited during the distribution period; and (iii) to cover a short position entered into prior to the commencement of the distribution period. Subject to applicable laws and in connection with the Offering, the Underwriters may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of the Company's securities is for the purpose of maintaining a fair and orderly market in such securities,

subject to price limitations applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time.

Pursuant to the Underwriting Agreement, the Company will be obligated for a period of 180 days following the Closing Date to not directly or indirectly, without the prior consent of the Underwriters, such consent not to be unreasonably withheld or delayed, issue, sell or grant any option, warrant or other right to purchase or agree to issue or sell, any Common Shares or other equity securities of the Company or securities convertible into, exchangeable for, or otherwise exercisable into Common Shares or other equity securities of the Company, whether or not cash settled, in a public offering or by way of private placement or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing; provided that, such restrictions will not apply to offers, issuances and grants: (i) made pursuant to a security-based compensation plan disclosed in this prospectus (including the Equity Incentive Plan or DSU Plan), (ii) upon the conversion, exercise or exchange of convertible, exercisable or exchangeable securities existing on the Closing Date or upon the exercise, redemption or settlement of stock options or other security-based compensation subsequently granted, (iii) in connection with any material acquisitions or the settlement of bona fide debts or related interest, and (iv) as may be required to satisfy the Pre-Emptive Right held by Tembo under the Investor Rights Agreement (including in respect of the Over-Allotment Option). See "*General Development and Business of the Company – Two Year History - Acquisition of the Cactus Mine (formerly the Sacaton Mine)*" for details in respect of such participation rights.

Additionally, pursuant to the Underwriting Agreement, the Company has agreed to use all commercially reasonable efforts to obtain, from all existing securityholders of the Company and the Company's executive officers and directors who will own an interest in the Company after the Closing ("**Locked-Up Holders**"), undertakings to not, subject to certain exceptions for certain securityholders of the Company as further described in "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*", until the date that is 180 days following the Closing Date, directly or indirectly, without the prior consent of the Underwriters, such consent not to be unreasonably withheld or delayed (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer or dispose of any Common Shares or other securities of the Company beneficially owned or controlled, directly or indirectly, by them as of the date hereof or purchased by them pursuant to the Offering, or (ii) make any short sale, engage in any hedging transaction, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such Common Shares and securities of the Company, whether any such transaction is to be settled by delivery of Common Shares, other securities, cash or otherwise (each, a "**Locked-Up Agreement**"). Moreover, the Locked-Up Holders may sell Common Shares to satisfy tax obligations in connection with the settlement or exercise of Awards granted under the Equity Incentive Plan. See "*Options to Purchase Securities – Equity Incentive Plan - Equity Incentive Plan Summary*" for additional details on the Equity Incentive Plan. See "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*" for additional details on Lock-Up Agreements.

Notice to Investors in the United Kingdom

Each Investor in the United Kingdom who acquires any Offered Shares under the Offering contemplated hereby will be deemed to have represented, warranted and agreed with each of the Underwriters and the Company that it is a:

- a) person who has professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**FSMA Order**");
- b) a high net worth entity falling within article 49(2)(a) to (d) of the FSMA Order;
- c) certified high net worth individual, certified sophisticated investor or self-certified sophisticated investor as described in articles 48, 50, and 50A respectively of the FSMA Order; or
- d) person to whom this prospectus may otherwise be lawfully communicated, and in all cases is capable of being categorised as a Professional Client or Eligible Counterparty for the purposes of the Financial Conduct Authority, Conduct of Business Sourcebook.

SELECTED FINANCIAL INFORMATION

The following table sets out the Company's selected financial information for the periods and as at the dates indicated. This information has been derived from the Company's audited annual and unaudited interim financial statements and related notes thereto included elsewhere in this prospectus. The Company's annual financial statements are prepared in accordance with IFRS. The unaudited interim financial statements have been prepared in accordance with IFRS as

applicable to interim financial reports, including International Accounting Standard 34 – "Interim Financial Reporting". Investors should read the following information in conjunction with those financial statements and related notes thereto, along with the associated MD&A.

	As at and for the six- month period ended June 30, 2021 (US \$000s)	As at and for the year ended December 31, 2020 (US \$000s)	As at and for the period ended December 31, 2019 (US \$000s)
General and administrative expenses	4,570	2,737	1,803
Other expenses	1,816	2,367	–
Net loss and comprehensive loss for the period	6,386	5,104	1,803
Basic and diluted net loss per Common Share	0.16	0.23	0.16
At end of period:			
Cash and cash equivalents	4,459	7,248	47
Other current assets	411	2,128	48
Non-current assets	15,352	8,614	12,024
Current liabilities	11,073	4,570	10,296
Non-current liabilities	–	6,433	–
Shareholders' equity	9,149	6,987	1,823

DIVIDEND POLICY

The Company has not, since the date of its incorporation, declared or paid any dividends or other distributions on its shares, and does not currently have a policy with respect to the payment of dividends or other distributions. The Company does not generate any revenues and does not expect to generate revenues in the near future and as such, the Company does not pay dividends and does not intend to pay dividends in the foreseeable future.

The payment of dividends in the future will depend on earnings, if any, and the Company's financial condition and such other factors as its directors consider appropriate. Furthermore, achieving production and generating cash flow at the Cactus Mine is unlikely to result in payment of dividends or other distributions by the Company to shareholders of the Company.

There can be no assurance that the Company will pay dividends under any circumstances. See "*Risk Factors – Risks Related to the Common Shares – The Company does not intend to pay dividends*".

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's management's discussion and analysis of financial condition and results of operations are attached hereto as Appendix "C" and Appendix "E" (each, an "**MD&A**"). The MD&A has been prepared as at and for the three and six-month period ended June 30, 2021 and as at and for the year ended December 31, 2020, respectively, and should be read in conjunction with the remainder of this prospectus, including sections entitled "*Selected Financial Information*" and "*Risk Factors*" in this prospectus and the Company's audited and unaudited financial statements and related notes thereto included elsewhere in this prospectus. Certain statements in the MD&A for the three and six-month period ended June 30, 2021, including under the headings "Overview", "Liquidity and Capital Resources", and "Capital Management", modify and supersede statements in the annual MD&A for the year ended December 31, 2020. The Company's annual financial statements are prepared in accordance with IFRS. The Company's fiscal year ends on December 31 and its reporting currency is the United States Dollars.

The MD&As contain forward-looking information, such as statements regarding the Company's future plans and objectives that are subject to various risks and uncertainties, and those set forth in "*Statement Regarding Forward-Looking Information*" and "*Risk Factors*" in this prospectus. The Company cannot assure investors that such information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. The results for the periods presented are not necessarily indicative of the results that may be expected for any future periods. Investors are cautioned not to place undue reliance on this forward-looking information.

The scientific and technical information in the MD&As, other than in respect of metallurgy, was prepared under the supervision of Mr. Allan Schappert, Stantec. The scientific and technical information in the MD&As in respect of metallurgy was prepared under the supervision of Dr. Martin Kuhn, MAG. Each of Mr. Allan Schappert and Dr. Martin Kuhn is a Qualified Person. Furthermore, the scientific and technical information relating to the Cactus Project included in the MD&As has been superseded by the scientific and technical information provided in the Integrated Cactus PEA, a summary of which is set forth in "Cactus Mine Project". Reference should be made to the full text of the Integrated Cactus PEA, which is available for review under the Company's profile on SEDAR at www.sedar.com.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

The Company's authorized share capital consists of an unlimited number of Common Shares without par value, of which 51,399,061 Common Shares are issued and outstanding as at the date hereof. This figure reflects the Consolidation as described under "General Development of the Business – Two Year History – Consolidation".

All of the Common Shares rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and entitlement to any dividends declared by the Company. The holders of the Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote). Each Common Share carries the right to one vote. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the payment by the Company of all of its liabilities. The holders of Common Shares are entitled to receive dividends as and when declared by the Board in respect of the Common Shares on a pro rata basis.

Any alteration of the rights, privileges, restrictions and conditions attaching to the Common Shares under the Company's articles must be approved by at least two-thirds of the Common Shares voted at a meeting of the Company's shareholders.

CONSOLIDATED CAPITALIZATION

The following table sets forth the Company's share capitalization as at June 30, 2021, and its *pro forma* capitalization as at June 30, 2021, after giving effect to the Offering (assuming no exercise of the Over Allotment Option), and the use of proceeds therefrom. This table should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes included elsewhere in this prospectus and with the information set forth under "Management's Discussion and Analysis", "Use of Proceeds" and "Description of Securities Being Issued".

	As at June 30, 2021	Pro Forma as at June 30, 2021 ⁽¹⁾⁽²⁾
	(amounts in thousands of U.S. dollars)	
Cash.....	4,459	37,519
Debt.....	11,073	11,073
Shareholders' equity	9,149	39,837
Share capital.....	18,780	51,813
Contributed surplus.....	3,662	3,662
Accumulated other comprehensive income (loss).....	—	—
Non-controlling interest.....	—	—
Deficit.....	(13,293)	(13,293)

Notes:

- (1) Assumes an offering price of \$2.45 per Offered Share.
- (2) As at June 30, 2021, the Company had approximately US\$8.8 million outstanding under its Loan Agreement. On October 27, 2021, both Tembo and RCF exercised their respective Option Royalties. The purchase price of each of the Option Royalties will be offset against the outstanding principal amounts under the Loan Agreement. As a result of the Option Exercise Closing, the principal amount outstanding under the Loan Agreement will be paid in full. See "General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine) – Loan Agreement". In addition, the Company expects to repay US\$5 million of outstanding indebtedness associated with the 2021 Loan from the proceeds of the Treasury Offering. The remaining net proceeds from the Treasury Offering will be utilised for advancing technical work in relation to the project and for general corporate purposes. US\$1 million of the balance of the principal of the 2021 Loan together with all accrued interest payable under the 2021 Loan (including interest that had accrued on the US\$5 million repaid at the closing

of the Offering) will be due and payable on July 31, 2023, pursuant to the 2021 Loan Amendment. See "Use of Proceeds" and "General Development and Business of the Company – Other Transactions – Tembo Letter Agreement and 2021 Loan Agreement".

ASCU faces risks related to health epidemics, pandemics and similar outbreaks, including COVID-19, which may have a sustained material adverse effect on the business, financial position, results of operations and/or future cash flows (if any) of the Company. For a discussion of the potential risks to the Company, see "Risk Factors – Covid-19 Public Health Crisis".

OPTIONS TO PURCHASE SECURITIES

Equity Incentive Plan

The following table sets forth the aggregate number of Common Shares issuable under Options which are anticipated, as at the date of this prospectus, to be outstanding on completion of the Offering. All information in the following table is provided on a post-Consolidation basis.

Holder of Options	Common Shares Under Options Granted	Exercise Price (US\$/Common Share)	Grant Date	Expiration Date
Executive officers, officers, and past executive officers as a group (8 persons)	387,270	US\$0.45	July 20, 2020 ⁽¹⁾	July 20, 2025
	85,986	US\$0.45	November 12, 2020 ⁽¹⁾	November 12, 2025
	107,649	US\$0.90	January 4, 2021 ⁽¹⁾	January 4, 2026
	172,832	US\$1.50	May 27, 2021 ⁽²⁾	January 4, 2026
	250,000	US\$2.10	July 6, 2021 ⁽³⁾	July 6, 2026
Total	1,003,737			
Directors (who are not also officers) and past directors as a group (5 persons)	171,971	US\$0.45	July 20, 2020 ⁽⁴⁾	July 20, 2025
	75,237	US\$0.45	July 20, 2020 ⁽¹⁾	July 20, 2025
	116,666	US\$0.45	October 2, 2020 ⁽⁴⁾	October 2, 2025
	42,993	US\$0.45	December 14, 2020 ⁽⁴⁾	December 14, 2025
Total	406,867			
Consultants of the Company as a group (2 persons)	171,972	US\$0.45	July 20, 2020 ⁽¹⁾	July 20, 2025
Total:	171,972			
Other employees and former employees as a group (3 persons)	139,725	US\$0.345	July 20, 2020 ⁽¹⁾	July 20, 2025
Total:	139,725			
Total — All Options	1,722,301			

Notes:

- (1) Options vest 30% on the Grant Date; 50% on the one (1) year anniversary of the Grant Date; and 20% on the two (2) year anniversary of the Grant Date.
- (2) 76,166 options vest 60% on Grant Date and 40% on the one (1) year anniversary of the Grant Date. 96,666 options vest 30% on the Grant Date; 50% on the one (1) year anniversary of the Grant Date; and 20% on the two (2) year anniversary of the Grant Date.
- (3) Options vest 83,334 on the Grant Date; 83,333 on the one (1) year anniversary of the Grant Date; and 83,333 on the two (2) year anniversary of the Grant Date.
- (4) 100% of the options vest on the Grant Date.

The following table sets forth the aggregate number of Common Shares issuable under RSUs which are anticipated, as at the date of this prospectus, to be outstanding on completion of the Offering. All information in the following table is provided on a post-Consolidation basis.

Holder of RSUs	Common Shares Under RSUs Granted	Grant Date
Executive officers, officers, and past executive officers, as a group (8 persons)	165,830	July 20, 2020 ⁽¹⁾⁽²⁾⁽⁵⁾
	36,851	November 12, 2020 ⁽¹⁾⁽²⁾⁽⁵⁾

Holder of RSUs	Common Shares Under RSUs Granted	Grant Date
	46,064	January 4, 2021 ⁽¹⁾⁽²⁾⁽⁵⁾
	101,166	May 27, 2021 ⁽¹⁾⁽³⁾⁽⁴⁾⁽⁵⁾
	166,666	July 6, 2021 ⁽⁶⁾
Total:	516,577	
Directors (who are not also officers) and past directors, as a group (7 persons)	105,945	July 20, 2020 ⁽¹⁾⁽²⁾⁽⁵⁾
	50,000	October 2, 2020 ⁽¹⁾⁽²⁾⁽⁵⁾
	64,489	January 25, 2021 ⁽¹⁾⁽²⁾⁽⁵⁾
	74,331	May 20, 2021 ⁽¹⁾⁽⁵⁾⁽⁷⁾
	186,666	May 27, 2021 ⁽¹⁾⁽⁵⁾⁽⁷⁾
	62,997	July 1, 2021 ⁽¹⁾⁽⁵⁾⁽⁷⁾
Total:	544,428	
Consultants of the Company as a group (3 persons)	73,702	July 20, 2020 ⁽¹⁾⁽²⁾⁽⁵⁾
Total:	73,702	
Other employees and former employees as a group (3 persons)	59,882	July 20, 2020 ⁽¹⁾⁽²⁾⁽⁵⁾
Total:	59,882	
Total — All RSUs	1,194,589	

Notes:

- (1) RSUs vest only if both the service condition requirement to earn the RSUs by performing services as described in the applicable award agreement (the "**Service Condition**") and the Company's achievement of the performance condition (as defined below) (the "**Performance Condition**") have been satisfied. Subject to the terms of the Plan, if the holder of RSUs remains in continuous service with the Company or a Subsidiary, and does not experience a termination prior to the applicable milestone(s) set forth below (each a "**Service Condition Milestone**"), the Service Condition will be satisfied with respect to the designated number of RSUs. If the Service Condition is satisfied with respect to the designated RSUs, those RSUs will remain outstanding and eligible to become vested if, and at such time as, the Performance Condition is satisfied.
- (2) The Service Condition Milestones for these RSUs are as follows: 30% following completion of the July Unit Offering; 30% following the approval of the Integrated Cactus PEA; 20% following completion of the 2nd Financing; and 20% following the Permit Acquisition.
- (3) 76,166 RSUs have the following Service Condition Milestones: 30% on the Grant Date; 30% on July 1, 2021; and 40% on July 1, 2022.
- (4) 25,000 RSUs have the following Service Condition Milestones for these RSUs are as follows: 80% on the Grant Date; and 20% following the Permit Acquisition.
- (5) The Performance Condition is as follows. Upon the consummation of a "Liquidity Event" (as defined below) within seven years following the Grant Date, the Performance Condition will be satisfied. "**Liquidity Event**" means the listing of the Common Shares on a recognized securities exchange. Notwithstanding the foregoing, the Board or a designated the committee thereof may, in its sole discretion, waive the Performance Condition and deem it to be satisfied, and in such case the RSUs will remain outstanding and eligible to become vested if, and at such time as, the Service Condition is satisfied. Further, if the Performance Condition is deemed satisfied prior to a Service Condition Milestone, the Board or a designated committee thereof, in its sole discretion, may waive the Service Condition and deem it to be satisfied, and in such case the RSUs will become vested as of the date the Performance Condition is satisfied or deemed satisfied.
- (6) The Service Condition Milestones for these RSUs are as follows: 33% on successful completion of IPO, 33% on completion of positive PFS and 33% on successful closing of project construction financing.
- (7) 100% vested on the Grant Date in lieu of directors fees.

The Board adopted the Equity Incentive Plan on July 7, 2020, as amended on June 21, 2021. The purpose of the Equity Incentive Plan is to secure for the Company and its shareholders the benefits of incentives inherent in share ownership by directors, officers, employees and consultants of the Company who, in the judgment of the Board, will be largely responsible for its future growth and success, through the granting of Awards. The general conditions of the Equity Incentive Plan are summarized below.

Equity Incentive Plan Summary

The purpose of the Equity Incentive Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company or any subsidiary of the Company, by offering them an opportunity to participate in the Company's future performance through the grant of Awards.

The following is a summary of the principal terms of the Company's Equity Incentive Plan, which is qualified in its entirety by reference to the text of the Equity Incentive Plan, a copy of which is attached hereto as Appendix "F"— "*Equity Incentive Plan*".

The aggregate number of Common Shares reserved and available for grant and issuance pursuant to this Plan shall be a rolling number equal to 10% of the total issued and outstanding Common Shares from time to time. At all times the Company will reserve and keep available a sufficient number of Common Shares as will be required to satisfy the requirements of all outstanding RSUs or Options granted under the Equity Incentive Plan. Notwithstanding the foregoing: (i) the number of Common Shares reserved for issuance to any one person pursuant to Awards granted under the Equity Incentive Plan shall not exceed 10% of the issued and outstanding Common Shares; (ii) the number of Common Shares which may be reserved for issuance pursuant to the Equity Incentive Plan (together with those Common Shares which may be issued pursuant to any other share compensation arrangement of the Company) to all insiders of the Company shall not exceed 10% of the Common Shares outstanding on a non-diluted basis from time to time; (iii) the number of Common Shares which may be issued pursuant to the Equity Incentive Plan (together with those Common Shares which may be issued pursuant to any other share compensation arrangement of the Company) to all insiders of the Company, within a one-year period, shall not exceed 10% of the Common Shares outstanding on a non-diluted basis from time to time; and (iv) if the Common Shares are listed on the TSX, the maximum number of Common Shares that may be issuable pursuant to Awards made to employees and Non-Employee Directors within any one year period shall not exceed 5% of the issued and outstanding Common Shares (as of the commencement of such one-year period). The Board may make Awards to Non-Employee Directors under the Equity Incentive Plan provided that if the Common Shares are listed on the TSX: (i) the annual grant of Awards under the Equity Incentive Plan to any one Non-Employee Director shall not exceed \$150,000 in value, of which no more than \$100,000 may comprise Options, and (ii) the maximum number of Common Shares that may be made issuable pursuant to Awards made to all Non-Employee Directors within any one-year period shall not exceed 1% of the issued and outstanding Common Share (as of the commencement of such one-year period). In the event that the number of outstanding Common Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, consolidation, combination, reclassification or similar change in the capital structure of the Company without consideration, then:

- (a) the number of Common Shares reserved for issuance under the Equity Incentive Plan; and
- (b) the number of Common Shares subject to outstanding Options and RSUs; and
- (c) the Exercise Prices of outstanding Options;

will be proportionately adjusted, subject to any required action by the Board or the shareholders of the Company and in compliance with applicable securities laws and US IRC Section 409A to the extent it is applicable; provided, however, that fractions of a Common Share will not be issued but will either be: (i) paid in cash at the closing market price of the Common Shares on The TSX on the date of such aforementioned event; or (ii) rounded down to the nearest whole Common Share, as determined by the Board.

The Equity Incentive Plan will be administered by the Board or, if the Board by resolution so decides, by a committee thereof (for the purposes of this section, the "**Committee**"). The Board may delegate all or any portion of such powers to the Committee. Any reference to the Board in the Equity Incentive Plan shall also refer to the Committee, to the extent that the Board has delegated such power and authority to the Committee. The Board shall have the power, where consistent with the general purpose and intent of the Equity Incentive Plan to construe and interpret the Equity Incentive Plan to, among other things: (i) prescribe, amend and rescind rules and regulations relating to the Equity Incentive Plan, (ii) select Eligible Persons to receive Options and RSUs under the Equity Incentive Plan, (iii) determine the vesting and exercisability of Options and RSUs, and (iv) to determine the form and terms of Awards and Award Agreements not consistent with the terms of the Equity Incentive Plan. Any determination made by the Board with respect to any Option and RSUs will be made in its sole discretion at the time of grant of the Option or RSU or, unless in contravention of any express term of this Equity Incentive Plan, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award or Common Shares under Equity Incentive Plan.

The Board may grant Options to Eligible Persons and will determine the number of Options, the Exercise Price, the Option Term, the vesting provisions, and all other terms and conditions of the Option, subject to the following:

- The Board or the Committee, as the case may be, shall determine, at the time of granting the particular Option, the Option Term, which cannot exceed ten (10) years from the date the Option is granted. Unless otherwise determined by the Board, all unexercised Options shall be cancelled at the expiry of such Options.
- Options may be exercisable, up to the expiration date determined by the Board and specified in the Stock Option Agreement, while the Participant is in continuous service and has not ceased to provide services to the Company,

or as otherwise provided in the applicable Stock Option Agreement or pursuant to the Equity Incentive Plan. The Board may provide for Options to vest at one time or from time to time, periodically or otherwise, in such manner of Common Shares or percentage of Common Shares as the Board determines. If the application of vesting causes the Option to become exercisable with respect to a fractional Common Share, such Common Share shall be rounded down to the nearest whole Common Share.

- The Exercise Price of an Option will be determined by the Board when the Option is granted and shall not be less than the Market Price of the Common Shares.
- Subject to earlier termination pursuant to the Equity Incentive Plan and the discretion of the Board, and except as otherwise provided in the Stock Option Agreement, exercise of an Option will be subject to the following:
 - If the Participant is terminated by the Company for cause, the Board, in its sole discretion, may terminate and cancel all unexercised Options, whether vested or unvested;
 - if the Participant is terminated for any reason other than the Participant's death, disability or termination by the Company for cause, then the Participant may exercise such Participant's Options, (but only to the extent that such Options would have been vested and exercisable upon the termination date), during the three month period following the termination date or such longer period as may be specified in the Stock Option Agreement (but in any event, not later than the expiration date); and
 - if the Participant is terminated because of the Participant's death or disability, then such Participant's Options may be exercised, (but only to the extent that such Options would have been vested and exercisable by Participant on the termination date) by Participant (or Participant's legal representative or authorized assignee), during the 12 month period after the Termination Date or such longer period as may be specified in the Stock Option Agreement (but in any event not later than the expiration date).
- The Board may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution thereof or, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted and any such actions will be undertaken in a manner that complies with US IRC Section 409A.

RSUs may be granted at any time and from time to time as determined by the Board. After the Board determines that it will grant RSUs, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of RSUs.

- The Board will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid out to the Participant. The Board may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service, achievement of a going public transaction or other liquidity event as defined in the Award Agreement), or any other basis determined by the Board in its discretion.
- Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Board. Notwithstanding the foregoing, at any time after the grant of RSUs, the Board, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout, and the timing of settlement of the RSUs will be governed by the terms of the Award Agreement. If the application of vesting causes the RSU to become payable with respect to a fractional Common Share, such Common Share shall be rounded down to the nearest whole Common Share.
- Payment of earned RSUs will be made as soon as practicable after the date(s) determined by the Board and set forth in the Award Agreement. The Board, in its sole discretion, may settle earned RSUs in cash, Common Shares or a combination of both.
- On the date set forth in the Award Agreement, all unearned RSUs will be forfeited to the Company.

Except as otherwise provided in the applicable Award Agreement, upon the occurrence of a Trigger Event, the Board may, in its sole discretion, determine that (i) any number of Awards will immediately become fully vested, whereupon

the RSU will be settled in accordance with its terms and such Option may be exercised in whole or in part by the optionee for the remainder of the term of the Option or (ii) use their reasonable efforts to procure that an offer is made to awardees on like terms (having regard to the value of the Awards) to the terms proposed under the Trigger Event in which case the Board may determine an appropriate period during which the optionee may elect to accept.

The Board shall have the power to, without shareholder approval, at any time and from time to time, either prospectively or respectively, amend, suspend, or terminate the Equity Incentive Plan or any Award granted under the Equity Incentive Plan:

- (a) for the purposes of making minor or technical modifications to any of the provisions of the Equity Incentive Plan;
- (b) to correct any ambiguity, defective provisions, error or omission in the provisions of the Equity Incentive Plan;
- (c) to change any vesting provisions of RSUs or Options;
- (d) to change the termination provisions of the RSUs or Options or the Equity Incentive Plan which does not entail an extension beyond the original expiry date of the either;
- (e) to add or change provisions relating to any form of financial assistance provided by the Company to Participants that would facilitate the purchase of securities under the Equity Incentive Plan;
- (f) to extend the term of any RSUs or Option previously granted in accordance with the Equity Incentive Plan (but not beyond the original expiration date of such Award);
- (g) any amendment which accelerates the date on which any Option may be exercised under the Equity Incentive Plan;
- (h) to reduce the exercise price of any Option previously granted in accordance with the Equity Incentive Plan; and
- (i) any other amendment that does not require the approval of the shareholders of the Company set out below;

provided however that: such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Common Shares are listed; no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of an awardee with respect to any then outstanding Award, as determined by the Board acting in good faith, without his or her consent in writing; and if the Common Shares are listed on the TSX or any other stock exchange, the Board shall obtain shareholder approval of the following:

- (i) any amendment to the maximum number of Common Shares (as specified in the Equity Incentive Plan) in respect of which Awards may be granted under the Equity Incentive Plan (subject to any adjustments made in accordance with the Equity Incentive Plan);
- (ii) any amendment to the number of Common Shares that may be made issuable pursuant to Awards made to employees and Non-Employee Directors;
- (iii) any amendment that would reduce the Exercise Price of an outstanding Option granted to an insider (within the meaning of the rules of the TSX or any other exchange on which the Common Shares are listed), other than any adjustments made to the Exercise Price made in accordance with the Equity Incentive Plan;
- (iv) any amendment that would extend the term of any Award granted to an insider (within the meaning of the rules of the TSX or any other exchange on which the Common Shares are listed) beyond the expiration date;

- (v) any amendment which would permit Awards granted under the Equity Incentive Plan to be transferable or assignable other than for normal estate settlement purposes; and
- (vi) a change to the amendment and termination provisions of the Equity Incentive Plan.

DSU Plan

On July 6, 2021, the Board approved the adoption of the deferred share unit plan of the Company (the "**DSU Plan**"). The Board decided that it is desirable to have a wide range of incentive plans, including the DSU Plan, in place to attract, retain and motivate directors of the Company.

Under the DSU Plan, an aggregate of up to 491,356 Common Shares (representing approximately 1% of the issued and outstanding Common Shares as at July 21, 2021) may be issued from treasury to participants by the Company to settle vested DSUs. As of the date hereof, the Company has not granted any DSUs.

The DSUs of the Company provide for the payment of certain amounts, or the issuance of Common Shares, to the participants as described below.

The following is a summary of the key terms of the DSU Plan, which summary is qualified in its entirety by reference to the full text of the DSU Plan, which is available under the Company's SEDAR profile at www.sedar.com.

Purpose

A DSU is a notional unit granted to an Eligible Director (as defined herein) and that is represented by a bookkeeping entry on the books of the Company, the value of which on any particular date is equal to the Market Value (as defined below) at that date. The DSU Plan is designed to assist the Company in the recruitment and retention of qualified persons to serve as directors of the Company and to align the interests of Eligible Directors with the long-term interests of the shareholders of the Company.

No holder of any DSUs shall have any rights as a shareholder of the Company. The rights of a DSU holder shall be no greater than the rights of an unsecured creditor of the Company. The Company will not contribute any amounts to a third party or set aside any amounts to fund the benefits that will be provided under the DSU Plan.

For the purposes of the DSU Plan, "**Market Value**" means, with respect to any particular date, the greater of either: (a) the weighted average trading price of the Common Shares on the TSX; and (b) the volume weighted average trading prices of the Common Shares on the TSX, for the thirty (30) consecutive trading days immediately prior to the date as of which Market Value is determined, provided that (i) where the Market Value would be determined with reference to a period commencing after a fiscal quarter end of the Company and ending prior to the public disclosure of interim financial statements for such quarter (or annual financial statements in the case of the fourth quarter), the calculation of the Market Value will be made with reference to the fifth (5th) trading day immediately following the date of public disclosure of the financial statements for that quarter, and (ii) in the event of a Cease Trade Date (as defined in the DSU Plan), Market Value shall be such other value as may be determined pursuant to the DSU Plan. If the Common Shares are not trading on the TSX, then the Market Value shall be determined based on the trading price on such stock exchange or over-the-counter market on which the Common Shares are listed and posted for trading as may be selected for such purpose by the Board of a designated committee thereof (for the purposes of this section the "Committee"). In the event that the Common Shares are not listed and posted for trading on any stock exchange or over-the-counter market, the Market Value shall be the fair market value of such Shares as determined by the Committee in its sole discretion, acting reasonably.

Participants

The DSU Plan authorizes the Board to grant DSUs to Eligible Directors of the Company. For the purposes of the DSU Plan, "**Eligible Director**" means a director of the Company who does not receive employment income in respect of services rendered to the Company or any affiliate of the Company, otherwise than in his or her capacity as a member of the Board or a member of the board of directors of an affiliate of the Company; and "**U.S. Eligible Director**" means an Eligible Director who is a U.S. citizen, U.S. permanent resident, or other person whose DSUs granted under the DSU Plan is subject to U.S. taxation;

Administration

The DSU Plan is administered by the Board or, if the Board so determines, the Committee.

Grant of Units and Vesting

The Committee may grant DSUs to an Eligible Director in accordance with the DSU Plan and with regards to what it determines is appropriate in respect of the services the Eligible Director renders as a member of the Board. Any and all conditions to the vesting of any DSUs granted to an Eligible Director shall be set out in the DSU grant letter. The Committee may accelerate and/or waive any vesting or other conditions for any DSUs for any Eligible Director at any time. In addition, in its sole discretion, the Committee may permit an Eligible Director to elect to receive a portion of the compensation for services performed as an Eligible Director that otherwise would be paid in cash ("**Director Cash Compensation**") to be paid instead in DSUs. If such an election is permitted, a written election must be delivered to the Company, in a form acceptable to the Company, on or before December 15th of the year immediately prior to the calendar year in which the services giving rise to the Director Cash Compensation are performed. Further, where an individual becomes an Eligible Director for the first time during a calendar year, or where the Eligible Director is serving as an Eligible Director in the first calendar year in which the DSU Plan is adopted, and in either case the Eligible Director previously has not participated in a plan that is required to be aggregated with the DSU Plan for purposes of Section 409A of the United States Internal Revenue Code of 1986, as amended, and applicable regulations and guidance thereunder (the "**US Tax Code**"), the Eligible Director may elect to receive DSUs in lieu of Director Cash Compensation with respect to fiscal quarters beginning after the Committee receives the written election, which election must be received by the Company no later than thirty (30) days after such Eligible Director's appointment as a director or within thirty (30) days after the DSU Plan was adopted, as applicable. For greater certainty, no Eligible Director will be entitled to receive DSUs pursuant to an election for the quarter in which they submit their first election or any previous quarter. Elections shall be irrevocable with respect to Director Cash Compensation earned during the period to which the election relates.

The aggregate maximum number of Common Shares available for issuance from treasury under the DSU Plan shall not exceed 491,356 Common Shares. If the Common Shares are listed on the TSX, the maximum number of Common Shares issuable to insiders, at any time, pursuant to the DSU Plan and any other security-based compensation arrangements of the Company is 10% of the total number of the Common Shares then outstanding. If the Common Shares are listed on the TSX, the maximum number of Common Shares issued to insiders, within any one year period, pursuant to the DSU Plan and any other security-based compensation arrangements of the Company is 10% of the total number of Common Shares then outstanding. If the Common Shares are listed on the TSX, the maximum number of Common Shares issuable to non-employee directors, at any time, pursuant to the DSU Plan and any other security-based compensation arrangements of the Company is 1% of the total number of Common Shares then outstanding. If the Common Shares are listed on the TSX, the total annual grant to any one non-employee director, within any one year period, pursuant to the DSU Plan and any other security-based compensation arrangements of the Company shall not exceed a maximum grant value of \$150,000 worth of securities.

If any DSUs granted under the DSU Plan expire, terminate or are cancelled for any reason (including, without limitation, the satisfaction of the DSU by means of a cash payment) without being paid out or settled in the form of Common Shares issued from treasury, any unissued Common Shares to which such DSUs relate shall be available for the purposes of the granting of further DSUs under the DSU Plan or other securities pursuant to all other applicable security-based compensation arrangements of the Company. If any rights to acquire Common Shares granted under any other security-based compensation arrangements of the Company shall expire or terminate for any reason without having been exercised in full, any Common Shares to which such security relates shall be available for the purposes of the granting of further DSUs under the DSU Plan.

If determined by the Committee in its sole discretion and if set out in the applicable DSU grant letter, on the Dividend Payment Date (as defined in the DSU Plan), the account for each Eligible Director shall be credited, as an additional bonus for services rendered in that calendar year, with additional DSUs in respect of the number of DSUs credited to the Eligible Director's account as of the Dividend Record Date (as defined in the DSU Plan). In such case, the number of additional DSUs will be equal to (computed to two decimal places) the aggregate amount of dividends that would have been paid to the Eligible Director if the DSUs in the Eligible Director's account on the Dividend Record Date had been Common Shares divided by the Market Value of a Common Share on the Dividend Payment Date.

Redemption

Under the DSU Plan, the "**Redemption Date**" with respect to DSUs of Eligible Directors who are not U.S. Eligible Directors, shall be a date to be determined by the Committee, in accordance with any valid and timely Redemption Notice submitted by an Eligible Director on or after the Eligible Director's Termination Date and prior to December 15th of the first (1st) calendar year beginning after such Eligible Director's Termination Date, and if no timely Redemption Notice is received by the Company, the Redemption Date will be December 15th of the first (1st) calendar year beginning after such Eligible Director's Termination Date, and in any event settlement/payment upon redemption of Deferred Share Units shall be made no later than December 31 of the first (1st) calendar year commencing immediately after the Eligible Director's Termination Date. The Redemption Notice submitted by the Eligible Director may include the election by the Eligible Director to have a portion of their DSUs redeemed in the calendar year of the Termination Date and the remaining portion of their DSUs redeemed prior to December 15 in the first (1st) calendar year beginning after such Eligible Director's Termination Date.

Except as provided in the DSU Plan, the "**Redemption Date**" with respect to DSUs of U.S. Eligible Directors with respect to Deferred Share Units of U.S. Eligible Directors, provided that a timely "**Subsequent Year Payment Election**" (as defined below) was *not* submitted for all or any portion of the U.S. Eligible Director's DSUs, shall be the date determined by the Committee in accordance with any valid and timely filed Redemption Notice submitted by a U.S. Eligible Director on or after the U.S. Eligible Director's Termination Date and prior to December 15th of the calendar year in which the U.S. Eligible Director's Termination Date occurs (the "**Default U.S. Redemption Year**"), and if a timely Redemption Notice is not received by the Company by December 15th, the Redemption Date will be December 15th of the calendar year in which the U.S. Eligible Director's Termination Date occurs. For greater certainty, unless a Subsequent Year Payment Election is timely submitted, and except as provided otherwise in Section 5.12, in all cases settlement/payment upon redemption of Deferred Share Units shall be made no later than December 31 of the year in which the U.S. Eligible Director's Termination Date occurs (the "**U.S. Outside Payment Date**"). Notwithstanding the foregoing, the Committee, in its sole discretion, may permit U.S. Eligible Directors to elect to have all or a portion of their Deferred Share Units redeemed in the calendar year beginning immediately *after* the year in which their Termination Date occurs (a "**Subsequent Year Payment Election**") provided that such written irrevocable Subsequent Year Payment Election must be made, in a form acceptable to the Company, on or before December 31st of the year prior to the calendar year in which the services giving rise to the DSUs are performed (except that where an individual becomes an Eligible Director for the first time during a calendar year, and the U.S. Eligible Director previously has not participated in a plan that is required to be aggregated with this Plan for purposes of Section 409A of the US Tax Code, the U.S. Eligible Director can be permitted to make a Subsequent Year Payment Election within thirty (30) days following the U.S. Eligible Director's initial election or appointment to the Board, and such election will apply to Deferred Share Units earned after the date such Subsequent Year Payment Election is received by the Company. If a Subsequent Year Payment Election has been timely submitted, then, with respect to those Deferred Share Units for which a Subsequent Year Payment Election was made, a U.S. Eligible Director may submit (following his or her Termination Date) a Redemption Notice requesting redemption of Deferred Share Units on any date between January 1st and December 15th of the calendar year beginning after the year in which the U.S. Eligible Director's Termination Date occurs, and if no timely Redemption Notice is received, the Redemption Date will be December 15th of the calendar year following the year in which the U.S. Eligible Director's Termination Date occurs. For greater certainty, if a Subsequent Year Payment Election has been made, then for those Deferred Share Units that are subject to such election, settlement/payment upon redemption of Deferred Share Units shall occur no earlier than January 1st of the calendar year following the year in which the U.S. Eligible Director's Termination Date occurs and no later than December 31st of the calendar year following the year in which the U.S. Eligible Director's Termination Date occurs (the "**U.S. Outside Payment Date for Deferred Share Units subject to a Subsequent Year Payment Election**").

Transferability

The DSUs are non-transferable. Subject to the requirements of applicable laws, an Eligible Director shall designate in writing a person who is a dependent or relation of the Eligible Director as a beneficiary to receive any benefits that are payable under the DSU Plan upon the death of such Eligible Director. The Eligible Director may, subject to applicable laws, change such designation from time to time in writing.

Blackout Periods

For the purposes of the DSU Plan, "**Blackout Period**" refers to a period when an Eligible Director is prohibited from trading in the Company's securities pursuant to the Company's written policies then applicable or a notice in writing to an

Eligible Director by a senior officer or a director of the Company. Subject to the terms of the DSU Plan, in the event that an Eligible Director's Redemption Date falls on or within ten business days of the expiration of a Blackout Period applicable to such Eligible Director, the Redemption Date shall be extended to the close of business on the tenth business day following the expiration of the Blackout Period, provided that the Redemption Date with respect to DSUs of U.S. Eligible Directors will not be extended beyond the U.S. Outside Payment Date, except to the extent permitted under US Tax Code Section 409A.

Amendment and Termination

The DSU Plan provides that the Board or Committee may at any time amend, suspend or terminate in whole or in part the DSU Plan in such respects as it may consider advisable. The Board or Committee may make the following amendments to the DSU Plan, provided that if the Common Shares are listed on the TSX, the following shall be subject to receipt of requisite regulatory and shareholder approval:

- (a) amend the number of securities under the DSU Plan;
- (b) change the definition of Eligible Director under the DSU Plan, which has the potential to narrow, broaden or increase insider participation;
- (c) make amendments to the limits on non-employee director participation;
- (d) make amendments to the amending provisions of the DSU Plan; or
- (e) make amendments to the DSU Plan that would permit DSUs, or any other right or interest of an Eligible Director under the DSU Plan, to be assigned or transferred, other than for normal estate settlement purposes.

The DSU Plan provides that the Board or the Committee may, subject to receipt of applicable regulatory approval, where required, without obtaining shareholder approval and in its sole discretion, make all other amendments to the DSU Plan that are not of the type listed above, including, without limitation:

- (a) amendments of a housekeeping nature;
- (b) the addition or a change to the vesting provisions of a DSU or the DSU Plan;
- (c) a change to the termination provisions of a DSU or the DSU Plan;
- (d) amendments to reflect changes to applicable securities laws; and
- (e) amendments to ensure that the DSUs granted under the DSU Plan will comply with any provisions respecting income tax and other laws in force in any country or jurisdiction of which an Eligible Director to whom a DSU has been granted may from time to time be resident or a citizen.

For the purposes of the DSU Plan, the "**Termination Date**" means (i) in respect of an Eligible Director who is not a U.S. Eligible Director, the earliest date on which the Eligible Director: (a) is not a member of the Board nor a member of the board of directors of an affiliate of the Company; and (b) is not an employee (within the meaning of the Tax Act) of the Company or any affiliate of the Company; and (ii) in respect of a U.S. Eligible Director, the date of the Eligible Director's Separation from Service. All DSUs that have not vested prior to the Eligible Director's Termination Date will terminate. If there is a Change of Control (as defined in the DSU Plan), all DSUs outstanding shall immediately vest on the date of such Change of Control.

Changes in Capital

DSUs may be adjusted if there is a subdivision, consolidation, reclassification or recapitalization or other change with respect to the number of outstanding Common Shares and not as a result of the issuance of Common Shares for additional consideration or by way of a dividend in the ordinary course. In such a case, the Committee shall, subject to TSX approval if the Common Shares are listed on the TSX, make adjustments to the number of DSUs outstanding under the DSU Plan

provided that the dollar value of DSUs credited to an Eligible Director's account immediately after such an adjustment shall not exceed the dollar value of the DSUs credited to such Eligible Director's account immediately prior thereto.

Warrants

As of the date of this prospectus, there were 6,717,626 warrants outstanding consisting of: (i) 1,822,223 warrants entitling the holder thereof to acquire one Common Share at a price of US\$0.60 until July 10, 2023; (ii) 1,270,602 warrants entitling the holder thereof to acquire one Common Share at a price of US\$0.45 per Common Share until May 8, 2023; (iii) 34,716 finder's warrants entitling the holder thereof to acquire one Common Share at a price of US\$0.45 per Common Share until May 8, 2023; (iv) 916,664 warrants entitling the holder thereof to acquire one Common Share at a price of US\$0.30 per Common Share until June 15, 2023; (v) 125,000 warrants entitling the holder thereof to acquire one Common Share at a price of US\$0.30 per Common Share until June 26, 2023; (vi) 50,000 warrants entitling the holder thereof to acquire one Common Share at a price of US\$0.30 per Common Share until July 8, 2023; (vii) 114,583 warrants entitling the holder thereof to acquire one Common Share at a price of US\$0.30 per Common Share until June 8, 2024; (viii) 2,222,222 warrants entitling the holder thereof to acquire one Common Share at a price of US\$1.95 per Common Share until July 6, 2024; and (ix) 161,616 warrants entitling the holder thereof to acquire one Common Share at a price of US\$2.10 per Common Share until September 8, 2024. On July 7, 2021, 6,666,666 warrants with an exercise price of US\$0.60 per Common Share were exercised in full and on September 1, 2021, 1,777,777 warrants with an exercise price of US\$0.60 per Common Share, being the July Finder's Warrants, were exercised in full.

The following table sets out the warrants held by each director, officer, consultant and employee of the Company. All information in the following table is provided on a post-Consolidation basis.

Holder of Warrants	Number of Warrants Held	Exercise Price (US\$ per Common Share)	Issue Date	Expiry Date
Executive officers, officers, and past executive officers, as a group (4 persons)	222,164	0.45	May 8, 2020	May 8, 2023
	541,665	0.30	June 15, 2020	June 15, 2023
Total	763,829			
Directors (who are not also officers) as a group	Nil	N/A	N/A	N/A
	Nil	N/A	N/A	N/A
Total	Nil			
Consultants of the Company as a group (1 person)	55,546	0.45	May 8, 2020	May 8, 2023
	83,333	0.30	June 15, 2020	June 15, 2023
	125,000	0.30	June 26, 2020	June 26, 2023
Total	263,879			
Other employees and former employees as a group (1 persons)	159,696	0.45	May 8, 2020	May 8, 2023
	114,583	0.30	June 8, 2021	June 8, 2024
Total	274,279			
Total — Warrants	<u>1,301,987</u>			

PRIOR SALES

The following table summarizes the sales of Common Shares and securities that are convertible or exchangeable into Common Shares for the 12-month period prior to the date of this prospectus. On July 20, 2021, the Company completed

the Consolidation. See "*General Development of the Business – Two Year History – Consolidation*". The following table sets forth information of the Company's securities on a post-Consolidation basis.

<u>Date Issued</u>	<u>Type of Security</u>	<u>Common Shares Issued or Issuable</u>	<u>Issuance/Exercise Price per Common Share (US\$)</u>	<u>Reason for Issuance</u>
October 2, 2020	Common Shares	395,554	0.45	Directors Fees ⁽¹⁾
October 23, 2020	Common Shares	1,608,541	0.45	Debt Conversion ⁽²⁾
December 21, 2020 to January 25, 2021	Common Shares	4,362,896	0.90	Private Placement of Common Shares ⁽³⁾
February 11, 2021	Common Shares	596,851	0.45	Debt Conversion ⁽⁴⁾
March 9, 2021 to March 19, 2021	Common Shares	6,752,065	0.90	Private Placement of Common Shares and Exercise of Pre-Emptive Right ⁽⁵⁾
May 20, 2021	Common Shares	48,125	1.50	Issued as bonus Common Shares ⁽⁸⁾
June 8, 2021	Common Shares	114,583	0.24	Issued as common share component of June 2021 Unit Financing ⁽⁷⁾
June 8, 2021	Warrant	114,583	0.30	Issued as warrant component of June 2021 Unit Financing ⁽⁷⁾
June 22, 2021	Common Shares	98,750	2.10	Issued as bonus Common Shares ⁽¹¹⁾
July 7, 2021	Common Shares	128,979	0.45	Exercise of Options
July 7, 2021	Common Shares	55,276	N/A ⁽¹¹⁾	Settlement of RSUs
July 7, 2021	Common Shares	6,666,666	0.60	Issued upon exercise of July Warrants ⁽⁶⁾
July 7, 2021	Warrants	2,222,222	1.95	Issued as Tembo Incentive Warrant component of the Incentive Transaction ⁽⁶⁾
July 7, 2021	Common Shares	238,095	2.10	Private Placement of Common Shares ⁽¹⁰⁾
September 8, 2021	Common Shares	1,777,777	0.60	Issued upon exercise of July Finders' Warrants ⁽¹²⁾
September 8, 2021	Warrants	161,616	2.10	Issued as Haywood Incentive Warrant ⁽¹²⁾
September 23, 2021	Common Shares	485,711	2.10	Issued Drawdown Shares

Notes:

- (1) On October 2, 2020, the Company issued, on a pre-Consolidation basis: (i) 413,333 Common Shares to Paul Huet in lieu of directors fees in the amount of US\$61,999.95, (ii) 373,333 Common Shares to Elaine Ellingham in lieu of directors fees in the amount of US\$55,999.95, and (iii) 400,000 Common Shares to Thomas Boehlert in lieu of directors fees in the amount of US\$60,000. On a post-Consolidation basis, the Company issued 137,777 Common Shares, 124,444 Common Shares, and 133,333 Common Shares to Paul Huet, Elaine Ellingham and Thomas Boehlert, respectively.
- (2) Pursuant to the terms of the Loan Agreement, the Company may elect to satisfy debt owing under the agreement and any accrued and unpaid interest by the delivery of common shares in the capital of the Company. In accordance with the Loan Agreement, the Company issued an aggregate 1,615,035 Common Shares on a pre-Consolidation basis (538,345 Common Shares on a post-Consolidation basis) to satisfy US\$242,255.27 in outstanding accrued interest due under the agreement, comprised of US\$190,238 in accrued unpaid interest owed to Tembo and US\$52,017.27 in accrued and unpaid interest owed to RCF. In addition, Company may elect to satisfy debt owing under the agreement by the delivery of common shares in the capital of the Company. In accordance with the Loan Agreement, the Company issued an aggregate 1,590,588 Common Shares on a pre-Consolidation basis (530,196 Common Shares on a post-Consolidation basis) to satisfy US\$238,588.20 in outstanding legal fees owed to Tembo.
- (3) Between December 21, 2020 and December 22, 2020, the Company issued, on a pre-Consolidation basis, an aggregate 12,685,402 Common Shares (4,228,453 Common Shares on a post-Consolidation basis) to subscribers in connection with the completion of a non-brokered private placement of Common Shares. The Company issued an additional 20,000 Common Shares (6,666 Common Shares on post-Consolidation basis) to a subscriber on December 23, 2020 bringing the aggregate number of Common Shares issued under the private placement to 12,705,402 (4,235,134 on a post-Consolidation basis). The Company completed the issuance of an additional 10,000 (Post-Consolidation: 3,333) Common Shares at an issue price of US\$0.30 per Common Share (post-Consolidation: US\$0.90 per Common Share) to a subscriber under the private placement on January 8, 2021 (the issuance of the 12,705,402 Common Shares and the 10,000 Common Shares, collectively referred to as "**Tranche One**").
- (4) Pursuant to the terms of the Loan Agreement, the Company may elect to pay accrued and unpaid interest by the delivery of common shares in the capital of the Company. In accordance with the Loan Agreement, the Company issued, on a pre-Consolidation basis, an aggregate 1,790,553 Common Shares (596,851 on a post-Consolidation basis) to satisfy US\$268,582.95 in outstanding accrued interest due under the agreement, comprised of US\$211,435.20 in accrued unpaid interest owed to Tembo and US\$57,147.75 in accrued and unpaid interest owed to RCF.

- (5) On March 9, 2021, the Company issued (i) an aggregate 6,355,073 pre-Consolidation Common Shares (2,119,444 post-Consolidation Common Shares) to subscribers in connection with the second tranche of a non-brokered private placement of Common Shares ("**Tranche Two**"); and (ii) an aggregate of 3,261 pre-Consolidation Common Shares (1,087 post-Consolidation Common Shares) to a consultant of the Company ("**Consultant**"), equal to 15% of the Consultant's participation in Tranche Two at a deemed price of US\$0.30 per Common Share, pursuant to a consulting agreement dated January 4, 2021. The first tranche was completed by the Company pursuant to Tranche One. In addition, on March 19, 2021, the Company further issued an aggregate of 13,897,684 pre-Consolidation Common Shares (4,632,621 post-Consolidation Common Shares) to Tembo and RCF pursuant to Tembo and RCF's Pre-Emptive Right exercised in connection with Tranche One and Tranche Two.
- (6) On June 22, 2021, the Company entered into the Tembo Letter Agreement, pursuant to which Tembo agreed to exercise, on a pre-Consolidation basis, 20,000,000 July Warrants for 20,000,000 Common Shares (6,666,666 July Warrants for 6,666,666 Common Shares on a post-Consolidation basis) and as an incentive for the early exercise of the July Warrants, the Company agreed to issue, at no additional cost, 6,666,666 Tembo Incentive Warrants, on a pre-Consolidation basis, each Tembo Incentive Warrant entitling the holder thereof to purchase one Common Share at a price of US\$0.65 per Common Share for a period of three years following the issue date of the Tembo Incentive Warrants (the "**Incentive Transaction**") (2,222,222 Tembo Incentive Warrants at US\$1.95 per Common Share on a post-Consolidation basis).
- (7) On June 8, 2021, the Company issued, on a pre-Consolidation basis, an aggregate 343,750 units of the Company ("**June Units**") (114,583 June Units on a post-Consolidation basis) pursuant to a non-brokered private placement of units, in respect of previously agreed contractual arrangements with an employee, for aggregate gross proceeds of US\$27,500 ("**June 2021 Unit Financing**"). Each June Unit was comprised of (i) one Common Share in the capital of the Company; and (ii) one common share purchase warrant with each common share purchase warrant entitling the holder thereof to acquire one Common Share in the capital of the Company at a price of US\$0.30 per Common Share (on a post-Consolidation basis) until June 8, 2024.
- (8) On May 20, 2021, the Company issued, on a pre-Consolidation basis, an aggregate of 144,375 Common Shares to Mr. McMullan, equal to 15% of the Mr. McMullan's participation in an offering of Common Shares of the Company at a deemed price of US\$0.50 per Common Share, pursuant to Mr. McMullan's employment agreement dated July 1, 2019 (48,125 Common Shares at a deemed price of US\$1.50 on a post-Consolidation basis).
- (9) Issuance in connection with the settlement of 165,830 RSUs on pre-Consolidation basis (55,276 post-Consolidation Common Shares).
- (10) Issuance in connection with the private placement of 714,286 pre-Consolidation Common Shares (238,095 post-Consolidation Common Shares) at a price of US\$0.70 per pre-Consolidation Common Share (US\$2.10 per post-Consolidation Common Share).
- (11) On June 22, 2021, the Company issued, on a pre-Consolidation basis, an aggregate of 296,250 Common Shares to Mr. Antwi, equal to 15% of the Mr. Antwi's participation in an offering of Common Shares of the Company at a deemed price of US\$0.70 per Common Share, pursuant to Mr. Antwi's employment agreement dated April 3, 2019 (98,750 Common Shares at a deemed price of US\$2.10 on a post-Consolidation basis).
- (12) On September 8, 2021, the Company issued 161,616 Haywood Incentive Warrants, at no additional cost, to Haywood pursuant to the Haywood Letter Agreement as an incentive for the early exercise of Haywood's 1,777,777 July Finder's Warrants. See "*General Development and Business of the Company - Two-Year History – Haywood Letter Agreement*". Each Haywood Incentive Warrant entitles the holder thereof 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. Pursuant to the terms of the Haywood Letter Agreement, on September 8, 2021, an aggregate of 1,166,667 Underlying Finder's Warrant Shares were sold to an institutional buyer by Haywood at a price of US\$2.10 per share. Prior to their exercise 888,889 of the July Finder's Warrants were held by Haywood, 800,000 of the July Finder's Warrants were held in the name of Ryan Matthiesen, Managing Director, Investment Banking, at Haywood, and 88,889 of the July Finder's Warrants were held in the name of Blake Morgan, Vice President, Investment Banking, at Haywood. Subsequent to the exercise of the July Finder's Warrants, each of the parties sold their respective *pro-rata* holdings of the Underlying Finder's Warrant Shares to the institutional buyer and each of the parties received the Haywood Incentive Warrants on a *pro rata* basis in accordance with their exercise.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Lock-Up Agreements

Pursuant to the Underwriting Agreement, the Company will use commercially reasonable efforts to obtain Lock-Up Agreements from each Locked-Up Holder. See "*Plan of Distribution*".

The holders of a total of up to 45,657,056 Common Shares, representing up to approximately 89% of the issued and outstanding Common Shares of the Company prior to giving effect to the Offering, will enter into Lock-Up Agreements.

To the Company's knowledge, after giving effect to the Offering, the number of securities which are anticipated to be subject to transfer restrictions pursuant to Lock-Up Agreements are set out below:

Class of Security ⁽¹⁾	Number of securities subject to a contractual restriction on transfer	Percentage of Class After Giving Effect to the Offering
Common Shares	44,957,885 ⁽³⁾	64% ⁽²⁾
Options	1,582,576 ⁽⁴⁾	92% ⁽²⁾
RSUs	1,134,707 ⁽⁵⁾	95% ⁽²⁾
Warrants	6,217,709 ⁽⁶⁾	93% ⁽²⁾

Notes:

- (1) All numbers in this section are calculated on a post-Consolidation basis.
- (2) On a non-diluted basis and assuming no exercise of the Over-Allotment Option
- (3) 38,355,240 Common Shares are subject to a contractual lock-up of 180 days from the date of closing of the Offering, with certain exceptions and carve-outs. In addition, 6,602,645 Common Shares are subject to a contractual lock-up of 120 days from the date of closing of the Offering,

releasable pursuant to the following waterfall, subject to certain additional conditions: (i) 25% during the period from Closing to a date that is 30 calendar days after Closing, (ii) a further 25% during the period that is 31 calendar days from Closing to the date that is 90 calendar days after Closing, (iii) a further 25% during the period that is 91 calendar days from Closing to the date that is 120 calendar days from Closing, and (iv) the final 25% 121 calendar days after Closing (the "**120 Day Lock-Up**").

- (4) Value indicated represents the aggregate number of Common Shares under the applicable Options that are non-transferable pursuant to the Company's stock option grant agreement entered into by each Option holder. Out of 1,582,576 Options that are subject to a Lock-Up Agreement, 1,507,339 Options are subject to a contractual lock-up of 180 days from the date of closing of the Offering and 75,237 Options are subject to the 120 Day Lock-Up.
- (5) Value indicated represents the aggregate number of Common Shares under the applicable RSUs that are non-transferable pursuant to the Company's RSU award agreement entered into by each RSU holder. Out of 1,134,707 RSUs that are subject to a Lock-Up Agreement, 1,010,894 RSUs are subject to a contractual lock-up of 180 days from the date of closing of the Offering and 123,813 RSUs are subject to the 120 Day Lock-Up.
- (6) Warrants are subject to a contractual lock-up of 180 days from the date of closing of the Offering.

PRINCIPAL SECURITYHOLDERS AND SELLING SECURITYHOLDER

Principal Securityholders

To the Company's knowledge, following the completion of the Offering, no person or company will beneficially own, or control or direct, directly or indirectly, Common Shares carrying 10% or more of the voting rights attaching to all issued and outstanding Common Shares, except as follows:

Name	Designation of Class	Type of Ownership	Number as at the Date of this Prospectus ⁽¹⁾	Percentage as at the Date of this Prospectus ⁽¹⁾	Common Shares subscribed under the Treasury Offering	Number After Giving Effect to the Offering	Percentage After Giving Effect to the Offering ⁽²⁾
Tembo ⁽³⁾	Common Shares	Beneficial Ownership	21,738,067	42% ⁽⁴⁾	3,727,674	25,465,741 ⁽²⁾	36.5% ⁽⁴⁾

Notes:

- (1) Based on 51,399,061 outstanding Common Shares as of the date of this prospectus, calculated on a post-Consolidation basis.
- (2) Based on 21,738,067 outstanding Common Shares as of the date of this prospectus, calculated on a post-Consolidation basis and an additional 3,727,674 Common Shares that Tembo is expected to subscribe for under the Offering for aggregate proceeds of approximately \$9 million (equivalent to US\$7.4 million).
- (3) All figures provided for Tembo in this table includes 124,444 Common Shares held directly by Tembo GP.
- (4) Figure represents ownership on a non-diluted basis. In addition to its holdings of Common Shares, Tembo also beneficially owns 2,222,222 Warrants, each of which entitles the holder thereof to acquire one Common Share for US\$1.95 per Common Share until July 6, 2024 and holds 39% on a fully-diluted basis, as of the date of this prospectus. Based on 79,400,924 outstanding Common Shares on a fully diluted basis (assuming no exercise of the Over Allotment Option but assuming issuance of Common Shares upon the exercise of all outstanding Warrants, Options and RSUs), the ownership represents 35% of the issued and outstanding Common Shares immediately following Closing. If the Over Allotment Option is exercised in full, the ownership represents 34% of the issued and outstanding Common Shares on a fully diluted basis immediately following Closing.

Selling Securityholder and Secondary Offering

Upon the completion of the Offering, RCF will, directly or indirectly, own approximately 5.7% and of the issued and outstanding Common Shares (3.6%, if the Over-Allotment Option is exercised in full).

Below are the holdings of Common Shares of, and certain information with respect to, the Selling Securityholder.

Name	Designation of Class	Type of Ownership	Number as at the Date of this Prospectus	Percentage as at the Date of this Prospectus	Common Shares Sold under the Secondary Offering	Number After Giving Effect to the Offering	Percentage After giving effect to the Offering
RCF ⁽¹⁾⁽²⁾	Common Shares	Direct ⁽³⁾	4,655,288 ⁽⁴⁾	9.1% ⁽⁵⁾	699,171 ⁽⁶⁾	3,956,117	5.7% ⁽⁶⁾

Notes:

- (1) To the knowledge of the Company, none of these Common Shares are or will be following the Closing subject to any voting trust or similar agreement.
- (2) Unless otherwise indicated, the information set forth in the table and in the notes above assumes that the Over-Allotment Option is not exercised, in whole or in part, and that the shareholder listed above does not acquire any Offered Shares pursuant to the Offering.
- (3) Shares are registered in the name of the applicable shareholder.
- (4) Of the 4,655,288 Common Shares held by RCF, 3,155,288 were acquired in the last 2 years: (a) 2,429,631 Common Shares were acquired on July 10, 2020 at an issue price of US\$0.45 per Common Share (post-Consolidation) in connection with the July Unit Offering; (b) 115,594 Common Shares were acquired on October 23, 2020 at a deemed issue price of US\$0.45 per Common Share (post-Consolidation) in satisfaction of US\$52,017.27 in accrued and unpaid interest owed to RCF under the Loan Agreement; (c) 126,995 Common Shares were acquired on February

11, 2021 at a deemed issue price of US\$0.45 (post-Consolidation) in satisfaction of US\$57,147.75 in accrued and unpaid interest owed to RCF under the Loan Agreement; and (d) 483,068 Common Shares were acquired on March 19, 2021 at an issue price of US\$0.90 per Common Share (post-Consolidation) upon the exercise of RCF's pre-emptive right in relation to a private placement of Common Shares. In the past 12 months preceding the date of this prospectus, 725,657 Common Shares were acquired by the Selling Securityholder for an aggregate cost of US\$543,926.22 and an average cost-per-share of US\$0.75.

- (5) Figure represents ownership on a non-diluted basis. In addition to Common Shares, RCF holds 1,822,223 Warrants, each of which entitles the holder thereof to for US\$0.60 per Common Share until July 10, 2023. As of the date of this prospectus, RCF holds 10.6% on a fully-diluted basis.
- (6) Figure represents ownership on a non-diluted basis. In addition to Common Shares, RCF holds 1,822,223 Warrants, each of which entitles the holder thereof to for US\$0.60 per Common Share until July 10, 2023. Assuming the Over-Allotment Option is not exercised, RCF will own 7.3% on a fully-diluted basis of the issued and outstanding Common Shares immediately following Closing. If the Over Allotment Option is exercised in full, RCF will sell an aggregate of 2,076,722 Common Shares and its ownership will represent 3.6% of the issued and outstanding Common Shares (5.5% on a fully diluted basis) immediately following Closing.

DIRECTORS AND EXECUTIVE OFFICERS

To the Company's knowledge as at the date of this prospectus, following completion of the Offering, its directors and executive officers as a group (excluding the purchase of any Common Shares by any directors and executive officers under the Offering) will beneficially own, or control or direct, directly or indirectly, 1,268,215 Common Shares, representing approximately 1.8% of the outstanding Common Shares on a non-diluted basis following the completion of the Offering (or approximately 1.8% on a non-diluted basis, assuming the Over-Allotment Option is exercised in full).

Name, Occupation and Security Holding

The following table sets forth the name of each director and executive officer of the Company as at the date of this prospectus, their province or state and country of residence, their position(s) and office(s) held with the Company, their principal occupation(s) during the preceding five years, the date they became a director or executive officer of the Company, and the number and percentage of voting securities of the Company that each of the directors and executive officers beneficially owns directly or indirectly, or exercises control over as at the date of this prospectus, on a non-diluted basis. Each director's term will expire immediately prior to the next annual meeting of shareholders. All security holding information in the following table is provided on a post-Consolidation basis.

Name, Province or State and Country of Residence	Position	Principal Occupation During Preceding Five Years	Director/Officer Position Held Since	Number and Percentage of Common Shares Beneficially Owned or Controlled
George Ogilvie, Ontario, Canada	President, Chief Executive Officer and Director	President & Chief Executive Officer of ASCU since July 2021; previously, President & Chief Executive Officer of Battle North Corporation from December 2016 to May 2021 and President & Chief Executive Officer of Kirkland Lake Gold from November 2013 to June 2016.	July 6, 2021	238,095 ⁽⁵⁾ (0.46%)
David Laing ⁽¹⁾⁽³⁾⁽⁴⁾ British Columbia, Canada	Director (Chairman)	Consultant since November 2018; previously, Chief Operating Officer of Equinox Gold Corp. from August 2016 to November 2018 and COO & director of True Gold Mining Inc. from June 2015 to May 2016.	May 27, 2021	Nil ⁽⁶⁾
Mark Palmer ⁽¹⁾⁽²⁾⁽³⁾ London, United Kingdom	Director	Partner of Tembo Capital LLC since September 2015.	August 1, 2020	Nil ⁽⁷⁾
Thomas Boehlert ⁽²⁾⁽³⁾⁽⁴⁾ New York, New York	Director	Director of ASCU; previously, Executive Vice President and Chief Financial Officer of Bunge Limited from January 2017 to September 2019.	October 5, 2020	350,000 ⁽⁸⁾ (0.68%)
Alan Edwards ⁽¹⁾⁽²⁾⁽⁴⁾ Tuscon, Arizona	Director	President of AE Resources Corp. since January 2017 and Interim CEO of ASCU from May 2021 to July 2021; previously, President of AE Consulting Corp. from December 2009 to January 2017.	May 7, 2021	Nil ⁽⁹⁾
Ian McMullan Arizona, USA	Chief Operating Officer	Chief Operating Officer of ASCU since July 1, 2019; previously, Project Manager of Nyrstar NV from August 2018 to July 2019 and Vice President, Mining of Klondex Mines Ltd. from June 2016 to July 2018.	July 1, 2019	452,245 ⁽¹¹⁾ (0.88%)
Rodney Prokop Arizona, USA	Chief Financial Officer and	Chief Financial Officer and Corporate Secretary of ASCU since November 2020; previously, Chief Financial Officer of Sante Realty Investments from	November 16, 2020	Nil ⁽¹⁰⁾

Name, Province or State and Country of Residence	Position	Principal Occupation During Preceding Five Years	Director/Officer Position Held Since	Number and Percentage of Common Shares Beneficially Owned or Controlled
	Corporate Secretary	January 2020 to February 2020 and Chief Financial Officer of Cupric Canyon Capital LLC from March 2010 to September 2017.		
Rita Adiani London, United Kingdom	Senior Vice President, Strategy & Corporate Development	Senior Advisor to ASCU USA since January 2021. Prior to that she was Head of Business Development at Xiana Mining Inc. from June 2019 to June 2020, previously Managing Director at NRG Capital Partners from April 2015 to May 2019	July 22, 2021	8,333 ⁽¹²⁾ (0.02%)
Douglas Bowden Arizona, USA	Vice President Exploration	Vice President, Exploration of ASCU since July 1, 2019; previously, Consulting Geologist from July 2012 to June 2019.	July 1, 2019	83,333 ⁽¹³⁾ (0.16%)
Travis Snider Arizona, USA	Vice President, Sustainability and External Relations	Vice President, Sustainability and External Relations of ASCU since May 5, 2020; previously, Mining Project Manager of Engineering and Environmental Consultants from May 2017 to May 2020 and Mining Project Manager of NV5 from April 2015 to May 2017.	May 5, 2020	68,750 ⁽¹⁴⁾ (0.13%)
Alison Dvoskin Ontario, Canada	Director, Investor Relations	Director, Investor Relations of ASCU since October 2020; previously, Consultant at ASCU from June 2019 to October 2020, Manager, Investor Relations of Eastmain Resources Inc. (now, Fury Gold Mines Limited) from May 2016 to October 2020 and Manager, Investor Relations of Klondex Mines Ltd. from February 2013 to January 2016.	October 1, 2020	67,459 ⁽¹⁵⁾ (0.13%)

Notes:

- (1) Member of the Technical & Sustainability Committee of the directors of the Company of which Alan Edwards is Chair.
- (2) Member of the Audit Committee of the directors of the Company of which Thomas Boehlert is Chair.
- (3) Member of the Governance and Nominating Committee of the directors of the Company of which David Laing is Chair.
- (4) Member of the Compensation Committee of the directors of the Company of which Thomas Boehlert is Chair.
- (5) Represents Common Shares held through The 2016 Ogilvie Family Trust, a trust controlled by Mr. Ogilvie. Mr. Ogilvie also holds 250,000 options, 166,666 RSUs, entitling him to acquire an additional 416,666 Common Shares.
- (6) Mr. Laing also holds 65,161 RSUs, entitling him to an additional 65,161 Common Shares.
- (7) Mr. Palmer holds 42,993 options and 94,344 RSUs, entitling him to acquire an additional 137,337 Common Shares.
- (8) Mr. Boehlert also holds 116,666 options and 81,858 RSUs, entitling him to acquire an additional 198,524 Common Shares.
- (9) Mr. Edwards holds 77,301 RSUs, entitling him to an additional 77,301 Common Shares.
- (10) Mr. Prokop holds 107,649 options and 46,064 RSUs, entitling him to acquire an additional 153,713 Common Shares.
- (11) Represents Common Shares held through McMullan Family Trust, a trust controlled by Mr. McMullan. Mr. McMullan also holds 97,219 warrants (through McMullan Family Trust), 183,815 options, 122,230 RSUs, entitling him to acquire an additional 403,264 Common Shares.
- (12) Ms. Adiani also holds 25,000 RSUs and 96,666 Options entitling her to acquire 121,666 Common Shares.
- (13) Mr. Bowden also holds 85,986 options and 36,851 RSUs, entitling him to acquire an additional 122,837 Common Shares.
- (14) Represents holdings through NSL Resources LLC, a corporation controlled by Mr. Snider. Mr. Snider also holds 85,986 options, 79,165 warrants and 36,851 RSUs, entitling him to acquire an additional 202,002 Common Shares.
- (15) Ms. Dvoskin also holds 26,387 warrants, 85,986 options and 36,851 RSUs, entitling her to acquire an additional 149,224 Common Shares.

As at the date of this prospectus, the directors and executive officers of the Company, as a group, beneficially owned, controlled or directed, directly or indirectly, 1,268,215 Common Shares, on a non-diluted basis, representing 3% of the outstanding Common Shares.

Director and Management Biographies

The following are brief biographies of the directors, executive officers and senior management of the Company.

David Laing, Chair of the Board of Directors

David Laing is a mining executive and engineer with 40 years of experience in mining operations and construction, project development, consulting, mining finance, corporate development & M&A, and investor relations. During his career, Mr.

Laing has held multiple executive positions in precious and base metals companies. Mr. Laing served as Executive VP of Technical Services and Senior VP of Operations for Endeavour Mining from 2010-2014 and was a key member of the team in implementing the development strategy of the company. He has also held positions as COO of Equinox Gold Corp, True Gold Mining Inc., and Quintana Resources. Additionally, he has held senior positions at Standard Bank and Endeavour Financial. His previous experience also includes roles at MRDI, BHP Billiton and Royal Dutch Shell's mining business. Mr. Laing currently serves as Chairman of Fortuna Silver Mines Inc. and a Director of Northern Dynasty Minerals, Blackrock Silver Corp and Amarillo Gold Corp.

Mr. Laing has a BSc Mining Engineering (Honors) from the Royal School of Mines, Imperial College at the University of London, England.

Mark Palmer, Director

Mark Palmer is a mine finance executive with 26 years of experience in the financial industry and was previously directly involved with mining companies in Australia. In 1994, Mr. Palmer joined NM Rothschild & Sons Limited in the London mining finance team assessing mines and projects globally. In 1997, he moved to the investment banking team at UBS to focus on global mergers and acquisitions, equity and debt financing in the mining sector. Mr. Palmer ran the EMEA mining team at UBS for 8 years. In 2014, he joined Canaccord Genuity Corp. as Vice Chairman responsible for the mining sector coverage. Mr. Palmer joined the Tembo group in 2015 and currently serves as a Partner. Mr. Palmer currently sits on the board of Orion Minerals Ltd.

Mark Palmer has a B.Sc. in Mining Geology from University College Cardiff.

Thomas Boehlert, Director

Thomas Boehlert is a financial expert and has been a C-Suite executive at six international public and private resource companies in the agribusiness, mining, and energy sectors. Most recently, Mr. Boehlert served as Executive Vice President and Chief Financial Officer of Bunge Limited from 2017-2019. Prior to joining Bunge Limited, he was President, and Chief Executive Officer of First Nickel Inc. from 2011 to 2015 and Executive Vice President, Chief Financial Officer of Kinross Gold Corporation from 2006-2011. Mr. Boehlert also previously served as Executive Vice President, Chief Financial Officer of Texas Genco in 2005, Direct Energy in 2004 and Sithe Energies Inc., from 2000- 2003. Prior to Sithe Energies, Mr. Boehlert was an infrastructure and energy project finance banker at Credit Suisse for 14 years. Mr. Boehlert served as a non-executive director of Harry Winston Diamond Corp. from 2009-2010 and non-executive director of TMAC Resources from 2019 until 2021.

Mr. Boehlert, ICD.D, has a BA in Accounting and Finance from Indiana University and an MBA (Finance) from New York University's Leonard N. Stern School of Business.

Alan Edwards, Director

Alan Edwards has more than 35 years of operations and executive mining industry experience. During the course of his career, he has overseen the development and operations of world class base and precious metals deposits in the Americas. Mr. Edwards is currently the President of AE Resources Corp., an Arizona based company. He formerly led Oracle Mining Corporation (CEO), Copper One Inc. (President and CEO), Frontera Copper Corporation (President & CEO) and Apex Silver Corporation (COO). Currently, Mr. Edwards serves as a Non-Executive Director for Americas Gold and Silver Corporation, Entrée Resources Ltd. and Orvana Minerals Corp. Mr. Edwards has previously held the positions of Non-Executive Chairman of the Boards for Tonogold Resources Inc., Mason Resources Corp. (until its acquisition by Hudbay Minerals Inc.), Rise Gold Corp., AQM Copper Inc. (until its acquisition by Teck Resources Ltd.) and AuRico Gold Inc. Mr. Edwards began his career at Phelps Dodge Mining Company in Ajo, Arizona.

Mr. Edwards has Bachelor of Science Degree in Mining Engineering and an MBA (Finance) from the University of Arizona.

George Ogilvie, President & Chief Executive Officer

George Ogilvie, has over 30 years of management, operating and technical experience in the mining industry. Mr. Ogilvie was until most recently the President & CEO of Battle North, a position he was appointed to, in 2016 whilst the company was under financial insolvency & restructuring proceedings. During his 5 year tenure at Battle North, Mr. Ogilvie and his

team successfully completed a turnaround of the company resulting in an increase in the resource base from 400 k ounces Au to approximately 1.3 million oz Au, completion of a positive bulk mining reconciliation program resulting in de-risking of the project, delivery of a preliminary economic assessment and follow on feasibility study in relation to the project with a post-tax IRR of 50% and completion debt and equity financing of over C\$100m associated with project construction. Battle North was acquired by Evolution Mining Limited in May 2021 at a 45% premium to the prevailing spot price. Prior to this, Mr. Ogilvie was the CEO of Kirkland Lake Gold Inc. where he and his team implemented a turnaround strategy which included, amongst other items, improving operations at the Macassa Mine and the acquisition of St. Andrew Goldfields, resulting in significant returns for shareholders. Previously, Mr. Ogilvie was the CEO of Rambler Metals and Mining PLC, where he and his team guided the evolution of the company from grassroots exploration to a profitable junior producer. Mr. Ogilvie began his mining career in 1989 with AngloGold in South Africa and he subsequently held other roles at the Ruttan Mine in Northern Manitoba for HudBay Minerals Inc., the McCreedy West Mine and also as Area Manager for Dynatec Corporation. Currently, Mr. Ogilvie also serves on the board of Rupert Resources Ltd.

Mr. Ogilvie received his B.Sc. (Hons.) in Mining and Petroleum Engineering from Strathclyde University in Glasgow, Scotland. He is a Professional Engineer and also holds his Mine Managers Certificate (South Africa). Currently, Mr. Ogilvie also serves on the board of Rupert Resources Ltd.

Ian McMullan, Chief Operating Officer

Ian McMullan has over 25 years of mining experience in operational and management roles. Mr. McMullan's career has advanced through a variety of progressive responsibility roles whilst spanning both underground and surface mining applications in the United States and Canada, including a 20-year tenure with Newmont Mining Corporation. Mr. McMullan is well versed in planning and execution and has managed significant mining projects including the full production ramp-up of the Leeville Mine, and expansion of the Carlin Portal Mines, both in Nevada, during his career. Until the acquisition of Klondex Mines Ltd. by Hecla Mining Company, Mr. McMullan served as Vice President of Mining for Klondex Mines Ltd and was responsible for operational oversight of the United States and Canadian operations of the company comprising of five underground mines, two open pits and three processing facilities.

Mr. McMullan holds a Bachelor's degree in Mining Engineering from Dalhousie University (Technical University of Nova Scotia) and a Masters in Business Administration from Lansbridge University. Mr. McMullan is also licensed with the province of Ontario as a professional mining engineer.

Rodney Prokop, Chief Financial Officer and Corporate Secretary

Rodney Prokop has over 26 years of experience in financial leadership in the mining industry, including in the Arizona copper industry. He was Chief Financial Officer for Cupric Canyon Capital LLC from 2010-2017 and Vice President of Investor Relations at Frontera Copper Corporation from 2008-2009. Prior to that, he was employed by Phelps Dodge Corporation for 16 years, where he held positions of increasing responsibility in the finance department, including assignments as Director of Corporate Financial Analysis, Assistant Treasurer, and Director of Investor Relations. In addition, he served as Vice President of Finance for one of Phelps Dodge's manufacturing operations headquartered in Fort Wayne, Indiana.

Mr. Prokop received a Bachelor of Science degree in Accounting from Minnesota State University – Moorhead and has an MBA in Finance from Arizona State University. He is also a licensed Certified Public Accountant.

Rita Adiani, Senior Vice President, Strategy & Corporate Development

Ms. Adiani has over 16 years of experience in the mining industry spanning executive industry roles, investment banking and corporate law. Ms. Adiani has been Senior Adviser to ASCU USA since January 2021 and has been responsible for leading execution of the initial public offering and other corporate finance activities. Previously, she was Executive Vice President of Xiana Mining Inc., a copper producer and developer in Chile where she was Head of Business Development responsible for group finance & corporate finance matters. Prior to that, she was Managing Director in the mining team at NRG Capital Partners in London and also served as Vice President within the Mining M&A Team at Societe Generale. Ms. Adiani has advised on and been involved in transactions in excess of US\$10 billion during the course of her career, including landmark industry transactions. She was Senior Corporate Finance Manager for La Mancha Resources (reporting to the CFO), which remains one of the largest private investors in the gold sector with over US\$1 billion of

assets under management. She is also admitted to practice as a solicitor of the Supreme Court of England & Wales (currently non-practicing) and practiced corporate law at Linklaters LLP in London and Dubai from 2006-2011.

Ms. Adiani is a law graduate from the University of Oxford and University of Sheffield and has a Certificate in Mining Studies — Mining & Minerals Engineering from the University of British Columbia (Norman B. Keevil Institute of Mining Engineering). Currently Ms. Adiani also serves on the board of Brixton Metals Corporation.

Douglas Bowden, Vice President, Exploration

Douglas Bowden has over 40 years' experience in the minerals exploration industry focused on gold, silver, uranium and base metals throughout North America and parts of Mexico. Mr. Bowden's career evolved rapidly from field geologist to a variety of management and executive positions with major and junior mining companies. Mr. Bowden has successfully managed exploration programs for major mining companies such as Amselco Minerals, Inc., BP Minerals, Kennecott Exploration Company and Western Uranium & Vanadium Corp. (formerly Western Uranium Corporation) ("**Western Uranium**"). His work has involved managing large projects and directing regional generative programs. Mr. Bowden served in senior executive positions with Gold Summit Corporation, Western Uranium and Concordia Resources Inc. He is a licensed Professional Geologist in Utah and has consulted for junior mining companies since 2012.

Mr. Bowden holds Geology Degrees from Grand Valley State University (BSc-1974) and Michigan Technological University (MSc-1978). He is a member of the Society of Economic Geologists (SEG) and a past officer of the Geological Society of Nevada (GSN).

Travis Snider, Vice President, Sustainability and External Relations

Travis Snider is an Arizona-based mining executive with over 20 years of broad industry experience in exploration, production, permitting, development, and consulting for mining companies. Mr. Snider has been involved in a number of sustainability and efficiency projects at mining companies which has resulted in several operations moving to renewable energy sources to power mining operations. Most recently he was the Mining Project Manager at Engineering & Environmental Consultants. Previously, Mr. Snider has served as a Director for Alliance Mining Corporation, Elm Tree Minerals, and was on the Board for the Arizona Mining Association. He has also worked for Phelps Dodge Mining Corporation and served as Senior Vice President of Operations for Sierra Resource Group Inc. in restarting operations at the Emerald Isle Mine in Arizona. Mr. Snider also was Vice President of Mining and Oil Operations for the engineering firm, Wilcox Professional Services. Wilcox specialized in EPC services for large industrial projects and specialized in exploration drilling. Along with Wilcox Mr. Snider has worked for several other large engineering and environmental firms, including NV5, Kleinfelder and Mactec. Whilst at Mactec, he developed renewable energy projects for mining companies to utilize their lands for energy development.

Mr. Snider holds Bachelor of Science degree in Environmental Chemistry from Arizona State University and is part of the Society for Mining, Metallurgy, and Exploration and the Chemical Heritage Foundation.

Alison Dwoskin, Director, Investor Relations

Alison Dwoskin has more than 10 years of experience in investor relations and corporate communications for publicly traded companies. Ms. Dwoskin began her career at a Toronto-based investor relations firm where she was responsible for the development and implementation of IR programs. She held the position of Manager, Investor Relations at Klondex Mines Ltd. from early 2013 to 2016, followed by IR activities for a Québec-based gold exploration company. At Klondex Mines Ltd., Ms. Dwoskin played a key role in developing and executing the IR and communications plan to support the company's transition from exploration and development, into a low-cost gold producer.

Ms. Dwoskin graduated with Hons. BA in Art and Archaeology, and subsequently completed a Marketing Management Certificate. She followed-up her formal education by earning the Certified Professional Investor Relations (CPIR) designation in conjunction with the IVEY Business School and CIRI. She currently serves on the Canadian Investor Relations Institute board of directors.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as disclosed below, to the knowledge of the Company, no other director, executive officer, or proposed nominee for election as director, is, as at the date hereof, or was within 10 years before the date hereof, a director, chief

executive officer or chief financial officer of any company (including the Company) that (a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation, that was in effect for a period or more than 30 consecutive days (an "**Order**") that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such issuer, or (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. David Laing has been a director of Fortuna Silver Mines Inc. ("**Fortuna**") since September 2016. On April 3, 2017, a management cease trade order ("**MCTO**") was issued by the British Columbia Securities Commission and other Canadian provincial securities regulatory authorities pursuant to National Policy 12-203 Management Cease Trade Orders in connection with the late filing of the Fortunas' annual audited financial statements and related MD&A for the years ended December 31, 2016 and 2015 and the annual information form for the year ended December 31, 2016 (the "**Fortuna Annual Documents**"). The MCTO prohibited the Chief Executive Officer and the Chief Financial Officer of Fortuna from trading in securities of Fortuna until Fortuna completed the required filing of the Fortuna Annual Documents as well as its Interim Financial Documents (as defined below) for the first quarter of 2017. The Fortuna Annual Documents were filed on May 15, 2017. Due to the delay in finalizing the Annual Documents, Fortuna was delayed in filing its interim financial statements and related management discussion and analysis for the three months ended March 31, 2017 and 2016 (together, the "**Fortuna Interim Financial Documents**"). Fortuna filed the Fortuna Interim Financial Documents on May 24, 2017, and the MCTO was revoked by the British Columbia Securities Commission on May 25, 2017.

Other than as disclosed below, to the knowledge of the Company, no other director, executive officer, proposed nominee for election as director, nor, to its knowledge, any shareholder holding a sufficient number of its securities to affect materially the control of the Company (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such director, executive officer or shareholder.

Mr. Thomas Boehlert was a director and President and Chief Executive Officer of First Nickel Inc. from September 12, 2011 to August 20, 2015. On August 19, 2015, the Ontario Superior Court granted an application made by First Nickel Inc.'s creditors to appoint a receiver under the *Bankruptcy and Insolvency Act* (Canada). On January 21, 2016, the liquidation of First Nickel Inc.'s assets were substantially complete.

Mr. Alan Edwards was Chairman of the Board of Oracle Mining Corp until his resignation effective on February 15, 2015. On December 23, 2015, Oracle Mining Corp. announced that the Superior Court of Arizona had granted the application of Oracle's lender to appoint a receiver and manager over the assets, undertaking and property of Oracle Ridge Mining LLC.

On September 29, 2014, Travis Snider declared a personal bankruptcy under the Chapter 7 of the United States Bankruptcy Code. On January 14, 2015, Mr. Snider was unconditionally discharged and released of his debts as a first-time bankrupt.

None of the Company's directors or executive officers, nor, to its knowledge, any shareholder holding a sufficient number of its securities to affect materially the control of the Company, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Other than as otherwise described in this prospectus, to the best of the Company's knowledge, there are no existing or potential material conflicts of interest between the Company and any of its directors or officers as of the date hereof. Mark Palmer, a director of the Company, is also a partner of Tembo, a significant shareholder and creditor of the Company, and may be considered to have a conflict of interest with matters relating to Tembo and the Company. To the extent required,

the Board manages this potential conflict of interest in accordance with its Code, policies and the BCBCA. See "*Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – Tembo and RCF exercise significant control over the Company*".

Certain of the Company's directors and officers are, or may become, directors or officers of other companies with businesses which may conflict with its business. Accordingly, conflicts of interest may arise which could influence these individuals in evaluating possible acquisitions or in generally acting on the Company's behalf. In an attempt to mitigate this risk, the Code prohibits conflicts of interest as a matter of policy, except as approved by the Board, and any transaction, relationship or interest that reasonably could give rise to a conflict of interest must be reported to the Chairman of the Board. See also "*Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – Tembo and RCF exercise significant control over the Company*".

Pursuant to the BCBCA, directors and officers of the Company are required to act honestly and in good faith with a view to the best interests of the Company. As required under the BCBCA and the Company's Articles:

- a director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer of the Company, must promptly disclose the nature and extent of that conflict; and
- a director who holds a disclosable interest (as such term is defined under the BCBCA) in a contract or transaction into which the Company has entered or proposes to enter may generally not vote on any directors' resolution to approve such contract or transaction.

Generally, as a matter of practice, directors who have disclosed a material interest in any contract or transaction that the Board is considering will not take part in any board discussion respecting that contract or transaction. If on occasion such directors do participate in the discussions, they will refrain from voting on any matters relating to matters in which they have disclosed a material interest. In appropriate cases, the Company will establish a special committee of independent directors to review a matter in which directors or officers may have a conflict.

See "*Statement on Corporate Governance – Ethical Business Conduct*" for the steps taken by the Company in monitoring compliance with the Code. See also "*Risk Factors – Risks Related to the Company and to Mineral Exploration and Development – The directors and officers may have conflicts of interest with the Company*".

Indebtedness of Directors and Executive Officers

None of the directors, executive officers or employees of the Company or either Subsidiary, or former directors, executive officers or employees of the Company or either Subsidiary had any indebtedness outstanding to the Company or either Subsidiary as at the date hereof and no indebtedness of these individuals to another entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company as at the date hereof. Additionally, no individual who is, or at any time during the Company's last financial year was, a director or executive officer of the Company, proposed management nominee for director of the Company or associate of any such director, executive officer or proposed nominee is as at the date hereof indebted to the Company, Subsidiaries or to another entity where the indebtedness to such other entity is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company, including indebtedness for security purchase or any other programs.

Directors' and Officers' Liability Insurance and Indemnification

The Articles of the Company provide for the indemnification of each director and officer against all costs, charges and expenses reasonably incurred by him or her in respect of any action or proceeding to which he or she is made a party by reason of being a director or officer of the Company, subject to the limitations contained in the Articles and in the BCBCA.

On April 26, 2021, the Company obtained a directors' and officers' liability insurance policy for the one-year period beginning on April 26, 2021 and ending on April 26, 2022, with coverage in the amount of up to US\$5.0 million at an annual premium of US\$75,000., the full amount of which was paid by the Company. There is no deductible in the case of directors and officers, but a deductible of US\$1.0 million is applicable to the Company. The policy contains standard industry exclusions and no claims have been made to date. The policy currently reflects the Company's risk profile as a

private entity and will be revised accordingly following the Offering. Such revisions will involve a review of limits to ensure adequacy for the Company's risk profile as a public entity, and may involve increases in premium and retention amounts, with such increases yet to be determined as at the date of this prospectus.

DIRECTOR AND EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

In this section, "NEO" means each of the following individuals:

- (a) the Company's chief executive officer, including an individual performing functions similar to a chief executive officers (the "CEO");
- (b) the Company's chief financial officer, including an individual performing functions similar to a chief financial officer (the "CFO");
- (c) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of NI 51-101F6, for that financial year; and
- (d) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company or its Subsidiaries, nor acting in a similar capacity, at the end of that financial year.

The Company's anticipated NEOs for the fiscal 2021 are George Ogilvie, President and Chief Executive Officer, Rodney Prokop, Chief Financial Officer and Corporate Secretary, Ian McMullan, Chief Operating Officer, Rita Adiani, Senior Vice President, Strategy & Corporate Development and Douglas Bowden, Vice President Exploration.

The Company was not a reporting issuer at any time during the most recently completed financial period. Future compensation to be awarded or paid to the Company's directors and/or executive officers, including NEOs, once the Company becomes a reporting issuer is expected to consist primarily of base salary and/or consulting fees, RSUs, Options and bonuses. Payments may be made from time to time to executive officers, including NEOs, or companies they control for the provision of consulting or management services. Such services are paid for by the Company at competitive industry rates for work of a similar nature by reputable arm's length services providers.

In determining the compensation to be paid or awarded to its executives, the Compensation Committee seeks to encourage the advancement of the Company's projects, with a view to enhancing shareholder value. To achieve these objectives, the Company believes it is critical to create and maintain a compensation program that attracts and retains committed, highly qualified personnel by providing appropriate rewards and incentives that align the interest of its executives with those of its shareholders.

The Company's executive compensation program consists of a combination of base salary, short-term incentives and long-term incentives in the form of participation in the Equity Incentive Plan. The objectives of the Company's compensation program are:

- to attract, motivate and retain talented directors and officers;
- to align the interests of directors and officers with the Company's shareholders; and
- to ensure the relationship of corporate and individual performance to individual compensation.

The compensation program of the Company is designed to reward achievement of performance goals which lead to project and corporate development generating shareholder value;

In general, compensation of the Company's officers and directors is overseen by the Compensation Committee, who makes recommendations to the Board in certain instances.

Base Salary

The base salary for each NEO is established by the Board, on the recommendation of the Compensation Committee, based upon the position held by such executive, competitive market conditions, such executive's related responsibilities, experience and the NEO's skill base, the functions performed by such executive and the salary ranges for similar positions in comparable companies. Individual and corporate performance will also be taken into account in determining base salary levels for executives.

Cash Bonuses

Cash bonuses form a normal part of ASCU's executive compensation. The amount of cash bonus compensation will be earned by the executive team member on the basis of timely achievement of corporate and personal targets as set in advance by the Board. These targets are selected based upon consideration of their impact on shareholder value creation and the ability of the Company to achieve the certain milestones during specific intervals. The amount of bonus compensation awarded is determined based upon achievement of these targets and any other factors the Compensation Committee may consider appropriate at the time such performance-based bonuses are awarded. The quantity of bonus will normally be a percentage of base salary not to exceed 150%.

Options

Options are a key compensation element for ASCU. Options are an important component of aligning the objectives of ASCU's executive officers and consultants with those of its shareholders, while encouraging them to remain associated with the Company. ASCU expects to provide significant Option positions to its executive officers and consultants. The precise amount of Options to be offered will be governed by the importance of the role within the Company, by the competitive environment within which ASCU operates, and by the regulatory limits on Option grants that cover organizations such as ASCU. When considering an award of Options to an executive officer, consideration of the number of Options previously granted to the executive may be taken into account, however, the extent to which such prior grants remain subject to resale restrictions will generally not be a factor.

RSUs

RSUs are a key compensation element for ASCU. RSUs are an important component of aligning the objectives of ASCU's executive officers and consultants with those of its shareholders, while encouraging them to remain associated with the Company. ASCU expects to provide significant RSU positions to its executive officers and consultants. The precise amount of RSUs to be offered will be governed by the importance of the role within the Company, the achievement of certain milestones, the competitive environment within which ASCU operates, and the regulatory limits on RSU grants that cover organizations such as ASCU. When considering an award of RSUs to an executive officer, consideration of the number of RSUs previously granted to the executive may be taken into account, however, the extent to which such prior grants remain subject to resale restrictions will generally not be a factor.

Other Benefits

The Company pays the majority of the premium costs for employee medical and dental benefits and matches employee's contributions to a plan compliant pursuant to section 401(k) of the US IRC, up to a maximum of 4% of base salary and subject to the maximum contribution limit set by the U.S. Internal Revenue Service. The Company does not have a company-sponsored pension plan.

Benchmarking

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. To succeed, it is important to engage, retain and attract executive officers by providing a reasonable and competitive total compensation package. The Compensation Committee believes that it is appropriate to establish total compensation levels for executives with reference to benchmark roles among similar companies, both in terms of compensation levels and practices. To benchmark the competitiveness of the compensation

program for the Company's executive officers for the financial year ended December 31, 2021, the Compensation Committee, in consultation with Hugessen Consulting Inc. considered the size (based on market capitalization of listed peers within the copper and diversified metals & mining segment with operations in the USA or Canada) and stage of development (at early production or pre-production stage) of the following eight companies in determining an appropriate peer group of comparators:

Trilogy Metals Inc.	NioCorp Developments Ltd.	Filo Mining Corp.	Millennial Lithium Corp.
Critical Elements Lithium Corporation	NextSource Materials Inc.	Western Copper and Gold Corporation	Excelsior Mining Corp.

Managing Compensation Risk

The Compensation Committee and the Board have incorporated the following in the total rewards program that are intended to ensure that executives are compensated fairly and in a manner that does not cause undue risk or encourage excessive risk-taking.

- The Compensation Committee reviews and recommends the base remuneration of all executives, and the bonuses or other awards for executives (including NEOs) to the Board for the Board's review and approval.
- Executive compensation is reviewed annually and industry benchmarking is used to assess competitiveness and appropriateness.
- The annual incentive compensation incorporates both quantitative and qualitative measures that are aligned with the business plan approved by the Board.
- A consistent compensation structure is applied to the NEOs and all other employees.

The Company's Insider Trading and Blackout Policy provides that all ASCU Personnel must not engage in hedging transactions. More particularly, ASCU Personnel are prohibited from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the ASCU Personnel.

In addition, the Company has a number of policies to encourage a strong governance culture including the Code, the Whistleblower Policy, Insider Trading and Blackout Policy and the Foreign Corrupt Practices Policy. The Company's corporate values form the basis of the Company's culture and guide the behaviour of its directors, officers and other employees.

Summary of Compensation Table

The compensation paid to each NEO of the Company during the Company's most recently completed financial year ended December 31, 2020 is set out below:

Name and Principal Position	Year	Salary (US\$)⁽⁵⁾	Share-base awards (US\$)⁽⁶⁾	Option-base awards (US\$)⁽⁶⁾	Non-equity incentive plan compensation (US\$)⁽⁷⁾	Pension value (US\$)⁽⁸⁾	All other compensation (US\$)	Total compensation (US\$)
George Ogilvie ⁽¹⁾ <i>President & Chief</i>	2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Name and Principal Position	Year	Salary (US\$)⁽⁵⁾	Share-base awards (US\$)⁽⁶⁾	Option-base awards (US\$)⁽⁶⁾	Non-equity incentive plan compensation (US\$)⁽⁷⁾	Pension value (US\$)⁽⁸⁾	All other compensation (US\$)	Total compensation (US\$)
<i>Executive Officer</i>								
Rodney Prokop <i>Chief Financial Officer and Corporate Secretary</i>	2020	26,230	n/a	n/a	n/a	n/a	n/a	26,230
Ian McMullan <i>Chief Operating Officer</i>	2020	226,691	20,729	35,750	110,284	7,041	n/a	403,495
Rita Adiani ⁽²⁾ <i>Senior Vice President, Strategy & Corporate Development</i>	2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Douglas Bowden <i>Vice President Exploration</i>	2020	170,797	16,583	28,556	59,122	7,309	n/a	282,367
John Antwi ⁽³⁾ <i>Former Chief Executive Officer</i>	2020	268,899	24,874	42,834	179,034	10,692	n/a	526,333
Llee Chapman ⁽⁴⁾ <i>Former Chief Financial Officer</i>	2020	189,570	20,729	35,750	94,904	5,176	n/a	346,129

Notes:

- (1) George Ogilvie was appointed Chief Executive Officer of the Company on July 6, 2021.
- (2) Rita Adiani was appointed Senior Vice President, Strategy & Corporate Development of the Company on July 22, 2021.
- (3) John Antwi ceased serving as Chief Executive Officer of the Company on May 4, 2021.
- (4) Llee Chapman ceased serving as Chief Financial Officer of the Company on November 17, 2020.
- (5) All compensation in respect of the NEOs is paid out in US\$. Represents the amounts earned by the relevant individual for the year ended December 31, 2020.
- (6) Represents the dollar amount based on the fair value of the award on the grant date for the year ended December 31, 2020. Values are calculated based on Black Scholes model at a market price of US\$0.30 per Common Share reflecting the issue price of the December 2020 financing.
- (7) Represents discretionary annual bonuses paid by the Company to the respective NEOs in respect of 2020.
- (8) Represents all compensation relating to defined benefit or defined contribution plans for the year ended December 31, 2020.

2021 Target Compensation

The following table sets out the target 2021 compensation for the current NEOs. This table is not intended to replace the Summary of Compensation Table and is presented only for illustrative purposes.

Name and Principal Position	Year	Salary (US\$) ⁽¹⁾	Non-equity incentive plan compensation (US\$) ⁽²⁾	Total compensation (US\$)
George Ogilvie ⁽³⁾ <i>Chief Executive Officer</i>	2021	165,342	248,014	413,356
Rodney Prokop <i>Chief Financial Officer and Corporate Secretary</i>	2021	220,000	110,000	330,000
Ian McMullan <i>Chief Operating Officer</i>	2021	225,000	112,500	337,500
Rita Adiani ⁽⁴⁾ <i>Senior Vice President, Strategy & Corporate Development</i>	2021	90,263	40,618	130,881
Douglas Bowden <i>Vice President Exploration</i>	2021	175,000	61,250	236,250

Notes:

- (1) Represents the base salary estimated to be paid in fiscal year 2021.
- (2) Represents the discretionary annual bonuses anticipated to be issued in fiscal year 2021 based on 100% of target payout amounts. Actual payments will depend upon the achievement of performance goals.
- (3) George Ogilvie was appointed Chief Executive Officer of the Company on July 6, 2021. Compensation converted to US dollar at an exchange rate of C\$1.00 = US\$0.80.
- (4) Rita Adiani was appointed Senior Vice President, Strategy & Corporate Development of the Company on July 22, 2021.

Incentive Plan Awards

Outstanding Equity Awards

The following table discloses all outstanding option-based and share-based awards granted by the Company for each NEO that are outstanding as of the date of this prospectus, which includes Options and RSUs. All outstanding equity awards information in the following table is provided on a post-Consolidation basis. Additional option-based or share-based awards may be granted to NEOs in respect of the 2021 fiscal year at the discretion of the Compensation Committee.

Name	Option-based Awards				Share-based Awards ⁽¹⁾		
	Number of securities underlying unexercised options (#)	Option exercise price (US\$)	Option expiration date	Value of unexercised in-the-money options (US\$) ⁽²⁾	Number of shares or units that have not vested	Market or payout value of share-based awards that have not vested (US\$) ⁽²⁾	Market or payout value of vested share-based awards not paid out or distributed (US\$) ⁽²⁾
George Ogilvie ⁽³⁾	250,000	2.10	July 6, 2026	Nil	166,666	Nil	Nil

	Option-based Awards				Share-based Awards ⁽¹⁾		
Name	Number of securities underlying unexercised options (#)	Option exercise price (US\$)	Option expiration date	Value of unexercised in-the-money options (US\$) ⁽²⁾	Number of shares or units that have not vested	Market or payout value of share-based awards that have not vested (US\$) ⁽²⁾	Market or payout value of vested share-based awards not paid out or distributed (US\$) ⁽²⁾
<i>President & Chief Executive Officer</i>							
Rodney Prokop <i>Chief Financial Officer and Corporate Secretary</i>	107,649	0.90	January 4, 2026	116,360	Nil	Nil	Nil
Ian McMullan <i>Chief Operating Officer</i>	107,649	0.45	July 20, 2025	164,802	Nil	Nil	273,747
	76,166	1.50	January 4, 2026	36,630	Nil	Nil	Nil
Rita Adiani ⁽⁴⁾ <i>Senior Vice President, Strategy & Corporate Development</i>	96,666	1.50	January 4, 2026	46,488	Nil	Nil	Nil
Douglas Bowden <i>Vice President Exploration</i>	85,986	0.45	July 20, 2025	131,638	Nil	Nil	218,998
John Antwi ⁽⁵⁾ <i>Former Chief Executive Officer</i>	Nil	0.45	July 20, 2025	Nil	Nil	Nil	328,496

Name	Option-based Awards				Share-based Awards ⁽¹⁾		
	Number of securities underlying unexercised options (#)	Option exercise price (US\$)	Option expiration date	Value of unexercised in-the-money options (US\$) ⁽²⁾	Number of shares or units that have not vested	Market or payout value of share-based awards that have not vested (US\$) ⁽²⁾	Market or payout value of vested share-based awards not paid out or distributed (US\$) ⁽²⁾
Llee Chapman ⁽⁶⁾ <i>Former Chief Financial Officer</i>	107,649	0.45	July 20, 2025	164,802	Nil	Nil	273,747

Notes:

- (1) Assuming the completion of the Offering, which is the final vesting condition for all share-based awards other than those granted to Mr. Ogilvie.
- (2) Values are calculated based on an Offering Price of \$2.45, using the daily average exchange rate on November 1, 2021 for C\$1 = US\$0.8085 (US\$1 = C\$1.2368), as quoted by the Bank of Canada.
- (3) George Ogilvie was appointed Chief Executive Officer of the Company on July 6, 2021.
- (4) Rita Adiani was appointed Senior Vice President, Strategy & Corporate Development of the Company on July 22, 2021.
- (5) John Antwi ceased serving as Chief Executive Officer of the Company on May 4, 2021.
- (6) Llee Chapman ceased serving as Chief Financial Officer of the Company on November 17, 2020.

Incentive Plan Awards – Option Exercises and Stock Vested

The following table summarizes the value of all share-based awards exercised, vested or earned for each NEO during the 2020 fiscal year. All information in the following table is provided on a post-Consolidation basis.

Name	Option-Based Awards – Value Vested During the Year (US\$) ⁽⁵⁾	Share-Based Awards – Value Vested During the Year (US\$) ⁽⁵⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year (US\$)
George Ogilvie ⁽¹⁾ <i>President & Chief Executive Officer</i>	Nil	Nil	Nil
Rodney Prokop <i>Chief Financial Officer and Corporate Secretary</i>	Nil	Nil	Nil
Ian McMullan <i>Chief Operating Officer</i>	20,363	14,645	110,284
Rita Adiani ⁽²⁾ <i>Senior Vice President, Strategy & Corporate Development</i>	Nil	Nil	Nil
Douglas Bowden <i>Vice President Exploration</i>	16,265	11,716	59,122
John Antwi ⁽³⁾ <i>Former Chief Executive Officer</i>	24,398	17,574	179,034

Name	Option-Based Awards – Value Vested During the Year (US\$) ⁽⁵⁾	Share-Based Awards – Value Vested During the Year (US\$) ⁽⁵⁾	Non-Equity Incentive Plan Compensation – Value Earned During the Year (US\$)
Llee Chapman ⁽⁴⁾ <i>Former Chief Financial Officer</i>	20,363	14,645	94,904

Notes:

- (1) George Ogilvie was appointed Chief Executive Officer of the Company on July 6, 2021.
- (2) Rita Adiani was appointed Senior Vice President, Strategy & Corporate Development of the Company on July 22, 2021.
- (3) John Antwi ceased serving as Chief Executive Officer of the Company on May 4, 2021.
- (4) Llee Chapman ceased serving as Chief Financial Officer of the Company on November 17, 2020.
- (5) Values are calculated based on Black Scholes model at a market price of US\$0.30 per Common Share reflecting the issue price of the December 2020 financing.

Termination and Change of Control Benefits

As at December 31, 2020, the Company has entered into written employment agreements with Rodney Prokop, Ian McMullan and John Antwi. Subsequent to December 31, 2020, the Company retained Mr. George Ogilvie as President & Chief Executive Officer of the Company following the departure of Mr. Antwi and entered into an employment agreement with Mr. Ogilvie. On July 22, 2021, the Company retained Ms. Rita Adiani as Senior Vice President for Strategy & Corporate Development and entered into an employment agreement with Ms. Adiani. The employment agreements between the Company and each of Messrs. Ogilvie, Prokop and McMullan and Ms. Adiani are collectively referred to herein as the "**Employment Agreements**". Each Employment Agreement sets out the terms and conditions of their employment as well as entitlements should the Company terminate their employment other than for cause. The Employment Agreements include termination provisions for several scenarios including a "Change of Control" (as described below) or resignation for Good Reason (as described below) within 180 days of a Change of Control.

The following table summarizes the compensation that would be payable to each of Messrs. Ogilvie, Prokop and McMullan and Ms. Adiani should their employment with the Company be terminated.

	Termination for Cause	Termination without Cause	Termination Subsequent to Change of Control or Resignation for Good Reason Within 180 days of a Change in Control	Voluntary Resignation
George Ogilvie <i>President & Chief Executive Officer</i>	Severance: Entitled to (a) if the employee is terminated for any reason that provides the Company with the right to terminate employment without notice under Ontario's <i>Employment Standards Act, 2000</i> (the "ESA"), without any working notice, pay in lieu of working notice, statutory severance pay or any other entitlement either by way of anticipated earnings or damages of any kind, except for the regular wages and vacation pay accrued and owing as of the effective termination, the	Severance: In addition to base pay and vacation pay accrued and owing up to the termination date, employee is entitled to payment equal to 24 months' base salary. Any other minimum statutory entitlement that may be owing to the Employee under the ESA, without duplication Benefits: the benefit plan contributions necessary to maintain the employee's participation for the minimum statutory notice period prescribed by the ESA and all	Severance: In addition to base pay and vacation pay accrued and owing up to the termination date, employee is entitled to payment equal to 24 months' base salary. Any other minimum statutory entitlement that may be owing to the Employee under the ESA, without duplication. Benefits: the benefit plan contributions necessary to maintain the employee's participation for the minimum statutory notice period prescribed by the ESA in all benefit plans provided to the employee by the Company, if any, immediately before the	Severance: Entitled to base pay and vacation pay accrued and owing up to the resignation date and any other minimum statutory entitlement that may be owing to the employee under the ESA, without duplication. Continuing the employee's group benefits coverage up to and including the last day of the resignation date. Benefits: None. Bonus: None. Share Awards: See Equity Incentive Plan

	Termination for Cause	Termination without Cause	Termination Subsequent to Change of Control or Resignation for Good Reason Within 180 days of a Change in Control	Voluntary Resignation
	<p>reimbursement of all eligible expenses incurred by the employee that remain owing as of the effective termination date, and any other minimum statutory entitlement that may be owing to the Employee under the ESA, without duplication; or</p> <p>(b) if the employee is terminated for any other reason that constitutes just cause at common law (other than a reason noted above), by providing the employee with only (i) the minimum amount of working notice of termination or payment of the employee's regular wages in lieu of working notice prescribed by the ESA, (ii) statutory severance pay, if any, prescribed by the ESA, (iii) the employee's regular wages accrued and owing as of the effective termination date, (iv) all outstanding vacation pay (including any vacation pay that accrues over the minimum statutory notice period prescribed by the ESA), (v) reimbursement for all eligible expenses incurred by the employee that remain owing as of the effective termination date, and (vi) any other minimum statutory entitlement that may be owing to the Employee under the ESA, without duplication.</p>	<p>benefit plans provided to the employee by the Company, if any, immediately before the termination of employment.</p> <p>Bonus: an amount equal to two (2) times the employee's then current target bonus pursuant for the year in which the termination date occurs (or if the target bonus amount for the year in which the termination date occurs has not been determined as of the termination date, the target bonus amount for the year prior to the termination date) without regard to the achievement of any corporate and personal targets established in connection with such target bonus amount.</p> <p>Share Awards: Unvested Options and other equity awards vest immediately, provided that performance RSUs for which the performance criteria had not been met as of the termination date shall be forfeited without any further notice or pay or damages in lieu. Employee has 90 days to exercise vested Options.</p>	<p>termination of employment.</p> <p>Bonus: an amount equal to two (2) times the employee's then current target bonus pursuant for the year in which the termination date occurs (or if the target bonus amount for the year in which the termination date occurs has not been determined as of the termination date, the target bonus amount for the year prior to the termination date) without regard to the achievement of any corporate and personal targets established in connection with such target bonus amount.</p> <p>Share Awards: Unvested Options and other equity awards vest immediately, provided that any performance RSUs for which the performance criteria were met as shall vest. Any performance RSUs for which the performance criteria had not been met as of the termination date shall be forfeited without any further notice or pay or damages in lieu. Employee has 90 days to exercise vested Options.</p>	
<p>Ian McMullan</p> <p><i>Chief Operating Officer</i></p>	Severance: Entitled to base pay and vacation pay accrued and owing	Separation Payment: In addition to base pay and vacation pay accrued and owing up	Separation Payment: In addition to base pay and vacation pay accrued and owing up to the	Severance: Entitled to base pay and vacation pay accrued and owing

	Termination for Cause	Termination without Cause	Termination Subsequent to Change of Control or Resignation for Good Reason Within 180 days of a Change in Control	Voluntary Resignation
	<p>up to the termination date.</p> <p>Benefits: None.</p> <p>Bonus: None.</p> <p>Options and Share Awards: All options are forfeited on the termination date. All unvested RSUs may be terminated and cancelled by the Compensation Committee in its sole discretion.</p>	<p>to the termination date, employee is entitled to a lump sum payment equal to: (i) the employee's monthly base salary multiplied by 12 + the employee's monthly base salary multiplied by 6 for each completed year of service, not to exceed two years; plus (ii) the monthly premium cost of coverage for employee benefits multiplied by 12 + the monthly premium cost of coverage for employee benefits multiplied by 6 for each completed year of service, not to exceed two years; plus (iii) an amount equal to the employee's then current target bonus amount for the year in which the termination date occurs + an amount equal to half of such bonus amount for each completed year of service, not to exceed two years; plus (iv) an amount equal to 4% of the employee's monthly base salary multiplied by 12 + 4% of the employee's monthly base salary multiplied by 6 for each completed year of service, not to exceed two years. ⁽¹⁾</p> <p>Share Awards: Unvested Options and RSUs vest immediately. Employee has 90 days to exercise vested options.</p>	<p>termination date, employee is entitled to a lump sum payment equal to: (i) the employee's monthly base salary multiplied by 12 + the employee's monthly base salary multiplied by 6 for each completed year of service, not to exceed two years; plus (ii) the monthly premium cost of coverage for employee benefits multiplied by 12 + the monthly premium cost of coverage for employee benefits multiplied by 6 for each completed year of service, not to exceed two years; plus (iii) an amount equal to the employee's then current target bonus amount for the year in which the termination date occurs + an amount equal to half of such bonus amount for each completed year of service, not to exceed two years; plus (iv) an amount equal to 4% of the employee's monthly base salary multiplied by 12 + 4% of 6 months' of the employee's monthly base salary multiplied by 6 for each completed year of service, not to exceed two years. ⁽¹⁾</p> <p>Options: Unvested Options vest immediately. Employee has one year to exercise vested Options.</p> <p>Share Awards: all outstanding RSUs will vest immediately.</p>	<p>up to the resignation date.</p> <p>Benefits: None.</p> <p>Bonus: None.</p> <p>Share Awards: Employee has 90 days to exercise vested Options.</p>
<p>Rodney Prokop</p> <p><i>Chief Financial Officer and Corporate Secretary</i></p>	<p>Severance: Entitled to base pay and vacation pay accrued and owing up to the termination date.</p> <p>Benefits: None.</p> <p>Bonus: None.</p>	<p>Separation Payment: In addition to base pay and vacation pay accrued and owing up to the termination date, employee is entitled to a lump sum payment equal to: (i) the employee's monthly base salary multiplied</p>	<p>Separation Payment: In addition to base pay and vacation pay accrued and owing up to the termination date, employee is entitled to a lump sum payment equal to: (i) the employee's monthly base salary multiplied by 12 + the</p>	<p>Severance: Entitled to base pay and vacation pay accrued and owing up to the resignation date.</p> <p>Benefits: None.</p> <p>Bonus: None.</p>

	Termination for Cause	Termination without Cause	Termination Subsequent to Change of Control or Resignation for Good Reason Within 180 days of a Change in Control	Voluntary Resignation
	<p><u>Options and Share Awards:</u> All options are forfeited on the termination date. All unvested RSUs may be terminated and cancelled by the Compensation Committee in its sole discretion.</p>	<p>by 12 + the employee's monthly base salary multiplied by 6 for each completed year of service, not to exceed two years; plus (ii) the monthly premium cost of coverage for employee benefits multiplied by 12 + the monthly premium cost of coverage for employee benefits multiplied by 6 for each completed year of service, not to exceed two years; plus (iii) an amount equal to the employee's then current target bonus amount for the year in which the termination date occurs + an amount equal to half of such bonus amount for each completed year of service, not to exceed two years. ⁽¹⁾</p> <p><u>Share Awards:</u> Unvested Options and RSUs vest immediately. Employee has 90 days to exercise vested Options.</p>	<p>employee's monthly base salary multiplied by 6 for each completed year of service, not to exceed two years; plus (ii) the monthly premium cost of coverage for employee benefits multiplied by 12 + the monthly premium cost of coverage for employee benefits multiplied by 6 for each completed year of service, not to exceed two years; plus (iii) an amount equal to the employee's then current target bonus amount for the year in which the termination date occurs + an amount equal to half of such bonus amount for each completed year of service, not to exceed two years. ⁽¹⁾</p> <p><u>Options:</u> Unvested Options vest immediately. Employee has one year to exercise vested Options.</p> <p><u>Share Awards:</u> all outstanding RSUs will vest immediately.</p>	<p><u>Share Awards:</u> Employee has 90 days to exercise vested Options.</p>
<p>Rita Adiani</p> <p><i>Senior Vice President, Strategy & Corporate Development</i></p>	<p><u>Severance:</u> Entitled to base pay and vacation pay accrued and owing up to the termination date.</p> <p><u>Benefits:</u> None.</p> <p><u>Bonus:</u> None.</p> <p><u>Options and Share Awards:</u> All options are forfeited on the termination date. All unvested RSUs may be terminated and cancelled by the Compensation Committee in its sole discretion.</p>	<p><u>Separation Payment:</u> In addition to accrued vacation entitlements, employee is entitled to a lump sum payment equal to: (i) the employee's monthly base salary multiplied by 12 + the employee's monthly base salary multiplied by 6 for each completed year of service, not to exceed two years; plus (ii) the monthly premium cost of coverage for all medical/health plans multiplied by 12 + the monthly premium cost of coverage for all medical/health plans multiplied by 6 for each completed year of service, not to exceed</p>	<p><u>Separation Payment:</u> In addition to accrued vacation entitlements, employee is entitled to a lump sum payment equal to: (i) the employee's monthly base salary multiplied by 12 + the employee's monthly base salary multiplied by 6 for each completed year of service, not to exceed two years; plus (ii) the monthly premium cost of coverage for all medical/health plans multiplied by 12 + the monthly premium cost of coverage for all medical/health plans multiplied by 6 for each completed year of service, not to exceed two years; plus (iii) an amount equal</p>	<p><u>Severance:</u> Entitled to base pay accrued and owing up to the resignation date.</p> <p><u>Benefits:</u> Extension of employee benefits up to the resignation date.</p> <p><u>Bonus:</u> None.</p> <p><u>Share Awards:</u> Employee has 90 days to exercise vested Options.</p>

	Termination for Cause	Termination without Cause	Termination Subsequent to Change of Control or Resignation for Good Reason Within 180 days of a Change in Control	Voluntary Resignation
		<p>two years; plus (iii) an amount equal to the employee's then current target bonus amount for the year in which the termination date occurs + an amount equal to half of such bonus amount for each completed year of service, not to exceed two years. ⁽¹⁾</p> <p>Share Awards: Unvested Options vest immediately. Employee has 90 days to exercise vested Options. Time vested RSUs vest immediately. RSUs subject to performance conditions vest to the extent performance conditions are met within six months of date of termination.</p>	<p>to the employee's then current target bonus amount for the year in which the termination date occurs + an amount equal to half of such bonus amount for each completed year of service, not to exceed two years. ⁽¹⁾</p> <p>Share Awards: Unvested Options vest immediately. Employee has 90 days to exercise vested Options. Time vested RSUs vest immediately. RSUs subject to performance conditions vest to the extent performance conditions are met within six months of date of termination.</p>	

Notes:

(1) For greater certainty, in no circumstances shall the employee be entitled to more than the equivalent of 24 months' of payments.

The Employment Agreements for Messrs. Ogilvie, McMullan and Prokop and Ms. Adiani also contain non-solicitation, non-competition and confidentiality provisions, which will apply on a termination of employment with the Company. Non-solicitation restrictions apply for a period of one year from the date the employee's employment with the Company ceases, Non-competition restrictions apply for a period of six months from the date that the employee's employment with the Company ceases and the confidentiality provisions apply, subject to certain exceptions, for an indefinite period of time following the termination of employment of an employee.

The Employment Agreement for Mr. Ogilvie defines a "**Change of Control**" as

- (a) the direct or indirect sale, lease, exchange or other transfer of all or substantially all of the assets of the Company to any person or entity or group of persons or entities, but not including the entering into of an option, joint venture or other arrangement whereby the Company transfers, or has the right to transfer, an interest in its mineral properties yet maintains control, majority ownership or an operating interest in the mineral properties, resulting entity or new arrangement;
- (b) the amalgamation, merger or arrangement of the Company with or into another entity where the shareholders of the Company immediately prior to the transaction will hold less than fifty percent (50%) of the voting securities of the resulting entity upon completion of the transaction; or
- (c) any person or combination of persons acting jointly or in concert, acquiring or becoming the beneficial owner of, directly or indirectly, of more than fifty percent (50%) of the voting securities of the Company whether through the acquisition of previously issued and outstanding voting securities of the Company or of voting securities of the Company that have not previously been issued or any combination thereof or any other transaction with similar effect.

The Employment Agreement for Mr. Ogilvie provides that "**Good Reason**", in the context of Mr. Ogilvie's resignation of his employment, will exist following the occurrence of any of the following without the Employee's written consent and where any of the following conditions continue after Mr. Ogilvie has given the Company written notice of such condition within thirty (30) days following the initial existence of the condition and the Company has failed to cure such condition within thirty (30) days after the date it received notice of the condition from Mr. Ogilvie:

- (a) the Company assigning to Mr. Ogilvie duties and responsibilities materially inconsistent with his duties and responsibilities under his Employment Agreement, including those management duties performed by the Mr. Ogilvie, as an employee of the Company, for an affiliate of the Company; or
- (b) a material reduction by the Company of Mr. Ogilvie's then base salary, representing a reduction of more than 5 percent (5%).

The Employment Agreements for Messrs. McMullan and Prokop and Ms. Adiani define a "**Change of Control**" as:

- (a) the direct or indirect sale, lease, exchange or other transfer of all or substantially all of the assets of the Company to any person or entity or group of persons or entities, but not including the entering into of an option, joint venture or other arrangement whereby the Company transfers, or has the right to transfer, an interest in its mineral properties yet maintains control, majority ownership or an operating interest in the mineral properties, resulting entity or new arrangement;
- (b) the amalgamation, merger or arrangement of the Company with or into another entity where the shareholders of the Company immediately prior to the transaction will hold less than 50% of the voting securities of the resulting entity upon completion of the transaction;
- (c) any person or combination of persons acting jointly or in concert, acquiring or becoming the beneficial owner of, directly or indirectly, of more than 50% of the voting securities of the Company whether through the acquisition of previously issued and outstanding voting securities of the Company or of voting securities of the Company that have not previously been issued or any combination thereof or any other transaction with similar effect; or
- (d) the Board adopting a resolution to the effect that, for purposes of the employees employment agreement, a Change of Control has occurred, or that such a Change of Control is imminent, in which case, the date of the Change of Control shall be deemed to be the date of such resolution.

The Employment Agreements for Messrs. McMullan and Prokop and Ms. Adiani provide that "**Good Reason**" means the continued occurrence of any of the following conditions without the employee's consent after the employee has given the Company written notice of such condition within 30 days following the initial existence of the condition, and the Company has failed to cure such condition within 30 days of the date it received notice of the condition:

- (a) the Company assigning to the employee duties materially inconsistent with the employee's duties and responsibilities under his/her employment agreement, including those management duties performed by the employee, as an employee of the Company, for the Company or an Affiliate;
- (b) a unilateral reduction by the Company of the employee's base salary, or any unilateral change in the basis upon which the employee's base salary is determined or paid if the change is or will be materially adverse to the employee, except where (i) such reduction or change is part of a general reduction in the base salary of all or substantially all of the members of management of the Company and which affects the employee in substantially the same manner as the other members of the management of the Company who are also affected by such general reduction and (ii) such change does not constitute more than ten percent (10%) of the employee's base salary;
- (c) the Company unilaterally relocating the employee's principal location more than 100 miles from the employee's current work location; or
- (d) any material breach by the Company of any provision of his/her employment agreement, which is not cured by the Company within thirty (30) days following written notice from the employee.

Estimated Incremental Payments

The estimated amounts payable to each of Messrs. Ogilvie, Prokop, McMullan, and Ms. Adiani under various termination scenarios are outlined in the table below, which estimates assume a termination date of December 31, 2020.

Name	Termination without Cause (US\$) ⁽¹⁾	Termination Subsequent to Change of Control or Resignation for Good Reason Within 180 days of a Change in Control (US\$) ⁽¹⁾
George Ogilvie ⁽²⁾ <i>President & Chief Executive Officer</i>	Nil	Nil
Ian McMullan <i>Chief Operating Officer</i>	519,750	519,750
Rodney Prokop <i>Chief Financial Officer and Corporate Secretary</i>	330,000	330,000
Rita Adiani ⁽³⁾ <i>Senior Vice President, Strategy & Corporate Development</i>	Nil	Nil

Notes:

- (1) Amounts represent severance and bonus payments.
- (2) Mr. Ogilvie was appointed as President & Chief Executive Officer of the Company on July 6, 2021, subsequent to December 31, 2020. Assuming that Mr. Ogilvie was an officer of the Company prior to December 31, 2020, the estimated amounts payable would have been: (i) CAD\$2,125,000 for termination without cause, and (ii) CAD\$2,125,000 for termination subsequent to a change of control or resignation for good reason within 180 days of a change of control.
- (3) Ms. Adiani was appointed as Senior Vice President, Strategy & Corporate Development of the Company on July 22, 2021, subsequent to December 31, 2020. Assuming that Ms. Adiani was an officer of the Company prior to December 31, 2020, the estimated amounts payable would have been: (i) US\$295,800 for termination without cause, and (ii) US\$295,800 for termination subsequent to a change of control or resignation for good reason within 180 days of a change of control.

Director Compensation

Director Compensation Table

The following table sets out the compensation provided to Directors for the year ended December 31, 2020:

Name	Fees earned (US\$) ⁽³⁾	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension Value (US\$)	All other compensation (US\$) ⁽⁵⁾	Total (US\$)
Thomas Boehlert	60,000	13,573	38,780	n/a	n/a	n/a	112,353
Mark Palmer	56,000	n/a	14,304	n/a	n/a	n/a	70,304
Paul Huet ⁽¹⁾	62,000	17,574	32,126	n/a	n/a	50,000	161,700
Donald McInnes ⁽²⁾	n/a	10,251	14,232	n/a	n/a	n/a	24,483
Elaine Ellingham ⁽⁴⁾	56,000	10,251	24,986	n/a	n/a	12,500	103,737

Notes:

- (1) On May 27, 2021 Paul Huet resigned as a Director of the Company.
- (2) On August 20, 2020, Donald McInnes resigned as a Director of the Company.
- (3) Represents all fees awarded, earned, paid, or payable in cash for services as a director, including annual retainer fees, committee, chair, and meeting fees for the year ended December 31, 2020.
- (4) Ms. Ellingham did not stand for re-election as a director at the annual general meeting of the Company held on August 5, 2021.

(5) Represents the dollar value of shares issued for services other than director services.

2021 Director Compensation

It is expected that, in consideration for serving on the Board, each non-executive Director will be paid an annual retainer which may be comprised of combination of cash and DSUs. All non-executive Directors will also have the ability to elect to take their annual cash retainer in DSUs. All directors will be reimbursed for their reasonable out-of-pocket expenses incurred while serving as directors. The compensation provided to Directors will be in line with comparable companies in the mining industry.

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the accounting and financial reporting processes of the Company, audits of the financial statements of the Company and the Company's risk management and complaint processes. The external auditors of the Company report directly to the Audit Committee. The Board has adopted a written Audit Committee charter, attached to this prospectus as Appendix "A", consistent with NI 52-110. The Audit Committee's primary duties and responsibilities are: reviewing and discussing with management and the external auditors all matters relating to audit and financial reporting; assessing the integrity of the internal controls and financial reporting procedures of the Company and ensuring the proper implementation of such controls and procedures; reviewing the annual and interim financial statements, the management's discussion and analysis of the Company's financial position and operating results and in the case of the annual financial statements and related management's discussion and analysis, reporting thereon to the Board for approval; selecting and monitoring the independence and performance of the Company's external auditors; overseeing the work of all disclosure relating to and information deriving from financial statements, management's discussion and analysis; overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing any other audit, review or attest services for the Company and pre-approving any non-audit services to the Company; meeting with, at least annually, the Company's the Chief Financial Officer and the Chief Executive Officer to review accounting practices, internal controls and procedure, and other matters the Audit Committee deems appropriate; reviewing the procedures which are in place for the review of the public disclosure by the Company of financial information extracted or derived from the financial statements of the Company and periodically assessing the adequacy of such procedures; and establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters.

Composition of the Audit Committee

The Audit Committee is composed of Thomas Boehlert (Chair), Mark Palmer and Alan Edwards, all of whom are independent directors and all of whom are financially literate, in each case within the meaning of NI 52-110.

Relevant Education and Experience

For the education and experience of each of Thomas Boehlert, Mark Palmer and Alan Edwards that is relevant to his performance as a member of the Audit Committee, see "*Directors and Executive Officers – Name, Occupation and Security Holding*".

Pre-Approval Policies and Procedures

The Audit Committee mandate requires that the Audit Committee pre-approve any retainer of the auditor of the Company to perform any non-audit services to the Company that it deems advisable in accordance with applicable legal and regulatory requirements and policies and procedures of the Board. The Audit Committee is permitted to delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws.

In the event that the Company wishes to retain the services of the Company's external auditors for tax compliance, tax advice or tax planning, the CFO shall consult with the Chair of the Audit Committee, who shall have the authority, subject to confirmation that such services will not compromise the independence of the Company's external auditors, to approve or disapprove on behalf of the Audit Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Audit Committee as a whole. The CFO shall maintain a record of non-audit services approved by the Chair of the Audit Committee or the Audit Committee for each fiscal year and provide a report to the Audit Committee no less frequently than on a quarterly basis.

External Auditor Service Fees

The aggregate fees billed by PricewaterhouseCoopers, the Company's external auditor, for audit and non-audit services in the 12- month period ended December 31, 2020 and the 9-month period ended December 31, 2019 are as follows:

Period	Audit Fees (ASCU) ⁽¹⁾ (US\$)	Audit-Related Fees ⁽²⁾ (US\$)	Tax Fees ⁽³⁾ (US\$)	All Other Fees ⁽⁴⁾ (US\$)	Total Fees (US\$)
2020	17,715	Nil	Nil	14,268 ⁽⁵⁾	31,983
2019	35,358	Nil	Nil	Nil	35,358

Notes:

- "Audit Fees" are fees necessary to perform quarterly review engagements and the annual audit of the Company's financial statements, including review of tax provisions, accounting consultations on matters reflected in the financial statements, and audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits. "Audit Fees (ELIM)" are all audit fees related to ASCU and include the audit of the purchase price equation for the acquisition of the Cactus Project.
- "Audit-Related Fees" are fees for services that are traditionally performed by the auditor including employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- "Tax Fees" are fees for all tax services other than those included in "Audit Fees (ASCU)" and "Audit-Related Fees" including tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities. No Tax Fees were paid to PricewaterhouseCoopers in 2020 or 2019.
- "All Other Fees" include all other non-audit services.
- Fees incurred for the review of the Company's financial statements for the three months ended September 30, 2020.

STATEMENT ON CORPORATE GOVERNANCE

The Company and the Board recognize the importance of corporate governance to the effective management of the Company and to the protection of its employees and shareholders. The Company's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Company are effectively managed to enhance shareholder value. The Board fulfills its mandate directly and through its committees at regularly scheduled meetings or at meetings held as required. Frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Company's affairs and in light of opportunities or risks which the Company faces. The directors are kept informed of the Company's business and affairs at these meetings as well as through reports and discussions with management on matters within their particular areas of expertise.

The Board

The Board currently consists of five directors, David Laing, Thomas Boehlert, Mark Palmer, Alan Edwards and George Ogilvie of whom 4 are independent based upon the test for director independence in NI 52-110. David Laing, Alan Edwards, Mark Palmer and Thomas Boehlert are the independent directors. George Ogilvie is the President & Chief Executive Officer of the Company and is not independent as a result. David Laing is the Chairman of the Board and is an independent director.

Board Meetings

The Chairman, with the assistance of the Corporate Secretary, develops and sets the agenda for each meeting of the Board, in consultation with other members of the Board and management. Materials for each meeting are distributed to the Board in advance of the meeting.

The following tables set out a summary of the attendance record of each director for all Board and committee meetings held during the financial year ended December 31, 2020.

Board Meetings

Name	2020 Attendance	
	Attended	Held During Tenure

Thomas Boehlert	5	5
Mark Palmer	6	6
John Antwi (former Director)	8	8
Paul Huet (former Director)	8	8
Elaine Ellingham (former Director)	8	8

Audit Committee Meetings

Name	2020 Attendance	
	Attended	Held During Tenure
Thomas Boehlert (Chair)	3	3
Mark Palmer	3	3
Elaine Ellingham (former Director)	3	3

Compensation and Governance Committee Meetings

Name	2020 Attendance	
	Attended	Held During Tenure
Thomas Boehlert	2	2
Paul Huet (former Director and Chair of the Compensation and Governance Committee)	2	2
John Antwi (former Chief Executive Officer and Director)	1	2
Elaine Ellingham (former Director)	2	2

Technical Committee⁽¹⁾

Name	2020 Attendance	
	Attended	Held During Tenure
Mark Palmer	3	3
Elaine Ellingham (former Director & Chair of the Technical Committee)	3	3
Paul Huet (former Director)	2	3

Notes:

- (1) The Technical Committee was combined with the Sustainability Committee to form the Technical and Sustainability Committee. The composition of the Technical Committee and attendance listed in the table reflects attendance record of each director for all Technical Committee meetings held during the financial year ended December 31, 2020.

Sustainability Committee⁽¹⁾

Name	2020 Attendance	
	Attended	Held During Tenure
Mark Palmer (Chair)	1	1

Name	2020 Attendance	
	Attended	Held During Tenure
Thomas Bochlert	1	1
Paul Huet (former Director)	1	1

Notes:

- (1) The Sustainability Committee was combined with the Technical Committee to form the Technical and Sustainability Committee. The composition of the Sustainability Committee and attendance listed in the table reflects the attendance record of each director for all Sustainability Committee meetings held during the financial year ended December 31, 2020.

Additional Directorships

Some of the directors of the Company serve on the same boards of directors of other reporting issuers (or the equivalent) in Canada or foreign jurisdictions. The following table lists the directors of the Company who serve on boards of directors of other reporting issuers (or the equivalent) and the identities of such reporting issuers (or the equivalent).

<u>Name of Director</u>	<u>Reporting Issuers (or the Equivalent)</u>
David Laing	Fortuna Silver Mines Inc., Northern Dynasty Minerals Ltd., Blackrock Silver Corp., Amarillo Gold Corp.
Alan Edwards	Entrée Resources Ltd., Orvana Minerals Corp. and Americas Gold & Silver
George Ogilvie	Rupert Resources Ltd.
Mark Palmer	Orion Minerals Ltd.

The Board has determined that these additional directorships do not adversely impact the effectiveness of these directors on the Board or create any potential for conflicts of interest.

Meetings of Independent Directors

The independent directors of the Company shall hold regularly scheduled meetings, at least once per annum or as required at each meeting of the Board, at which non-independent directors and members of management are not in attendance. In 2020, the Board held in-camera sessions of the independent directors at the end of each meeting of the Board. The Board held such in-camera sessions at eight meetings in 2020.

Board Charter

The Board is responsible for the stewardship of the Company, the supervision of senior management of the Company and overseeing the general affairs and conduct of the business of the Company. The Board has adopted a formal charter, set forth in Appendix "G", that includes, among other things, the following duties and obligations:

- ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- ensure that appropriate structures and procedures are in place to permit the Board to function independently of management;
- participate with management, in the development of, and ultimately approve, the Company's strategic plan;
- approve annual capital and operating budgets that support the Company's ability to meet its strategic objectives;
- approve financial and operating objectives used in determining compensation if they are different from the strategic, capital or operating plans referred to above;

- monitor the Company's progress towards its strategic objectives, and revise and alter its direction through management in light of changing circumstances;
- conduct periodic reviews of human, technological and capital resources required to implement the Company's strategy and the regulatory, cultural or governmental constraints on the business;
- primarily through the Audit Committee, take reasonable steps to ensure the integrity and effectiveness of the Company's internal controls and management information systems;
- review operating and financial performance relative to budgets and objectives;
- understand the principal risks of the business in which the Company is engaged;
- ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Company;
- be responsible for the Company risk management processes;
- promote a culture of integrity, ethical leadership, diversity, inclusion and sustainability within the Company;
- appoint the Chief Executive Officer, monitor and assess the Company's Chief Executive Officer performance against corporate and personal goals and objectives, determine compensation for the Chief Executive Officer, considering the recommendations of the Governance and Nominating and Compensation Committees, and provide advice and counsel in the execution of the Chief Executive Officer's duties;
- annually consider what additional skills and competencies would be helpful to senior management and the Board, with the Governance and Nominating Committee and the Compensation Committee (having received input from the Board) being responsible for identifying specific candidates for consideration for appointment to management and / or the Board;
- the evaluation of the relevant relationships for director independence and, where applicable, appointing a lead director in circumstances in which the Chairman of the Board is not considered independent under applicable laws;
- adopt a communication or disclosure policy for the Company and ensure that the Company has in place effective communication processes with shareholders and other stakeholders (including measures to enable stakeholders to communicate with the independent directors of the Board) and with financial, regulatory and other institutions and agencies; and
- ensure that adequate provision has been made to train and develop management and for the orderly succession of the Chief Executive Officer and the other senior officers.

At the Company's expense, the Board may retain, when it considers it necessary or desirable, outside consultants or advisors to advise the Board independently on any matter. The Board shall have the sole authority to retain and terminate any such consultants or advisors, including sole authority to approve a consultant's or advisor's fees and other retention terms. The Board discharges its responsibilities directly and through its committees, currently consisting of the Audit Committee, the Compensation Committee, the Governance and Nominating Committee, the Technical & Sustainability Committee.

Majority Voting Policy

The Board has adopted a majority voting policy which is included in the charter of the Board. Pursuant to the majority voting policy, each director must be elected by a majority (50% +1 vote) of the votes cast with respect to his or her election other than at contested meeting. If a director is not elected by at least a majority (50% +1 vote) of the votes cast with respect to his or her election, such director must immediately tender his or her resignation to the Board. The Board shall determine whether or not to accept the resignation within 90 days after the date of the relevant security holders' meeting. The Board shall accept the resignation absent exceptional circumstances and the resignation will be effective when so

accepted by the Board. The Board shall promptly issue a press release to announce its decision, a copy of which shall be provided to the TSX. If the Board declines to accept the resignation, it should include in the press release the reasons for its decision. A director who tenders a resignation pursuant to this provision will not participate in any meeting of the Board or any sub-committee of the Board at which the resignation is considered. If a resignation is accepted, the Board may, in accordance with the BCBCA and the Company's articles, appoint a new director to fill any vacancy created by the resignation or reduce the size of the Board.

Position Descriptions

The Board has adopted a written position description for the Chief Executive Officer which sets out the key responsibilities of our Chief Executive Officer, including, among other duties in relation to providing strategic leadership and vision by working with the Board, serving as the primary external spokesperson of the Company, foster a corporate culture that promotes ethical and responsible practices and decision making, take all reasonable steps to satisfy the Board as to the integrity of the CEO and other senior officers and ensuring a culture of fairness and integrity is created throughout the Company, communicate regularly and in a timely fashion with the Board, assist the Governance and Nominating Committee with the development of mandates for the Board and committees of the Board, recommend strategic, operating and financial plans to the Board, provide a general management of the day-to-day operation of the business, develop and maintain a strong working relationship with all senior management and ensure that the Company has an effective management team, as well as meet annually with the Compensation Committee to discuss goals, objectives and performance of other senior officers of the Company.

The charter of the Board sets out the responsibilities of the Chairman of the Board. The Chairman of the Board is primarily responsible for the management, development and effective performance of the Board and provides leadership to the Board, including: organizing the Board to function independently of management; promote ethical and responsible decision making, appropriate oversight of management and best practices in corporate governance; manage the affairs of the Board, including ensuring that the Board is organized properly, functions effectively and meets its obligations and responsibilities; ensure the Board has the opportunity to meet without members of management present on a regular basis; coordinating with management and the corporate secretary of the Company to ensure that matters to be considered by the Board are properly presented and given the appropriate opportunity for discussion; communicating with all members of the Board to co-ordinate their input, ensure their accountability and provide for the effectiveness of the Board and its committees as well as to keep members up to date on all major developments concerning the Company; providing advice, counsel and mentorship to other members of the Board, the Chief Executive Officer and other senior officers; preside as chair of each meeting of the Board and meeting of the shareholders of the Company; and ensure the Company, and where appropriate the Board, is adequately represented at official functions and meetings with major shareholder groups, other stakeholders, financial analysts, media and the investment community.

The Board has also adopted a written position description for each of the committee chairs, as provided in each of the committee's charter, which sets out each of the committee chair's key responsibilities, including, among others, duties relating to providing leadership to the committee, chairing the meeting, setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

Orientation and Continuing Education

New members of the Board are provided with: (i) a copy of the Company's corporate governance documents; (ii) information respecting the Company's operations and corporate structure; and (iii) access to senior management.

Board members are encouraged to communicate with management and auditors; keep themselves current with industry trends and developments and changes in legislation with management's assistance; attend related industry seminars; and visit the Company's operations. During the last two financial years, three (3) of the Company's five (5) directors visited the Cactus Mine and attended corporate presentations outlining the Company's local activities, operations and applicable laws, among other matters.

External legal counsel to the Company, Bennett Jones LLP, updates the Board on relevant changes in the law. Board members also have full access to the Company's records.

Ethical Business Conduct

The Board is committed to maintaining the highest standards of ethical conduct, promoting integrity, deterring wrongdoing and complying with applicable laws, rules and regulations and has adopted the Code for its directors, officers, consultants and employees ("**Company Individuals**"). A copy of the Code is available on the Company's website and will be available under the Company's profile on SEDAR at www.sedar.com.

The Board is responsible for monitoring compliance with the Code. The objective of the Code is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the Company and its subsidiaries. The Code addresses compliance with laws, rules and regulations, conflicts of interest, inside information and securities trading, corporate opportunity, confidentiality, fair dealings, protection and proper use of Company assets, discrimination and harassment, gifts and entertainment, payments to government personnel, lobbying, health and safety, accuracy of business records and reporting, competitive information, use of e-mail and internet services, social media use, and media and public and governmental inquiries. All Company Individuals must work to ensure prompt and consistent action against violations of the Code. Company Individuals must promptly advise either a supervisor, or the Chairman, if a Company Individual believes that he or she has observed, has knowledge of or suspects a violation of the Code by any Company Individual, or by anyone purporting to be acting on the Company's behalf. Any such reports may be made anonymously and Company Individuals are encouraged to talk to supervisors, managers or other appropriate personnel about observed illegal or unethical behaviour. Confidentiality will be maintained, to the extent permitted by law. If a Company Individual is not comfortable reporting such behaviour to a supervisor, or the Chairman, the individual may report it to the Company's external legal counsel. Inappropriate delay in reporting a suspected or discovered violation is itself a violation of this Code. The Board will annually review and evaluate the effectiveness of the Code.

The Board has also adopted a Whistleblower Policy for individuals to report complaints and concerns regarding, among other things, violations of the Code. As well, the Company has a Foreign Corrupt Practices Policy which requires that directors, officers, other employees, consultants and contractors of the Company conduct business in a manner that does in an honest and ethical manner and not contravene anti-bribery and anti-corruption laws that apply to the Company, including the *Corruption of Foreign Public Officials Act* (Canada). The Board is responsible for monitoring compliance with this policy. Employees may approach their immediate supervisor or management of the Company, or if preferred the Chief Executive Officer or Chief Financial Officer to communicate any violations under the Foreign Corrupt Practices Policy.

Audit Committee

See "*Audit Committee*".

Compensation Committee

The Compensation Committee is responsible for the oversight and setting of the compensation for the Company's executive officers, including the Company's Chief Executive Officer and the Board and for establishing frameworks for incentive compensation, equity-based and pension plans considered advisable. In particular, the Compensation Committee is responsible for, among other things, reviewing and making recommendations to the Board with respect to the compensation philosophy, policies and programs that support the Company's overall business strategy; annually reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer; reviewing and approving the remuneration of executive officers of the Company; reviewing and making recommendations to the Board with respect to the Company's incentive compensation, equity-based and pension plans; reviewing and making a recommendation to the Board on the approval of any employment agreement or any compensatory transaction with an officer involving compensation; establishing and reviewing policies concerning perquisite benefits and approving all special perquisites, special cash payments and other special compensation and benefits arrangements for officers and employees of the Company; determining and recommending to the Board change-of-control or parachute payments; reviewing and making recommendations to the board with respect to executive officer and director indemnification and insurance matters; reviewing and making a recommendation to the Board for approval the compensation of directors of the Company for their service to the Board; approving compensation awards, as may be required to comply with applicable tax and state corporate laws; reviewing the Company's compensation disclosure in its annual management information circular and assist management in complying with such requirements; preparing any reports required by applicable rules and regulations or listing standards; annually reviewing and assessing the adequacy of the Compensation Committee Charter; determining the Board's compensation in light of Company goals and objectives; and regularly reporting to the Board.

On an annual basis the Compensation Committee reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer and other executive officers, evaluates the Chief Executive Officer's and other executive officers' performance in light of those goals and objectives and determines and approves the Chief Executive Officer's compensation based on this evaluation and makes a recommendation to the Board for the compensation of the other executive officers with respect to their performance in light of the evaluation.

The process by which appropriate compensation is determined by the Board through periodic and annual reports from the Compensation Committee on the Company's overall compensation and benefits philosophies with such compensation realistically reflecting the responsibilities and risks of such positions. See "*Director and Executive Compensation*".

The Compensation Committee has the authority to engage, at the expense of the Company, independent counsel and other experts or advisors as is considered necessary or appropriate in carrying out its duties, including compensation consultants to assist in determining appropriate compensation policies and levels, provided that the Compensation Committee is directly responsible for the oversight of such advisors.

The Compensation Committee is comprised of three independent directors Thomas Boehlert (Chair), Alan Edwards and David Laing. All members of the Compensation Committee, other than Thomas Boehlert sit on compensation committees of other publicly traded companies in the mining industry.

Governance and Nominating Committee

The Governance and Nominating Committee has been delegated the responsibility of (i) developing and recommending to the Board, administering and monitoring compliance with, the corporate governance procedures, charters and policies of the Company, in addition to monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of public companies; (ii) identifying and assisting the Board in selecting potential candidates for the Board and recommending to the Board director nominees for election at the next annual meeting of shareholders of the Company; (iii) providing continuing education for directors; (iv) reviewing and approving corporate governance disclosure before the Company publicly discloses the information; and (v) annually conducting an evaluation of the Board and its committees. See "*Board Succession and Skills Matrix*" below.

The Governance and Nominating Committee considers from time to time the desirable number of directors of the Company, identifies and recommends to the Board proposed nominees to be directors of the Company, and considers a skills matrix for the Board which includes the competencies and skills which each individual director possesses.

In addition, the Governance and Nominating Committee assists the Company and the Board in fulfilling their respective corporate governance responsibilities under applicable securities laws, and to promote a culture of integrity throughout the Company. The Governance and Nominating Committee is also responsible for, among other things, considering, or presenting to the Board for consideration, any transaction involving the Company and any related party; monitoring any related party transaction and reporting to the Board on a regular basis regarding the status of any related party transaction; providing an orientation session for new directors and continuing education for existing directors; and annually conducting an evaluation of the effectiveness of the Board as a whole, its committees and individual directors.

The Governance and Nominating Committee is comprised of David Laing (Chair), Mark Palmer, and Thomas Boehlert, all of whom are independent directors within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Technical & Sustainability Committee

The Company has established a Technical & Sustainability Committee to assist the Board in fulfilling its oversight responsibilities with respect to: (i) technical matters relating to the Company's exploration, development and mining activities; (ii) procedures for the preparation and disclosure of resource and reserve information, (iii) exploration, development, and operating and production plans and budgets for proposed and existing operation of the Company, (iv) policies and practices regarding health, safety, environment and sustainability matters, (v) policies and practices regarding corporate social responsibility matters and compliance with the Company's ESG strategy; and (vi) the Company's public disclosure relating to health, safety, environment, social responsibility and sustainability matters. The Technical & Sustainability Committee shall report to the Board on a regular basis, as requested by the Board or as otherwise is necessary or appropriate to ensure the Board is properly apprised on technical and operational matters. The Technical & Sustainability Committee is responsible for, among other things: conducting site visits to key property or properties to

meet local management and receive a review of operations; reviewing the assumptions and methodology underpinning the Company's mineral reserve and resource estimates and to recommend to the Board for approval any new, updated or annual statements of mineral reserves and resources; reviewing any draft technical reports, including the processes used to prepare such reports and to recommend to the Board for approval any technical report proposed to be filed by the Company; review annual exploration, development and operating and production plans, together with reports, for proposed and existing material properties, and making recommendations to the Board for consideration, as appropriate; and ensuring an appropriate risk management process exists to identify, assess and manage technical, operational, and health and safety risks.

Moreover, the Technical & Sustainability Committee assists the Company and the Board in fulfilling their respective obligations relating to safety, health, environmental and sustainability matters concerning the Company. It is also responsible for, among other things: reviewing and discussing activities as required in connection with the Company's Environmental, Sustainable and Governance Framework (the "ESG Strategy"); reviewing and recommending to the Board, for approval, changes in or additions to the safety, health, environment and sustainability policies of the Company; reviewing and reporting to the Board on the results of any material safety, health, environment or sustainability incident and audits at any of the Company's operations; reviewing management's response to all health, safety, environment and sustainability audits and material incidents; investigating, or cause to be investigated, material negative safety, health, environment or sustainability performance; reviewing and reporting to the Board on the safety, health, environment and sustainability risks associated with the Company's operations, and the procedures and plans designed to manage and mitigate those risks; and reviewing reports from management of the Company's corporate social responsibility programs and ensuring management develops, adopts and implements social policies, programs, procedures and activities in communities where the Company conducts its business that are consistent with industry best practice and are aligned with the Company's ESG Strategy.

The Technical & Sustainability Committee is comprised of Alan Edwards (Chair), Mark Palmer and David Laing

Board Succession and Skills Matrix

The Governance and Nominating Committee, which is 100% comprised of independent directors, is responsible for identifying and recommending proposed nominees for the Board and considers the competencies needed for the Board as well as other factors, including the individual's competencies and expertise and contractual obligations of the Company. The Governance and Nominating Committee and the Board use a skills matrix to assist in identifying any gaps in the skills and competencies considered to be the most significant for the Company.

The Governance and Nominating Committee is responsible for annually assessing the effectiveness of the Board as a whole, its committees and individual directors. The current practice is for the Board to make ongoing, informal assessments of the performance of the Board, its committees and individual directors, including with respect to their effectiveness and contribution.

The following table highlights the broad skill set of the Board and reflects those competencies considered most necessary for the Board to carry out its mandate effectively.

<u>Category</u>	<u>Directors with Relevant Experience</u>
General Experience	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Board and Governance	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Financial Reporting	David Laing Thomas Boehlert

Category	Directors with Relevant Experience
	Mark Palmer Alan Edwards George Ogilvie
Corporate Finance	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Senior Management Experience	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Legal	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Mineral Exploration	David Laing Mark Palmer Alan Edwards George Ogilvie
Mining Development and Construction	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Mining Operations	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Sustainability	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Communications	David Laing Thomas Boehlert Mark Palmer Alan Edwards George Ogilvie
Compensation/Human Resources	David Laing Thomas Boehlert Mark Palmer

Category

Directors with Relevant Experience

Alan Edwards
George Ogilvie

Term Limits

The Board has not adopted term limits or other automatic mechanisms of board renewal. Rather than adopting formal term limits, mandatory age-related retirement policies and other mechanisms of board renewal, the Governance and Nominating Committee will seek to maintain the composition of the Board in a way that provides, in the judgement of the Governance and Nominating Committee, the best mix of skills and experience to provide for the Company's overall stewardship. The Governance and Nominating Committee is also expected to conduct a process for the assessment of the Board and each committee regarding his, her or its effectiveness and performance, and to report evaluation results to the Company's board of trustees. See also "*Diversity and Inclusion*".

Diversity and Inclusion

The Company believes that decision-making is enhanced through diversity in the broadest sense and in 2021, it adopted a Diversity and Inclusion Policy to reflect this principle. The Company believes that diversity includes valuing an individual's experiences, knowledge, inventiveness, innovation, self-expression, capabilities, talent, race, color, gender identity or expression, age, religion, ethnicity, socio-economic status, as well as other factors. The objective of the Diversity and Inclusion Policy is to attract and retain highly skilled and diverse workforce and to encourage and enforce respectful communication and cooperation between all employees; teamwork and employee participation, permitting the representation of all groups and perspectives; and employer and employee contributions to the communities the Company serves to promote a greater understanding and respect for diversity. In addition, the Company strives to build and maintain a safe and inclusive work environment, set measurable objectives for gender diversity and build a workforce that is provided with adequate opportunities for career advancement, learning and development.

The Company recognizes that gender diversity is a significant aspect of diversity and as such, aspires to have female directors comprise of not less than 30% of the Board by 2023 and female officers / senior management comprise of not less than 25% of senior management.

Currently, the Board consists of five members, none of whom is female, and the Company has six executive officers, one of whom is female (17%).

RISK FACTORS

Investing in the Common Shares is speculative and involves a high degree of risk due to the nature of the Company's business and the present stage of exploration and development of the Company's mineral properties. Risk increases substantially where mineral properties are in the exploration or development stages as opposed to the operational stage. An investment in the Common Shares should only be made by persons who can afford the total loss of their investment. The following risks, as well as risks currently unknown to the Company, could adversely affect the Company's current or future business, properties, operations, results, cash flows and financial condition and could cause future results, cash flows, financial condition, prospects, events or circumstances to differ materially from those currently expected, including the estimates and projections contained in this prospectus. Investors should carefully consider the risks described below and elsewhere in this prospectus.

Risks Related to the Company and to Mineral Exploration and Development

Copper prices are volatile and may be lower than expected

The Company'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 prevalent and 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 the Company.

The market price of copper is affected by numerous factors beyond the Company'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 the above factors can, through their interaction, affect the price of copper by increasing or decreasing the demand for or supply of copper.

The price of copper has fluctuated widely in recent years, and any future material price declines could cause the development and restart of the Cactus Mine to be uneconomic. Depending on the expected price of copper, projected cash flows from planned mining operations may not be sufficient to warrant commencing development or mining, and the Company could be forced to discontinue plans of development, or delay or abandon making a construction or production decision. The Company may be forced to sell one or more portions of the Cactus Project to generate cash. Future production from the Cactus Mine will be dependent on a price of copper that is adequate to make a deposit economically viable. Furthermore, future mine plans using significantly lower copper prices could result in material write-downs of the Company's investment in the Cactus Mine and in reductions in Mineral Resource estimates. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.

Further a declining or sustained low price of copper could negatively impact the Company's ability to finance the exploration and development of the Cactus Project.

Although the price of copper is only one of the several factors that the Company will consider in making development, construction and production decisions in relation to the Cactus Project, if the Company determines from a reassessment that the Cactus Mine is not economically viable in whole or in part, then operations may cease or be curtailed and the Cactus Mine may never be fully developed or developed at all. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.

Product alternatives may reduce demand for the Company's products

Copper has a number of different applications, including being used in wiring and cable products, copper tubing and the transportation industry. The projected medium-long term demand for copper is expected to be driven significantly by amongst other factors, the current anticipated global energy transition to renewable energy & electrification and electric vehicles. Alternative technologies are continually being investigated and developed with a view to reducing production costs or for other reasons, such as minimizing environmental or social impact. If competitive technologies emerge that use other materials in place of copper, demand and price for copper might fall, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Estimating Mineral Reserves and Mineral Resources is risky and no assurance can be given that such estimates will be achieved

The Company's Mineral Resources are estimates only, and no assurance can be given that the anticipated tonnages and grades reported in the Integrated Cactus PEA will be achieved, that the indicated level of recovery reported in the Integrated Cactus PEA will be realized or that estimated Mineral Resources will be declared as Mineral Reserves and can or will be mined or processed profitably. The Company's Mineral Resource estimates may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing and other factors. There are numerous uncertainties inherent in estimating Mineral Resources, including many factors beyond the Company's control. Estimation is a subjective process, and the accuracy of the Company's Mineral Resource estimate is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation of that data and the level of congruence with the actual size and characteristics of the Company's deposits. These estimates may require adjustments or downward revisions based upon further exploration or development work or drilling.

Fluctuations in copper prices, results of drilling, metallurgical testing, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties may require revision of the Company's Mineral Resource estimates. Mineral Resource estimates are based on drill hole information, which is not necessarily indicative of conditions between and around the drill holes. Accordingly, such Mineral Resource estimates may require revision as more geologic and drilling information becomes available and as further studies are conducted. Should reductions in Mineral Resources occur, the Company may be required to take a material write-down of its

investment in the Cactus Project, reduce the carrying value of the Cactus Project or delay the development of, or production from, some or all of the deposits forming the Cactus Project, which could have a material adverse effect on the Cactus Project and the Company's business, financial condition, results of operations, cash flows and prospects. Mineral Resources should not be interpreted as assurances of expected LOM or of the profitability of future operations. There is a degree of uncertainty in estimating Mineral Resources and of the grades and tonnage that are forecast to be mined and, as a result, the grade and volume of copper that the Company eventually mines, processes and recovers may not be the same as currently anticipated. Any material reductions in estimates of Mineral Resources, could have a material adverse effect on the Cactus Project and the Company's business, financial condition, results of operations, cash flows or prospects.

Mineral Resources are not Mineral Reserves and have a greater degree of uncertainty as to their existence and feasibility. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no assurance that Mineral Resources will be upgraded to Proven or Probable Mineral Reserves. Mineral Resources that are in the Inferred category are even more risky. Due to the uncertainty and speculative nature of Inferred Mineral Resources, economic considerations cannot be applied to this category and there is no assurance that Inferred Mineral Resources will be upgraded to Proven or Probable Mineral Reserves as a result of continued exploration.

Nature of mineral exploration, development and mining

The Company's future is dependent on its exploration, development and successful results from technical study programs. The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which may not be eliminated even through a combination of careful evaluation, experience and knowledge. Major expenditures on the Company's properties may be required to construct or repair mining and processing facilities at a site, and it is possible that further detailed studies may show uneconomic results, leading to the abandonment of projects. It is impossible to ensure that economic studies on the Company's projects, or the current or proposed exploration programs on any of the properties in which the Company has exploration rights, will result in any profitable commercial mining operations. The Company cannot give any assurance that its current and future exploration activities will result in a discovery of mineral deposits containing mineral reserves. Estimates of mineral resources and any potential determination as to whether a mineral deposit will be commercially viable can also be affected by such factors as: the particular attributes of the deposit, such as its size and grade; unusual or unexpected geological formations and metallurgy; proximity to infrastructure; financing costs; copper and by-product metal prices, which are highly volatile; and governmental regulations, including those relating to prices, taxes, royalties, infrastructure, land use and acquisition, importing and exporting of metal, exchange controls and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of any or all of these factors may result in the Company not receiving an adequate return on its invested capital or suffering material adverse effects to its business and financial condition. Exploration and development projects also face significant operational risks including but not limited to an inability to obtain access rights to properties, accidents, equipment breakdowns, labour disputes (including work stoppages and strikes), and other unanticipated interruptions.

Dependent on the success of the Cactus Mine

The Company's current principal operation is expected to be the Cactus Mine in Arizona and the Company is dependent upon the success of this project. The continued development of mining operations at the Cactus Mine will require the commitment of substantial additional resources for capital expenditures and operating expenditures, which may increase in subsequent years as needed, and for consultants, personnel and equipment associated with additional development and mining of such project.

The Company may not be able to obtain further financing and continue on a going concern basis

The Company's primary sources of capital resources are comprised of cash and cash equivalents and the issuance of securities. The Company will continuously monitor its capital structure and, based on changes in operations and economic conditions, may adjust the structure by issuing new shares or new debt as necessary. It is anticipated that funds from the Offering will support further technical work and drilling in connection with the Cactus Mine. The Company will need to raise further funds to complete the development of the Cactus Mine, as well as to conduct other exploration and development activities. The Company will seek to raise further funds through equity or debt financings. The Company's ability to continue as a going concern in the short-term is dependent on the continued support of its equity holders. In the long-term the Company's ability to continue as a going concern is dependent on raising further funding. While the Company has been successful in securing financing to date, there are no guarantees that it will be able to secure such

financing in the future on terms acceptable to the Company, if at all. This could, in turn, have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Risk of not obtaining relevant permits or renewal of permits

The Company's operations are subject to extensive laws and regulations governing, among other things, such matters as environmental protection, management and use of toxic substances and explosives, health, exploration and development of mines, production and post-closure reclamation, safety and labour, taxation and royalties, maintenance of leases and claims, and expropriation of property. The activities of the Company require permits and licenses from various governmental and/or regulatory authorities.

The costs associated with compliance with these laws and regulations and of obtaining permits and licenses are substantial, and possible future laws and regulations, changes to existing laws and regulations and more stringent enforcement of current laws and regulations by governmental and/or regulatory authorities, could cause additional expenses, capital expenditures, restrictions on or suspensions of the Company's operations and delays in the development of its properties. There is no assurance that future changes in such laws and regulations, if any, will not adversely affect the Company's operations. Moreover, these laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety practices of the Company's past and current operations, or possibly even the actions of former property owners, and could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions. The Company may fail to comply with current or future laws and regulations. Such non-compliance can lead to financial restatements, civil or criminal fines, penalties, and other material negative impacts on the Company.

As the development of the Cactus Mine and exploration activities proceed, the Company may be required to obtain or renew further government permits for its current and contemplated operations. Obtaining or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain and renew permits are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting authority. The Company may not be able to obtain or renew permits that are necessary to its operations, or the cost to obtain or renew permits may exceed what the Company believes it can ultimately recover from a given property once in production. Any unexpected delays or costs associated with the permitting process could delay the development of or impede the operation of a mine. To the extent necessary permits, licenses or authorizations are not obtained or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with planned development, commercialization, operation and exploration activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Estimates of capital cost and operating costs may be lower than actual costs

As a result of the substantial expenditures involved in the development of a mineral project, the need to project years into the future, the need to make assumptions and use models that may not adequately approximate reality, and the fluctuation of costs over time, a development project is prone to material cost overruns. The Cactus Mine does not have a recent operating history upon which the Company can accurately base estimates of future operating costs. The Integrated Cactus PEA is preliminary in nature and estimates cash operating costs based upon, among other things:

- anticipated tonnage, grades and metallurgical characteristics of the mineralized material to be mined and processed;
- anticipated development access for access to mineralized material;
- anticipated recovery rates of copper and other metals from the mineralized material;
- cash operating costs of comparable facilities and equipment; and
- anticipated availability of labour and equipment.

Capital costs, operating costs, production and economic returns, and other estimates may differ significantly from those anticipated by the Integrated Cactus PEA, and there can be no assurance that the Company's actual capital or

operating costs will not be higher than currently anticipated or that returns will not be lower than anticipated. The Company's actual costs may vary from estimates for a variety of reasons, including: limitations inherent in modelling; changes to assumed third party costs; short term operating factors; revisions to mine plans; risks and hazards associated with development and mining described elsewhere in this prospectus; natural phenomena, such as inclement weather conditions, water availability, floods, and earthquakes; and unexpected labour shortages or strikes. Operating costs may also be affected by a variety of factors, including: mining methods, changing waste-to-ore ratios, mineralized material grade metallurgy, labour costs, the cost of commodities, general inflationary pressures and currency exchange rates. Many of these factors are beyond the Company's control. Failure to achieve estimates or a material increase in costs could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects.

Geological, hydrological and climatic events could suspend future mining operations or increase costs

All mining operations face geotechnical, hydrological and climate challenges. Unanticipated adverse geotechnical and hydrological conditions, such as landslides, subsidence and uplift, embankment failures and rock fragility may occur in the future and such events may not be detected in advance. Geotechnical instabilities and adverse climatic conditions can be difficult to predict and are often affected by risks and hazards outside of the Company's control, such as severe weather and seismic activity.

Geotechnical failures could result in limited or restricted access to mines, suspension of operations, environmental damage, government investigations, increased monitoring costs, remediation costs, loss of mineralized material and other impacts, which could result in loss of revenue or increased costs, and could result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Certain areas surrounding the Cactus Mine which are non-operational and are in the development buffer zone, lie within a potential flood zone risk. Although flooding has not occurred to date, flooding at the Company's properties may nonetheless occur in the future. Once on the Company's properties, this water must be treated as any other water which the Company seeks to discharge from its properties and must meet environmental standards. This means that, provided there is no regulatory relief, the Company may be required to store and potentially treat the water, and to limit discharge to the approved limits under the Company's permits. If the amount of such water flowing onto the properties exceeds the capacity of the Company's storage ponds, the Company may be required to store water in underground areas of its mines, limiting its ability to operate in those areas. Production and capital development could be delayed if the Company cannot operate in necessary areas as a result of such flooding, which could cause the Company to delay future development plans, construction, production and loss of future revenue. The Company may also incur additional costs as a result of such flooding, both in dealing with the excess water and in remediating any damage resulting from flooding.

Title matters

Once acquired, title to, and the area of, mineral properties may be disputed. There is no guarantee that title to one or more claims, concessions or leases at the Cactus Project will not be challenged or impugned. There may be challenges to any of the Company's titles which may result in the Company paying substantial costs to settle or dispute, and if such challenges are successful, could result in the loss or reduction of the Company's interest in such titles. The Cactus Project may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. The failure to comply with all applicable laws and regulations, including a failure to pay taxes or to carry out and file assessment work, can lead to the unilateral termination of concessions by mining authorities or other governmental entities.

Closing of the LKY Transaction

The closing of the Offering will occur before the closing of all three Phases of the LKY Transaction.

The LKY Transaction has not yet closed, although Cactus 110 has paid an initial deposit of US\$500,000. The completion of the LKY Transaction is subject to the satisfaction of certain closing conditions, including Cactus 110 having sufficient funds to pay the deposit as well as the first installment of US\$7.5 million, less deposits, due at closing, and the receipt of certain land use and zoning approvals from the City of Casa Grande. There can be no assurance that such conditions will be satisfied or waived. As such, there is no assurance that the LKY Transaction will be completed or, if completed, will be on terms that are substantially the same as those disclosed in this prospectus. In addition if the LKY Transaction is

completed, Cactus 110 will require sufficient funds to pay the Post-Closing Purchase Price relating to the LKY Transaction, which is secured by a Carryback Loan and LKY Note. The failure to complete the LKY Transaction or the failure to pay the Post-Closing Purchase Price if the LKY Transaction is completed, could impact the access to land set aside by the Company as buffer zones for development for the Cactus Project. This may require the Company to revise the site layout in the Integrated Cactus PEA resulting in potentially increased costs and adversely affecting the Company's future prospects.

For more details on the Arcus Transaction and LKY Transactions, see "General Development and Business of the Company – Other Transactions – Arcus Purchase and Sale Agreement" and "General Development and Business of the Company – Other Transactions – LKY Purchase and Sale Agreement" respectively.

Social and environmental activism can negatively impact exploration, development and mining activities

There is an increasing level of public concern relating to the effects of mining on the natural landscape, on communities and on the environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs") who oppose resource development can be vocal critics of the mining industry. In addition, there have been many instances globally in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. Although the Company has historically benefited from a supportive community within the Pinal county area and more widely in Arizona, NGOs or local community organizations could direct adverse publicity and/or disrupt the operations of the Company in respect of one or more of its properties in the future, regardless of its successful compliance with social and environmental best practices, due to political factors, activities of unrelated third parties on lands in which the Company has an interest or the Company's operations specifically. Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company or its relationships with the communities in which it operates, which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The Company's success depends on developing and maintaining relationships with local communities, stakeholders and its labour force

The Company's future success depends on developing and maintaining productive relationships with the communities surrounding its operations who may have rights or may assert rights to certain Company properties, and other stakeholders in the Company's operating locations. The Company believes that its operations can provide valuable benefits to surrounding communities in terms of direct employment, training and skills development and other benefits associated with ongoing payment of taxes. In addition, the Company's ESG Framework and its corporate policies and procedures involve active community participation and interaction. Notwithstanding the Company's ongoing efforts, local communities and stakeholders can become dissatisfied with the Company's activities or the level of benefits provided, which may result in legal or administrative proceedings, civil unrest, protests, direct action or campaigns against us. Any such occurrence could materially and adversely affect the Company's business, financial condition or results of operations.

Further, the Company's development of the Cactus Project will be dependent upon the efforts of its employees and the Company's operations would be adversely affected if it failed to maintain satisfactory labour relations. Relations between the Company and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities who have jurisdiction over the various aspects of the Company's business. Changes in such legislation or in the relationship between the Company and its employees may have a material adverse effect on the Company's business, results of operations or financial condition.

Dependence on the skills of the Company's management and key personnel

The Company's business is dependent on retaining the services of its key management personnel with a variety of skills and experience, including in relation to the development and operation of mineral projects. The success of the Company is, and will continue to be, dependent to a significant extent on the expertise and experience of its directors and senior management. Failure to retain, or loss of, one or more of these people could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects. The Company's success will also depend to a significant degree upon the contributions of qualified technical personnel and the Company's ability to attract and retain highly skilled personnel. Competition for such personnel is intense, and the Company may not be successful in attracting and retaining qualified personnel, or in obtaining the necessary work permits to hire qualified expatriates. The Company's inability to attract and retain these people could have a material adverse effect on its business, financial condition, results of operations, cash flows or prospects. In addition, the COVID-19 pandemic may cause the Company

to have inadequate access to an available skilled workforce and qualified personnel, which could have an adverse impact on the Company's financial performance and financial condition.

Operations during mining cycle peaks are more expensive

During times of increased demand for metals and minerals, price increases may encourage expanded mining exploration, development and construction activities. These increased activities may result in escalating demand for and cost of contract exploration, development and construction services and equipment. Increased demand for and cost of services and equipment could cause exploration, development and construction costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, and increased potential for scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs, result in project delays, or increase operating costs.

Mining operations are very risky

Any future development or mining operations of the Company, involves various types of risks and hazards typical of companies engaged in the mining industry. These risks affect the current exploration and development activities of the Company, and will affect the Company's business to an even larger extent if commercial mining operations commence. Such risks include, but are not limited to: (i) industrial accidents; (ii) unusual or unexpected rock formations; (iii) structural cave-ins or slides and pitfall, ground or slope failures and accidental release of water from surface storage facilities; (iv) fire, flooding and earthquakes; (v) rock bursts; (vi) metals losses; (vii) periodic interruptions due to inclement or hazardous weather conditions; (viii) environmental hazards; (ix) discharge of pollutants or hazardous materials; (x) failure of processing and mechanical equipment and other performance problems; (xi) geotechnical risks, including the stability of the underground hanging walls and unusual and unexpected geological conditions; (xii) unanticipated variations in grade and other geological problems, water, surface or underground conditions; (xiii) labour disputes or slowdowns; (xiv) work force health issues as a result of working conditions; and (xv) force majeure events, or other unfavourable operating conditions.

These risks, conditions and events could result in: (i) damage to, or destruction of the value of, the Cactus Mine or its facilities; (ii) personal injury or death; (iii) environmental damage to the Cactus Mine, surrounding lands and waters, or the properties of others; (iv) delays or prohibitions on mining or the transportation of minerals; (v) monetary losses; and (vi) potential legal liability. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, results of operation or prospects. In particular, open pit and/or underground development and exploration activities present inherent risks of injury to people and damage to equipment. Significant mine accidents could occur, potentially resulting in a complete shutdown of the Company's operations at the Cactus Mine which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

There are also risks related to the reliance on the reliability of current and new or developing technology; the reliance on the work performance of outside consultants, contractors, and manufacturers; changes to project parameters over which the Company does not have complete control such as the copper price or labour or material costs; unknown or unanticipated or underestimated costs or expenses; unknown or unanticipated or underestimated additions to the scope of work due to changing or adverse conditions encountered as a mine is refurbished and redeveloped; unexpected variances in the geometry or quality of ore zones; unexpected reclamation requirements or expenses; permitting time lines; unexpected or unknown ground conditions; unexpected changes to estimated parameters utilized to estimate past timelines, projections, or costs; and liquidity risks. An adverse change in any one of such factors, hazards and risks may result in a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Inadequate infrastructure may constrain mining operations

Development and commencement of operations at the Cactus Mine depends on adequate infrastructure. In particular, reliable power sources, water supply, transportation and surface facilities are all necessary to develop and operate mines. Although the Cactus Project benefits from existing infrastructure, failure to adequately meet the all appropriate infrastructure requirements required as per the development plan or changes in the cost of such requirements could affect the Company's ability to complete development and commence operations at the Cactus Mine and could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Risks from unknown hazards

Environmental hazards may also exist on the properties on which the Company holds interests that are unknown to the Company at present and that have been caused by previous or existing owners or operators of the properties and for which the Company may be liable for remediation. Although ASCU acquired the property following completion of the site improvement plan activities undertaken by the ASARCO Trust, parties engaged in mining operations in some cases, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable environmental laws or regulations, regardless of whether the Company actually caused the loss or damage. The costs of such compensation, fines or penalties could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Changes in climate conditions may affect the Company's future operations

A number of governments have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency is becoming more stringent. If the current regulatory trend continues, this may result in increased costs at the Company's future operations. In addition, the physical risks of climate change may also have an adverse effect on the Company's anticipated operations. These risks include the following:

- extreme weather events (such as prolonged drought) have the potential to disrupt operations at the Company's mines and may require the Company to make additional expenditures to mitigate the impact of such events; and
- the Company's facilities will depend on regular supplies of consumables (diesel, tires, reagents, etc.) to operate efficiently. In the event that the effects of climate change or extreme weather events cause prolonged disruption to the delivery of essential commodities, development decisions may be delayed.

There can be no assurance that efforts to mitigate the risks of climate change will be effective and that the physical risks of climate change will not have an adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The Company is subject to substantial government regulation and changes to regulation or more stringent implementation could have a material adverse effect on the Company's results of operations and financial condition.

The Company's development and mineral exploration activities are subject to numerous laws governing prospecting, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment, such as the federal Clean Air and Clean Water Act, Endangered Species Act, Resource Conservation and Recovery Act and their state analogs, including the Arizona Water Pollution Control Law. Although the Company currently believes that it is in compliance with existing environmental and mining laws and regulations and that its proposed work programs will also meet those standards, no assurance can be given that the Company will remain in compliance with applicable regulations or that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's properties.

Amendments to current laws and regulations governing the Company's current or prospective operations and activities of exploration, development mining and milling or more stringent implementation thereof could have a material adverse effect on the Company's business, financial condition and results of operations and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production or require delays or abandonment in the development of new mining properties. In addition, the Company is required to expend significant resources to comply with numerous corporate governance and disclosure regulations and requirements adopted by Canadian federal and provincial governments, U.S. federal and state governments, as well as the TSX. These additional compliance costs and related diversion of the attention of management and key personnel could have a material adverse effect on the Company's business, financial condition and results of operations.

Regulation of greenhouse gas emissions and climate change issues may adversely affect the Company's operations and markets.

Global climate change continues to attract considerable public, scientific and regulatory attention, and greenhouse gas emission regulation is becoming more commonplace and stringent. As energy, including energy produced from the combustion of carbon-based fuels, will be significant input to the Company's future operations, the Company will be required to comply with emerging climate change regulatory requirements, including programs to reduce greenhouse gas emissions. The Company's principal energy sources are expected to be electricity from the Arizona grid. In addition, the Company's mobile mining equipment will emit carbon dioxide. The United States federal and state governments may enact an emission trading, carbon tax or similar program for greenhouse gas emissions, which could significantly increase the Company's future energy and regulatory compliance costs. For example, the United States federal government has considered legislation to reduce greenhouse gas emissions through a cap-and-trade system of allowances and credits, among other provisions. In addition, the United States Environmental Protection Agency has developed final rules requiring certain emitters of greenhouse gases to collect and report data with respect to their greenhouse gas emissions.

As part of its ESG Framework the Company is committed to working towards a reduced carbon footprint in relation to its operations, however there are no assurances that this will be achieved. A carbon tax or a cap-and-trade program will likely result in increased future energy costs. The regulations will also likely increase the Company's compliance costs. For example, the Company may be required to install new equipment to reduce emissions in relation to its future processing facilities in order to comply with new regulatory standards or to mitigate the financial impact of a new climate change program. The Company may also be subject to additional and extensive monitoring and reporting requirements. It is uncertain at this time how provincial and regional initiatives will interact with any federal climate change regulations. The potential physical impacts of climate change on the Company's operations are highly uncertain. These may include changes in weather and rainfall patterns, water shortages, changing storm patterns and intensities and changing temperatures. These physical impacts could require the Company to curtail or close mining, development and exploration activities and could prevent the Company from pursuing future expansion opportunities. These effects may adversely impact the Company's cost and financial performance of its operations.

Risks from changing environmental legislation and regulations

All phases of the Company's operations are subject to environmental laws and regulations in the jurisdictions in which it operates. These laws and regulations provide for restrictions, requirements and prohibitions relating to spills, releases or emissions of various substances produced in association with certain mining operations, such as seepage from tailings disposal areas, which would result in environmental pollution and the protection of species and land, water, and air quality. A violation of these laws and regulations may result in the imposition of fines and penalties or orders to suspend operations. In addition, some federal and state laws and regulations require an environmental impacts analysis of operations before the Governmental Authority can issue permits necessary for operations. While the Company does not currently anticipate out of usual course analysis being necessary before obtaining the permits necessary for the Cactus Project there is the potential that changes in laws or regulations or the configuration of the Cactus Project could result in such an analysis being necessary. Environmental laws and regulations are evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental laws or regulations will not materially adversely affect the Company's business, financial condition and results of operations. Government environmental approvals and permits are currently, or may in the future be, required in connection with the Cactus Mine. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from proceeding with planned exploration, development or operation of the Cactus Mine. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of companies in the mining industry, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

The mining industry is intensely competitive

The mining industry is intensely competitive. The Company competes with other mining companies, many of which have greater resources and experience. Competition in the mining industry is primarily for: (i) properties which can be developed and can produce economically; (ii) the technical expertise to find, develop, and operate such properties; (iii) labour to operate the properties; and (iv) capital to fund such properties. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The Company may incur losses

For the financial year ended December 31, 2020, the Company had a loss and comprehensive loss of approximately US\$5.1 million and at December 31, 2020, had a deficit of approximately US\$6.9 million. The Company has incurred various expenses in recent periods and plans to incur further expenses as cash flows allow. The planned increases in expenses may result in larger losses in future periods.

The exploration and development of the Company's mineral properties will require the commitment of substantial financial resources that may not be available. The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners and the acquisition of additional property interests, some of which are beyond the Company's control. The Company's business strategies may not be successful and it may not be profitable in any future period. The Company's operating results have varied in the past and they may continue to fluctuate in the future. In addition, the Company's operating results may not follow any past trends.

The Company may experience negative operating cash flow for the foreseeable future

The Company has a limited history of operations, and no history of earnings, cash flow, or profitability. The Company had negative operating cash flows for the financial period from incorporation on April 3, 2019 to December 31, 2019, for the financial period ended December 31, 2020, and the six months ended June 30, 2021. To the extent that the Company has negative operating cash flow in future periods, the Company may need to allocate a portion of its cash reserves to fund such negative operating cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that additional equity capital or other types of financing will be available when needed or that these financings will be on terms favorable to the Company.

The Company may not use the proceeds as described in this prospectus

The Company currently intends to use the net proceeds received from the Treasury Offering as described under "Use of Proceeds". However, the Board and/or management will have discretion in the actual application of the net proceeds, and may elect to allocate net proceeds differently from that described under "Use of Proceeds" if they believe it would be in the Company's best interests to do so. Shareholders may not agree with the manner in which the Board and/or management chooses to allocate and spend the net proceeds. The failure by the Board and/or management to apply these funds effectively could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The Company's insurance coverage may be inadequate and result in losses

The Company's business is subject to a number of risks and hazards (as further described in this prospectus). Although the Company maintains insurance and intends, upon completion of the Offering, to obtain certain additional insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its activities, including any future mining operations. The Company may also be unable to obtain or maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration or production may not be available to the Company on acceptable terms. Losses from these events may cause the Company to incur significant costs which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Currency fluctuations can result in unanticipated losses

The Company is subject to foreign exchange rate fluctuations with respect to United States and Canadian currencies. Copper is sold throughout the world principally in United States dollars. The Company has traditionally raised funds through United States dollar equity issuances. The Company's proceeds from the Treasury Offering will be received in Canadian dollars, whilst its operating expenses will be in United States dollars and available cash may suffer from volatility in foreign exchange rates. From time to time, the Company may borrow funds and incur expenditures that are denominated in a foreign currency, generally United States dollars.

It may be difficult to enforce judgements and effect service of process on directors and the Selling Securityholder

Some of the directors of the Company, particularly Alan Edwards, Thomas Boehlert and Mark Palmer and the Selling Securityholder reside outside of Canada. Some or all of the assets of those persons may be located outside of Canada. Therefore, it may not be possible for investors to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for investors to effect service of process within Canada upon such persons.

The directors and officers may have conflicts of interest with the Company

Certain directors and officers of the Company are or may become associated with other mining and/or mineral exploration and development companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve such a contract. In addition, directors and officers are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner or to allocate opportunities that they become aware of to the Company could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Tembo and RCF exercise significant control over the Company

It is expected that upon completion of the Offering, Tembo and RCF will collectively hold approximately 42.2% of issued and outstanding Common Shares on a non-diluted basis and prior to giving effect to the exercise of the Over-Allotment Option. The Investor Rights Agreement provides each of Tembo and RCF with, among other things: (i) the right to maintain its percentage interest in the Company upon certain equity issuances undertaken by the Company so long as its ownership of the outstanding Common Shares is at least 9.9%; and (ii) the right to nominate one Company director so long as its ownership of the outstanding Common Shares is at least 9.9%. In some cases, the interests of Tembo and RCF may not be the same as those of the Company's other shareholders, and conflicts of interest may arise from time to time that may be resolved in a manner detrimental to the Company or its minority shareholders. See "*General Development and Business of the Company – Two Year History – Acquisition of Cactus Mine (formerly the Sacaton Mine) – Investor Rights Agreement.*"

Current and future debt ranks senior to Common Shares

The incurrence or issuance of debt, which ranks senior to the Common Shares upon our liquidation, and future issuances of equity or equity-related securities, which would dilute the holdings of the Company's existing holders of Common Shares and may be senior to Common Shares for the purposes of making distributions, periodically or upon liquidation, may negatively affect the market price of the Common Shares.

The Company incurred and may in the future incur or issue debt or issue equity or equity-related securities to finance its operations, acquisitions or investments. Upon the liquidation of the Company, lenders and holders of our debt and holders of our preferred shares (if any) would receive a distribution of our available assets before holders of Common Shares. Any future incurrence or issuance of debt would increase the Company's interest cost and could adversely affect our results of operations and cash flows. Any preferred shares issued by the Company would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit the Company's ability to make distributions to holders of Common Shares. Because the Company's decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond the Company's control,

the Company cannot predict or estimate the amount, timing, nature or success of its future capital raising efforts. Thus, holders of the Common Shares bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of the Common Shares.

Future acquisitions may require significant expenditures or dilution and may result in inadequate returns

The Company may seek to expand through future acquisitions; however, there can be no assurance that the Company will locate attractive acquisition candidates, or that the Company will be able to acquire such candidates on economically acceptable terms, if at all, or that the Company will not be restricted from completing acquisitions pursuant to the terms and conditions from time to time of arrangements with third parties, such as the Company's creditors. Future acquisitions may require the Company to expend significant amounts of cash, resulting in the Company's inability to use these funds for other business or may involve significant issuances of equity. Future acquisitions may also require substantial management time commitments, and the negotiation of potential acquisitions and the integration of acquired operations could disrupt the Company's business by diverting management and employees' attention away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically diverse organizations, integrating personnel with disparate backgrounds and combining different corporate cultures.

Any future acquisition involves potential risks, including, among other things: (i) mistaken assumptions and incorrect expectations about mineral properties, Mineral Resources and costs; (ii) an inability to successfully integrate any operation the Company acquires; (iii) an inability to recruit, hire, train or retain qualified personnel to manage and operate the operations acquired; (iv) the assumption of unknown liabilities; (v) limitations on rights to indemnity from the seller; (vi) mistaken assumptions about the overall cost of equity or debt; (vii) unforeseen difficulties operating acquired projects, which may be in geographic areas new to the Company; and (viii) the loss of key employees and/or key relationships at the acquired project.

At times, future acquisition candidates may have liabilities or adverse operating issues that the Company fails to discover through due diligence prior to the acquisition. If the Company consummates any future acquisitions with unanticipated liabilities or that fails to meet expectations, the Company's business, results of operations, cash flows or financial condition may be materially adversely affected. The potential impairment or complete write-off of goodwill and other intangible assets related to any such acquisition may reduce the Company's overall earnings and could negatively affect the Company's balance sheet.

The Company is dependent on information technology systems

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. Such operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses.

The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation, results of operations, cash flows and financial condition. Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Any of these factors could have a material adverse effect on the Company's results of operations, cash flows and financial position.

The Company may be subject to costly legal proceedings and securities class action litigation

The Company may be subject to regulatory investigations, civil claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicted with certainty due to the uncertainty inherent in regulatory actions and litigation, the difficulty of predicting decisions of regulators, judges and juries and the possibility that decisions may be reversed on appeal. Defense and settlement costs of legal claims can be substantial, even with claims that have no merit. Moreover, securities class action litigation has often been brought against a company following a decline in the market price of its securities. If the Company faces such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could materially harm its business. Management is committed to conducting business in an ethical and responsible manner, which it believes will reduce the risk of legal disputes. However, if the Company is subject to legal disputes, there can be no assurances that these matters will not have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

On February 28, 2018, Ramm filed with FERC a preliminary permit application for the proposed Sacaton Project, seeking priority of application for a license. On March 4, 2020, FERC rejected Ramm's notice of intent and preliminary permit application, finding it "patently deficient." On July 9, 2021, Ramm requested a two-year extension of its preliminary permit. On August 12, 2021, FERC denied the request because Ramm filed the request after the deadline. FERC noted, however, that the rejection does not preclude Ramm from filing for an entirely new preliminary permit for the project. On September 9, 2021, Ramm requested rehearing of FERC's denial of Ramm's request for a two-year extension of Ramm's preliminary permit. FERC did not act on the request for rehearing within 30 days of the filing of the request, and therefore the request was considered denied by operation of law. See "*Cactus Mine Project – Existing Litigation*".

On October 1, 2019, REA filed with FERC a notice of intent and preliminary permit application for the proposed Casa Grande Project, seeking priority of application for a license. ASCU submitted comments and moved to intervene in the application process on August 7, 2020. On October 21, 2021, FERC granted REA's application for a preliminary permit. See "*Cactus Mine Project – Existing Litigation*".

The Company will incur increased costs as a result of complying with the reporting requirements, rules and regulations affecting public issuers

As a public issuer, the Company will be subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Company's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Company's legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business and financial condition.

In particular, as a result of the Offering, the Company will become subject to reporting and other obligations under applicable Canadian securities laws, including National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, which requires annual management assessment of the effectiveness of the Company's internal controls over financial reporting. Effective internal controls, including financial reporting and disclosure controls and procedures, are necessary for the Company to provide reliable financial reports, to effectively reduce the risk of fraud and to operate successfully as a public company. These reporting and other obligations will place significant demands on the Company as well as on the Company's management, administrative, operational and accounting resources.

Risks Related to the Common Shares

Investors may lose their entire investment

An investment in the Common Shares is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in the Company.

There is no existing market for the Common Shares

There is currently no existing public market for the Common Shares. The Common Shares are not currently listed or quoted on any stock exchange or market in Canada or elsewhere. The TSX has conditionally approved the listing of the Offered Shares distributed under this prospectus as well as its existing issued and outstanding Common Shares on the

TSX under the symbol "ASCU". Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before January 18, 2022. See "*Plan of Distribution*". There is no market through which the Common Shares may be sold and, if a market for the Common Shares does not develop or is not sustained, investors may not be able to resell the Common Shares purchased in the Offering.

If an active trading market does not develop, the trading price of the Common Shares may decline, and investors may have difficulty selling any of the Common Shares that they purchase or acquire by way of the Offering.

Prior to the Offering, there has been no public trading market for the Common Shares, and the Company cannot offer assurances that one will develop or be sustained after the Offering. The Company cannot predict the prices at which the Common Shares will trade. The Offering Price was determined through negotiations among the Company, the Selling Securityholder and the Underwriters and may not bear any relationship to the market price at which the Common Shares will trade after the Offering, or to any other established criteria of the Company's value. Shares of companies often trade at a discount to the initial offering price due to sales loads, underwriting discounts and related offering expenses. Therefore, the Common Shares should not be treated as a trading vehicle.

The market price for the Common Shares could be subject to significant volatility. Factors such as commodity prices, government regulation, interest rates, share price movements of the Company's peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Common Shares. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

Dilution from equity financing could negatively impact holders of Common Shares

The Company may from time to time raise funds through the issuance of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. The Company cannot predict the size or price of future issuances of Common Shares or the size or terms of future issuances of debt instruments or other securities convertible into Common Shares, or the effect, if any, that future issuances and sales of the Company's securities will have on the market price of the Common Shares. Sales or issuances of substantial numbers of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the Common Shares. With any additional sale or issuance of Common Shares, or securities convertible into Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

Equity securities are subject to trading and volatility risks

The securities of publicly traded companies, particularly mineral exploration and development companies, can experience a high level of price and volume volatility and the value of the Company's securities can be expected to fluctuate depending on various factors, not all of which are directly related to the success of the Company and its operating performance, underlying asset values or prospects. These include the risks described elsewhere in this prospectus. Factors which may influence the price of the Company's securities, including the Common Shares, include, but are not limited to: worldwide economic conditions; changes in government policies; investor perceptions; movements in global interest rates and global stock markets; variations in operating costs; the cost of capital that the Company may require in the future; metals prices; the price of commodities necessary for the Company's operations; recommendations by securities research analysts; issuances of equity securities or debt securities by the Company; operating performance and, if applicable, the share price performance of the Company's competitors; the addition or departure of key management and other personnel; the expiration of lock-up or other transfer restrictions on outstanding Common Shares; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related industry and market issues affecting the mining sector; litigation; publicity about the Company, the Company's personnel or others operating in the industry; loss of a major funding source; and all market conditions that are specific to the mining industry.

There can be no assurance that such fluctuations will not affect the price of the Company's securities, and consequently purchasers of Common Shares may not be able to sell Common Shares at prices equal to or greater than the price or value at which they purchased the Common Shares or acquired them by way of the secondary market.

In addition, the Company has a number of shareholders who have held the Company's securities since the Company's incorporation, during which time there has not been a public market for the Company's securities. There is a risk that

future sales of Common Shares held by such long-term holders will have an adverse impact on the market price of the Common Shares prevailing from time to time. The Underwriters have attempted to mitigate this risk through resale restrictions pursuant to the anticipated Lock-Up Agreements to be entered into and described under "*Plan of Distribution*" and "*Securities Subject to Contractual Restriction on Transfer – Lock-Up Agreements*"; however, the future sale of a substantial number of Common Shares by such long-term shareholders or the perception that such sales could occur, could have a material adverse effect on the market price of the Common Shares.

Sales by existing shareholders can reduce share prices

Sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. If this occurs and continues, it could impair the Company's ability to raise additional capital through the sale of securities.

It is anticipated that a majority of the Common Shares issued and outstanding prior to completion of the Offering will be subject to post-Closing resale restrictions. See "*Plan of Distribution*" and "*Securities Subject to Contractual Restriction on Transfer*" for descriptions of these resale restrictions. Upon expiration of the resale restrictions to which they are subject, such Common Shares will be freely tradable in the public market, subject to the provisions of applicable securities laws.

The Company does not intend to pay dividends

The Company has not, since the date of its incorporation, declared or paid any dividends or other distributions on its Common Shares. The Company anticipates that, for the foreseeable future, it will retain its cash resources for the operation and development of its business. The declaration and payment of any dividends in the future is at the discretion of the Board and will depend on numerous factors, including compliance with applicable laws, financial performance, working capital requirements of the Company and such other factors as its directors consider appropriate, and the Company may never pay dividends.

If securities or industry analysts do not publish research or publish inaccurate or unfavourable research about the Company's business, the price and trading volume of the Common Shares could decline

The trading market for the Common Shares will depend on the research and reports that securities or industry analysts publish about the Company and its business. The Company does not have any control over these analysts. The Company cannot assure that analysts will cover it or provide favourable coverage. If one or more of the analysts who cover the Company downgrade its stock or change their opinion of the Common Shares, price of Common Shares would likely decline. If one or more of these analysts cease coverage of the Company or fail to regularly publish reports, the Company could lose visibility in the financial markets, which could cause the price and trading volume of the Common Shares to decline.

Global financial conditions can reduce share prices

The economic viability of the Company's business and development plans is impacted by the Company's ability to obtain financing. Global economic conditions impact general availability of financing. The COVID-19 pandemic has led to changes in the debt and equity capital markets. The Company's access to the global credit market is likely to be limited given its status as a development stage company without Mineral Reserves. A general risk-adverse approach to investing, which may become more predominant as a result of market turmoil, may limit the Company's ability to obtain future equity financing. Inability to obtain financing at all, or on acceptable terms, would have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the global mining industry, global supply and demand for commodities, political developments, legislative or regulatory changes, social or labor unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

COVID-19 public health crisis

The Company's business, operations and financial condition, and the market price of the Common Shares could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including further local and national continuing outbreaks of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in a number of countries, including Canada and the United States. The outbreak has caused companies and various international jurisdictions to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether, or to what extent, this outbreak and the potential financial impact may again impact countries outside of those currently impacted. Such public health crises can result in volatility and disruptions in the supply and demand for copper and other metals and minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk, share prices and inflation.

The risks to the Company of such public health crises also include risks to employee health and safety, a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, increased labor and fuel costs, regulatory changes, political or economic instabilities or civil unrest. The Company may also be adversely affected by COVID-19 related risks outside of its control, such as the failure by its contractors and suppliers to perform their obligations under the applicable contracts due to business failure, supply shortage, force majeure, or other reasons as a result of COVID-19. Such failure may put the Company at risk of not meeting its contractual obligations to third parties, which may result in penalties, increased costs, or the declaration of a force majeure event. At this point, the extent to which the full impact of future COVID-19 disruptions will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 and its related impacts over a longer term may have a material adverse effect on the Company's business, results of operations and financial condition and the market price of the Common Shares. To the extent that COVID-19 adversely affects the Company's business and financial results, it may also have the effect of heightening many of the other risks described in this "*Risk Factors*" section.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as described herein, to the Company's knowledge, there are no legal proceedings or regulatory actions material to the Company to which it is a party, or has been a party to, or of which any of its property is the subject matter of, or was the subject matter of, since the beginning of the financial year ended December 31, 2020, and no such proceedings or actions are known by the Company to be contemplated.

There have been no penalties or sanctions imposed against the Company by a court or regulatory authority, and the Company has not entered into any settlement agreements before any court relating to provincial securities legislation or with any securities regulatory authority, as of the date hereof or since its incorporation.

EXEMPTIONS FROM PROSPECTUS FORM REQUIREMENTS

The Company has applied for relief from section 32.2 of Form 41-101F1 – Information Required in a Prospectus ("**Form 41-101F1**"), as prescribed by National Instrument 41-101 – General Prospectus Requirements in respect of the financial statements of the Cactus Property, the Arcus Property and the LKY Property. The Cactus Property and the Arcus Property will form, and the LKY Property may form, the primary business of the Company pursuant to section 32.1(1)(b) of Form 41-101F1, which would require the Company to provide financial statements of the Cactus Property for the year ended December 31, 2018 and for the period from January 1, 2019 to April 2, 2019 and three years of financial statements of each of the Arcus Property and the LKY Property.

The Company has sought relief from the requirement to include (i) audited financial statements for the Cactus Property for the year ended December 31, 2018 and for the period from January 1, 2019 to April 2, 2019, (ii) audited financial statements for the Arcus Property for the three years ended December 31, 2018, December 31, 2019 and December 31, 2020 and interim financial statements for the Arcus Property for the interim period ended June 30, 2021 (the "**Arcus Historical Financial Information**"), and (iii) audited financial statements for the LKY Property for the three years ended December 31, 2018, December 31, 2019 and December 31, 2020 and interim financial statements for the LKY Property for the interim period ended June 30, 2021 (the "**LKY Historical Financial Information**") on the basis that:

- (a) the Cactus Project was dormant from January 1, 2018 to April 2, 2019 and no work was done on the Cactus Project during such period, no exploration expenditures were incurred on the Cactus Project during such period and therefore, there would be no exploration expenditures or capitalized exploration assets presented in such financial statements;
- (b) there are no liabilities, contingent liabilities or asset-retirement obligations that would have been recorded or disclosed on the balance sheet or in the notes to the financial statements for the financial statements of the Cactus Project for the period from January 1, 2018 to April 2, 2019;
- (c) the Company has conducted satisfactory due diligence to determine that there were no further liabilities present on the Cactus Property, including confirmation by the Company that there were no liens or encumbrances registered against the Cactus Project during the period from January 1, 2018 to April 2, 2019 which are not already disclosed in the Company's financial statements for the year ended December 31, 2020;
- (d) as the financial statements for the year ended December 31, 2018 and for the period from January 1, 2019 to April 2, 2019 for the Cactus Project would be nil statements, no additional information would be provided to existing shareholders or prospective investors in the Company by including such statements in the prospectus;
- (e) each of the Arcus Property and the LKY Property has been dormant since January 1, 2018, no work has been done on such properties since January 1, 2018, no exploration has been conducted on the Arcus Property or the LKY Property since January 1, 2018, no exploration expenditures have been incurred on such properties during such period and, therefore, there would be no exploration expenditures or capitalized exploration assets presented in such financial statements;
- (f) there are no liabilities, contingent liabilities or asset-retirement obligations that would have been recorded or disclosed on the balance sheet or in the notes to the financial statements in the Arcus Historical Financial Information;
- (g) the Company is not aware of any liabilities, contingent liabilities or asset-retirement obligations that would have been recorded or disclosed on the balance sheet or in the notes to the financial statements in the LKY Historical Financial Information;
- (h) the Company has conducted satisfactory due diligence to determine that there are no liabilities present on the Arcus Property or the LKY Property, including confirmation by the Company that there are no liens or encumbrances registered against the Arcus Property or the LKY Property; and
- (i) as the Arcus Historical Financial Information and the LKY Historical Financial Information would be nil statements, no additional information would be provided to existing shareholders or prospective investors in the Company by including such statements in the prospectus.

The Company has been advised by staff of the Ontario Securities Commission that the issuance of a receipt for the final prospectus in respect of this Offering will evidence the granting of the relief.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this prospectus, no director, executive officer or shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued Common Shares, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the Company within the three years preceding the date of this prospectus.

See "*General Development and Business of the Company – Two Year History – Acquisition of Cactus Mine (formerly the Sacaton Mine)*" for a discussion of certain agreements entered into by the Company with Tembo and RCF.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditors are PricewaterhouseCoopers LLP, having an address at Suite 1400-250 Howe Street, Vancouver, B.C. PricewaterhouseCoopers LLP have advised the Company that they are independent of the Company in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

The transfer agent and registrar for the Common Shares is TSX Trust Company, at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, set out below are material contracts entered into since January 1, 2020 and material contracts entered into before January 1, 2020 which still remain in effect and material to the Company. Copies of such material contracts will be filed with the Canadian securities regulatory authorities and will be available for review under the Company's profile on SEDAR at www.sedar.com.

- Investor Rights Agreement referred to under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine)*";
- Loan Agreement referred to under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine)*";
- Cactus Purchase Agreement referred to under "*General Development and Business of the Company – Two Year History – Acquisition of the Cactus Mine (formerly the Sacaton Mine)*";
- Arcus Agreement referred to under "*General Development and Business of the Company – Two Year History – Other Transactions*";
- LKY Agreement referred to under "*General Development and Business of the Company – Two Year History – Other Transactions*";
- 2021 Loan Agreement referred to under "*General Development and Business of the Company – Two Year History – Other Transactions*"; and
- Underwriting Agreement referred to under "*Plan of Distribution*".

EXPERTS

Information of a scientific or technical nature in respect of the Cactus Project is included in this prospectus based upon the Integrated Cactus PEA, dated August 31, 2021, prepared by Mr. Allan Schappert, Mr. Jason Sexauer and Mr. Wilhelm Greuer of Stantec, and Dr. Martin Kuhn of Minerals Advisory Group, who are all independent Qualified Persons. To the best of the Company's knowledge, after reasonable inquiry, as of the date hereof, the aforementioned individuals and their firms do not beneficially own, directly or indirectly, any Common Shares.

The scientific and technical information in the MD&As, other than in respect of metallurgy, was prepared under the supervision of Mr. Allan Schappert, Stantec. The scientific and technical information in the MD&As in respect of metallurgy was prepared under the supervision of Dr. Martin Kuhn, MAG. Each of Mr. Allan Schappert and Dr. Martin Kuhn is a Qualified Person. See "*Management's Discussion and Analysis*". Furthermore, the scientific and technical information relating to the Cactus Project included in the MD&As has been superseded by the scientific and technical information provided in the Integrated Cactus PEA, a summary of which is set forth in "*Cactus Mine Project*".

The matters referred to under "*Eligibility for Investment*" have been passed upon on the Company's behalf by Bennett Jones LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. Certain other legal matters related to the Offering have been passed upon on the Company's behalf by Bennett Jones LLP and on behalf of the Underwriters by McCarthy Tétrault LLP. To the best of the Company's knowledge, after reasonable inquiry, as of the date hereof, the aforementioned partnerships (and their partners and associates) each beneficially own, directly or indirectly, in the aggregate, less than 1% of the outstanding Common Shares.

The audited financial statements of the Company included with this prospectus have been subject to audit by PricewaterhouseCoopers LLP and their audit report is included herein. PricewaterhouseCoopers LLP have advised the Company that they are independent of the Company in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

OTHER MATERIAL FACTS

To the knowledge of the Company, there are no other material facts about the Offered Securities that is not disclosed elsewhere in this prospectus that is necessary in order for this prospectus to contain full, true and plain disclosure of all material facts relating to the Offered Securities.

PURCHASERS' STATUTORY RIGHTS OF RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if this prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

The Company and the Underwriters hereby confirm that purchasers who acquire the Offered Shares through the Company or the Selling Securityholder under this prospectus have the same rights and remedies for rescission and/or damages against the Company, the Selling Securityholder and the Underwriters, as the case may be, as purchasers who acquired Offered Shares through the Underwriters.

APPENDIX "A"
AUDIT COMMITTEE CHARTER OF ARIZONA SONORAN COPPER COMPANY INC.

See attached.

ARIZONA SONORAN COPPER COMPANY INC.

AUDIT COMMITTEE CHARTER

Adopted by the Board of Directors on June 21, 2021.

1. PURPOSE

The Audit Committee (the "**Committee**") of Arizona Sonoran Copper Company Inc. (the "**Company**") shall have the responsibility of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The Committee shall also be responsible for oversight of the Company's risk management and complaint processes.

2. COMPOSITION

2.1 Members

The Committee shall be composed of at least three and not more than five directors (collectively, the "**Members**"). The Board of Directors of the Company (the "**Board**") shall appoint the Members annually, at the Board's first meeting held following the annual general meeting of shareholders of the Company, to hold office for the ensuing year until their successor is appointed, or until they resign, cease to be a director or are removed or replaced by the Board.

2.2 Qualifications

Each Member of the Committee shall be "independent" (as defined in NI 52-110) and "financially literate" except to the extent permitted by National Instrument 52-110 – *Audit Committees*, as it may be amended or replaced from time to time ("**NI 52-110**"), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment. Attached hereto as Schedule "A" of this Charter sets forth the definitions of both "independent" and "financially literate" under NI 52-110 as in effect on the date of the adoption of this Audit Committee Charter.

2.3 Chair

The Members shall elect the chair of the Committee (the "**Committee Chair**") to hold office for the ensuing year until their successor is elected, or until they resign, cease to be a director or are removed or replaced by the Board or the Committee.

The position description and responsibilities of the Committee Chair are set out in Schedule "B" attached hereto.

2.4 Removal and Replacement

Any Member of the Committee may be removed or replaced at any time by the Board and shall cease to be a Member of the Committee on ceasing to be a director of the Company. The Board may fill vacancies by appointment from among the Board. If, and whenever, a vacancy shall exist on the Committee, the remaining Members may exercise all of their powers so long as a quorum remains.

3. MEETINGS AND PROCEDURES

3.1 Meetings

The Audit Committee shall meet as frequently as required, but at least once per quarter.

3.2 Independent Meetings

The Members may meet in-camera, independently and with only members of the Committee in attendance, following most meetings of the Committee, or as necessary.

3.3 Quorum

Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of Members.

3.4 Notice

Committee meetings shall be held from time to time and at such place as any member of the Committee shall determine with not be less than twenty-four (24) hours advanced notice. The notice period may be waived by all members of the Committee. Any member of the Committee or the independent auditors of the Company may call a meeting.

3.5 Participation

Members may participate in a meeting of the Committee in person or by means of telephone, web conference or other communication equipment. The Committee may invite such other directors, officers and employees of the Company and such other advisors and persons as is considered advisable to attend any meeting of the Committee. For greater certainty, the Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.

3.6 Agenda and Minutes

The Chair of the Committee, with the assistance of the Corporate Secretary, shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and management. The agenda and information concerning the business to be conducted at each Committee meeting shall be, to the extent practical, communicated to members of the Committee sufficiently in advance of each meeting to permit meaningful review. The Committee will keep minutes of its meetings which shall be available for review by the Board.

3.7 Voting

Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Committee may also be taken by written resolution signed by all of the members of the Committee and any such action shall be as effective as if it had been decided by a majority of the votes cast at a Committee meeting. In case of an equality of votes, the matter will be referred to the Board for decision. All decisions or recommendations of the Committee shall require the approval of the Board prior to implementation, other than any sole discretion and authority provided under this Charter and as allowed under applicable laws and regulations.

3.8 Report to Board

The Committee shall report regularly to the entire Board. The Chair of the Committee shall report any decisions or significant matters to the Board at a duly called Board meeting.

3.9 Assessment of Charter

The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

4. PRIMARY DUTIES, POWERS AND RESPONSIBILITIES

The Committee shall provide assistance to the Board in fulfilling its oversight responsibilities under applicable laws with respect to (i) the overall integrity of the Company's financial reporting processes, (ii) financial reporting and disclosure requirements; (ii) the system of internal control over financial reporting that management has established; (iii) the internal (if applicable) and external audit process; (iv) compliance with legal and regulatory requirements; (v) the processes for identifying, evaluating and managing the Company's principal risks impacting financial reporting, and (vi) the independent auditors' qualifications and independence.

4.1 Primary Duties and Responsibilities

The Committee's primary duties and responsibilities are to:

- 4.1.1 conduct such reviews and discussions with management and the external auditors relating to audit and financial reporting as are deemed appropriate by the Committee;
- 4.1.2 assess the integrity of internal controls and financial reporting procedures of the Company and ensure implementation of such controls and procedures;
- 4.1.3 as applicable, review the quarterly and annual financial statements and management's discussion and analysis ("MD&A") of the Company's financial position and operating results and in the case of the annual financial statements and related MD&A, report thereon to the Board for approval of same;
- 4.1.4 select and monitor the independence and performance of the Company's external auditors, including attending private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration; and
- 4.1.5 provide oversight of all disclosure relating to, and information derived from, financial statements, MD&A and information.

4.2 Scope of Authority and Responsibility

- 4.2.1 The Committee shall have the power to conduct or authorize investigations appropriate to its responsibilities, and it may request the external auditors, as well as any officer or employee of the Company, its external legal counsel or external auditor to attend a meeting of the Committee or to meet with any member(s) or advisors of the Committee.
- 4.2.2 Whilst the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies used. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.
- 4.2.3 The Committee shall have unrestricted access to the books and records of the Company and has the authority to retain, at the expense of the Company, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.
- 4.2.4 The Committee shall be accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Committee shall maintain an open communication between the Company's external auditor and the Board. The responsibilities of a member of the Committee shall be in addition to such member's duties as a member of the Board.
- 4.2.5 The Committee should, where it deems appropriate, resolve disagreements, if any, between management and the external auditor, and review compliance with laws and regulations and the Company's own policies.
- 4.2.6 The Committee will provide the Board with such recommendations and reports with respect to the financial disclosures of the Company, as it deems advisable.
- 4.2.7 In fulfilling its responsibilities, the Committee will carry out the specific duties set out in this Charter.

5. SPECIFIC DUTIES, POWERS AND RESPONSIBILITIES

For the purposes of this Charter, specific accounting, financial and treasury related duties delegated to the Committee by the Board include:

5.1 Financial Accounting and Reporting Processes

- 5.1.1 Prior to such time as the Company publicly discloses the following information, the Committee shall review along with related reports and presentations, discuss with management and auditors as needed, and recommend for approval to the Board the following information:
- (a) annual audited and interim financial statements and related MD&A to satisfy itself that the financial statements are presented in accordance with applicable accounting principles and in the case of the annual audited financial statements and related MD&A, report thereon and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities;
 - (b) accounting policies that affect the financial statements; and
 - (c) annual and interim earnings press releases.
- 5.1.2 With respect to the annual audited financial statements, the Committee shall discuss with management and external auditors as it deems appropriate, significant issues regarding accounting principles, practices, and judgments. The Committee shall consider whether the Company's financial disclosures are complete, accurate, prepared in accordance with International Financial Reporting Standards and fairly present the financial position of the Company. The Committee shall also satisfy itself that, in the case of the annual financial statements, the audit function has been effectively carried out by the auditors and, in the case of the interim financial statements that the review function has been effectively carried out.
- 5.1.3 Review the annual report (see "*External Audit*", below) for consistency with the financial disclosure referenced in the annual financial statements.
- 5.1.4 Be satisfied as to the adequacy of procedures in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's annual and interim financial statements, MD&As, and annual and interim earnings press releases, and periodically assess the adequacy of such procedures.
- 5.1.5 The Committee shall review any press releases containing disclosure regarding financial information that are required to be reviewed by the Committee under any applicable laws or otherwise pursuant to the policies of the Company (including before the Company publicly discloses this information).
- 5.1.6 Review and approve quarterly financial statements, accounting policies that affect the statements, the quarterly MD&A, and associated press releases.
- 5.1.7 Review significant issues affecting financial reports.
- 5.1.8 Review emerging GAAP developments that could affect the Company.
- 5.1.9 Understand how management develops interim financial information and the nature and extent of external audit involvement.
- 5.1.10 In its review of the annual and quarterly financial statements, discuss the quality of the Company's accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.
- 5.1.11 Review and approve any earnings guidance to be provided by the Company.

5.2 Internal Controls over Financial Reporting and Disclosure Controls and Procedures

- 5.2.1 Review reports from management and auditors and consider the effectiveness of the Company's internal controls over financial reporting and related information technology, security, and control at least twice annually.
- 5.2.2 Review and approve corporate signing authorities and modifications thereto.
- 5.2.3 Review with the Company's auditors any issues or concerns related to any internal control systems in the process of the audit.
- 5.2.4 Review the plan and scope of the annual audit with respect to planned reliance and testing of controls and major points contained in the auditor's management letter resulting from control evaluation and testing.
- 5.2.5 Establish and maintain complaint procedures regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Such procedures are appended hereto as Schedule "C".
- 5.2.6 Review with management, external auditors and legal counsel any material litigation claims or other contingencies, including tax assessments and the adequacy of financial provisions, that could materially affect financial reporting.
- 5.2.7 The Committee shall meet no less than annually with the Chief Financial Officer (the "**CFO**") or, in the absence of a CFO, with the officer of the Company in charge of financial matters, and the Chief Executive Officer, to review accounting practices, the Company's internal controls and procedures, including any significant deficiencies in, or material non-compliance with, such controls and procedures, and such other matters as the Committee deems appropriate.
- 5.2.8 The Committee shall inquire of management and the external auditors about significant financial and internal control risks or exposures and assess the steps management has taken to minimize such risks.
- 5.2.9 Approve all material related party transactions in advance.
- 5.2.10 The Committee shall ensure that management establishes and maintains an appropriate budget process, which shall include the preparation and delivery of periodic reports from the CFO to the Committee comparing actual spending to the budget. The budget shall include assumptions regarding economic parameters that are well supported and shall take into account the risks facing the Company.

5.3 External Audit

- 5.3.1 Have the authority to communicate directly with the external auditor and the CFO and arrange for the external auditor to be available to the Committee and the Board as needed.
- 5.3.2 Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing any other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting.
- 5.3.3 Review and approve the audit plans, scope and proposed audit fees.
- 5.3.4 Annually review the independence of the external auditors by receiving a report from the independent auditor detailing all relationships between them and the Company.

- 5.3.5 Monitor the relationship between management and the external auditor, including reviewing any management letters or other reports of the external auditor, discussing any material differences of opinion between management and the external auditor, any audit problems or difficulties experienced by the external auditor in performing the audit, and resolving disagreements between the external auditor and management.
- 5.3.6 Discuss with the auditors the results of the audit, any changes in accounting policies or practices and their impact on the financials, as well as any items that might significantly impact financial results.
- 5.3.7 Receive a report from the auditors on critical accounting policies and practices to be used, all alternative treatments of financial information within Canadian GAAP and applicable rules and regulations that have been discussed with management, including the ramifications of the use of such alternative treatments, and the treatment preferred by the auditor.
- 5.3.8 Review and discuss with the external auditor all critical accounting policies and practices to be used in the Company's financial statements, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative treatments and the treatment preferred by the external auditor.
- 5.3.9 Review any major issues regarding accounting principles and financial statement presentation with the external auditor and management, including any significant changes in the Company's selection or application of accounting principles and any significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
- 5.3.10 Receive an annual report (the "**Annual Report**") from the auditors describing the audit firm's internal quality-control procedures, and material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more audits carried out the firm, and any steps taken to deal with any such issues.
- 5.3.11 Ensure regular rotation of the lead partner and reviewing partner.
- 5.3.12 Evaluate the performance of the external auditor and the lead partner annually.
- 5.3.13 Recommend to the Board:
 - (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and
 - (b) the compensation of the external auditor.
- 5.3.14 Meet with the auditors, separately and apart from management, at least once a year.
- 5.3.15 Require, in accordance with applicable law, that the external auditors report directly to the Committee and not to management.
- 5.3.16 Review and discuss on an annual basis with the external auditor all significant relationships they have with the Company, management, the external asset manager or employees that might interfere with the independence of the external auditor.
- 5.3.17 Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws) to be provided by the external auditor.

- 5.3.18 Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.
- 5.3.19 Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the Company.

5.4 Non-Audit Services

- 5.4.1 Pre-approve all allowable non-audit services, as further set out in Schedule "D" to be provided by the external auditor.
- 5.4.2 Review the fees paid by the Company to the external auditors in respect of non-audit services on an annual basis.

5.5 Risk Management

- 5.5.1 The Committee shall inquire of management and external auditors about the processes in place to identify and manage the principal risks or exposures that could impact the financial reporting of the Company.
- 5.5.2 Review and report on any directors and officers insurance policy put in place by the Company.
- 5.5.3 Review and approve corporate investment policies.
- 5.5.4 Assess, as part of its internal controls responsibility, the effectiveness of the overall process for identifying principal business risks and report to the Board on such assessments.

5.6 Other Responsibilities and Matters

- 5.6.1 Following meetings of the Committee, report through the Committee Chair to the Board.
- 5.6.2 Review annually the adequacy of the Committee Charter and confirm that all responsibilities have been carried out.
- 5.6.3 Evaluate the Committee's and individual Member's performance on a regular basis and report annually to the Board the results of such annual self-assessment.
- 5.6.4 Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company.
- 5.6.5 Discuss the Company's compliance with tax and financial reporting laws and regulation, if and when any such issues arise.
- 5.6.6 Perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

6. ADVISORS

Based on its sole judgment and discretion, and without obtaining prior approval of the Board, the Committee has the authority to engage independent counsel and other advisors as it deems necessary in order to carry out its duties and to set and pay compensation for any advisors employed by the Committee at the cost of the Company. The Committee has the authority to communicate directly with the external auditors of the Company.

SCHEDULE "A"

NI 52-110: AUDIT COMMITTEES

"1.4 MEANING OF INDEPENDENCE

- (1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.
- (2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgment.
- (3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:
 - (a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
 - (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
 - (c) an individual who:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer's internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
 - (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and
 - (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.
- (4) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because
 - (a) he or she had a relationship identified in subsection (3) if that relationship ended before March 30, 2004; or

- (b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before June 30, 2005.
- (5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.
- (6) For the purposes of clause (3)(f), direct compensation does not include:
- (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and
 - (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.
- (7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member
- (a) has previously acted as an interim chief executive officer of the issuer, or
 - (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.
- (8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer."

1.5 ADDITIONAL INDEPENDENCE REQUIREMENTS

- (1) Despite any determination made under section 1.4, an individual who:
- (a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or
 - (b) is an affiliated entity of the issuer or any of its subsidiary entities,
- is considered to have a material relationship with the issuer.
- (2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by
- (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or
 - (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

- (3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

1.6 MEANING OF FINANCIAL LITERACY

For the purposes of this Instrument, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements."

SCHEDULE "B"

POSITION DESCRIPTION FOR THE CHAIR OF THE AUDIT COMMITTEE

1. PURPOSE

The chair (the "**Chair**") of the Audit Committee (the "**Committee**") shall be an independent director who is elected by the board of directors (the "**Board**") or designated by majority vote of the Committee to act as the leader of the Committee in assisting the Board in fulfilling its financial reporting and control responsibilities to the shareholders of Arizona Sonoran Copper Company Inc. (the "**Company**").

2. WHO MAY BE CHAIR

The Chair will be elected from amongst the independent directors of the Company who have a sufficient level of financial sophistication and experience in dealing with financial issues to ensure the leadership and effectiveness of the Committee.

The Chair will be elected annually at the first meeting of the Board following the annual general meeting of shareholders or designated by majority vote of the Committee.

3. RESPONSIBILITIES

The following are the primary responsibilities of the Chair:

- (a) chair all meetings of the Committee in a manner that promotes meaningful discussion;
- (b) ensure adherence to the Committee's Charter and that the adequacy of the Committee's Charter is reviewed annually;
- (c) provide leadership to the Committee to enhance the Committee's effectiveness, including:
 - (i) act as liaison and maintain communication with the Board to optimize and co-ordinate input from directors, and to optimize the effectiveness of the Committee. This includes ensuring that Committee materials are available to any director upon request and reporting to the Board on all decisions of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Committee considers advisable;
 - (ii) ensure that the Committee works as a cohesive team with open communication, as well as to ensure open lines of communication among the independent auditors, financial and senior management and the Board for financial and control matters;
 - (iii) ensure that the resources available to the Committee are adequate to support its work and to resolve issues in a timely manner;
 - (iv) ensure that the Committee serves as an independent and objective party to monitor the Company's financial reporting process and internal control systems, as well as to monitor the relationship between the Company and the independent auditors to ensure independence;
 - (v) ensure that procedures as determined by the Committee are in place to assess the audit activities of the independent auditor t functions; and

- (vi) ensure that procedures as determined by the Committee are in place to review the Company's public disclosure of financial information and assess the adequacy of such procedures periodically;
- (d) ensure that procedures as determined by the Committee are in place for dealing with complaints received by the Company regarding accounting, internal controls and auditing matters, and for employees to submit confidential anonymous concerns;
- (e) manage the Committee, including:
 - (i) adopt procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
 - (ii) prepare the agenda of the Committee meetings and ensure pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - (iii) ensure meetings are appropriate in terms of frequency, length and content;
 - (iv) obtain a report from the independent auditors on an annual basis, review the report with the Committee and arrange meetings with the auditors and financial management to review the scope of the proposed audit for the current year, its staffing and the audit procedures to be used;
 - (v) oversee the Committee's participation in the Company's accounting and financial reporting process and the audits of its financial statements;
 - (vi) ensure that the auditor's report directly to the Committee, as representatives of the Company's shareholders;
 - (vii) annually review with the Committee its own performance, report annually to the Board on the role of the Committee and the effectiveness of the Committee in contributing to the effectiveness of the Board;
 - (viii) together with the Board, oversee the structure, composition and membership of, and activities delegated to, the Committee from time to time; and
- (f) perform such other duties as may be delegated from time to time to the Chair by the Board.

SCHEDULE "C"

PROCEDURE FOR THE SUBMISSION OF COMPLAINTS OR CONCERNS REGARDING ACCOUNTING, INTERNAL ACCOUNTING CONTROLS, OR AUDITING MATTERS

1. The Company shall forward to the Audit Committee any complaints that it has received regarding accounting, internal accounting controls, or auditing matters.
2. If any employee of the Company so desires, he or she may submit any concerns or complaints, on a confidential and anonymous basis, by sending any concerns or complaints in a sealed envelope to:

Attention: Chair of the Audit Committee
850 W, Elliot Rd., Suite 106
Tempe, Arizona 85284

The email is to be clearly marked, "To be reviewed by the Audit Committee only."

3. Contact information including a phone number and e-mail address shall be published for the Chair of the Audit Committee on the Company's website for any individuals wishing to contact the Chair directly.
4. At each of its meetings following the receipt of any information pursuant to this Schedule "C", the Audit Committee shall review and consider any such complaints or concerns and take any action it deems appropriate in the circumstances.
5. The Audit Committee shall retain any such complaints or concerns along with the material gathered to support its actions for a period of no less than seven (7) years. Such records will be held on behalf of the Audit Committee by the Chair of the Audit Committee.
6. This Schedule "C" shall appear on the Company's website as part of its Audit Committee Charter.

SCHEDULE "D"

PROCEDURES FOR APPROVAL OF NON-AUDIT SERVICES

1. The Company's external auditors shall be prohibited from performing for the Company the following categories of non-audit services:
 - (a) bookkeeping or other services related to the Company's accounting records or financial statements;
 - (b) appraisal or valuation services, fairness opinion or contributions-in-kind reports;
 - (c) actuarial services;
 - (d) internal audit outsourcing services;
 - (e) management functions;
 - (f) human resources;
 - (g) broker or dealer, investment adviser or investment banking services;
 - (h) legal services; and
 - (i) any other service that the Canadian Public Accountability Board or International Accounting Standards Board or other analogous board which may govern the Company's accounting standards, from time to time determines is impermissible.

2. In the event that the Company wishes to retain the services of the Company's external auditors for tax compliance, tax advice or tax planning, the Chief Financial Officer of the Company shall consult with the Chair of the Committee, who shall have the authority, subject to confirmation that such services will not compromise the independence of the Company's external auditors, to approve or disapprove on behalf of the Committee, such non-audit services. All other non-audit services shall be approved or disapproved by the Committee as a whole.

The Chief Financial Officer of the Company shall maintain a record of non-audit services approved by the Chair of the Committee or the Committee for each fiscal year and provide a report to the Committee no less frequently than on a quarterly basis.

APPENDIX "B"

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021**

See attached.



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

Interim Condensed Consolidated Financial Statements

June 30, 2021

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

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

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

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

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

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

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

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

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

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

Supplemental cash flow information (Note 12)

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

Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of United States dollars, except share data)
(Unaudited)

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

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

Note 1 – Description of Business and Going Concern

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

The Company was incorporated in British Columbia, Canada on April 3, 2019, and is the 100% parent company of both Arizona Sonoran Copper Company USA Inc. (formerly Elim Mining (USA) Inc.) ("ASCU USA") and Cactus 110, LLC. ASCU USA was incorporated in the state of Delaware in April 2019 and is the entity with activities in the US Cactus/Park Salyer mining area. Cactus 110, LLC, a Delaware company, was incorporated in May 2019 and holds titles to the Cactus/Park Salyer mining properties, and any additional public or private land leases, water rights and other real property as determined.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development projects will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its exploration plans and commitments, development activities, administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These factors include the discovery of economically recoverable reserves, the ability to complete development of these properties, and future profitable production or proceeds from disposition of mineral properties.

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

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

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

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

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

COVID-19 has caused many countries to implement measures to reduce the spread of the virus. As at the date of these consolidated financial statements, work stoppages and slowdowns are still impacting the world

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economy. The continuing impact and duration of COVID-19 and ongoing government responses to it remain uncertain. Consequently, the Company cannot predict the effect of unknown adverse changes to its business plans, financial position, cash flows, and results of operations during 2021 and beyond.

Note 2 – Basis of Preparation

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

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

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

Note 3 – Debentures

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

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

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

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

Debenture loan

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

As part of the consideration for the Debenture Loan, a subsidiary of the Company provided a 0.64% NSR (the "Bonus NSR") to the lenders, which was determined to have a fair value of \$2,500 based on the purchase price for the 1.27% NSR. The Bonus NSR fair value amount was recorded as a transaction cost directly against the

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Debenture Loan with the offset credited to mineral properties on the Statement of Financial Position. In addition, \$779 of transaction costs were recorded against the debt.

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

Note 4 - Mineral Properties, Land and Water Rights

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

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

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

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

Due upon completion of permitting	\$300
Due upon start of commercial production	\$500
Due upon first anniversary of production start	\$300

The founder's fee amounts will be capitalized as part of the land costs above. The first \$200 was paid on July 10, 2020. The balance of payments will be recorded if and when the Company undertakes and completes the milestones stipulated in the agreement.

On February 2, 2021, and subsequently amended on May 17, 2021, the Company executed an agreement with Arcus Copper Mountain Holdings LLC and several other owners for an option to purchase 750 acres of land adjacent to the Cactus Mine. The total purchase price of \$6,000 is currently scheduled to be paid in two separate disbursements; the first was paid on August 30, 2021, and the other is scheduled to be paid on September 30, 2021. For a deposit of \$100, the agreement provided for a ninety-day due diligence period which expired May 3, 2021, at which time the \$100 deposit became non-refundable.

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

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

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

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

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

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Note 5 - Capitalized Exploration Expenditures

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

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

Note 6 – Leases

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

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

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

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

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

Note 7 – Asset Retirement Obligations

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

The mitigation of environmental risk was a key factor in the acquisition of the Cactus property. The purchase of the approximate 2,035-acre land parcel was finalized with the ASARCO Multi-state Environmental Custodial Trust (the "Trust") on July 13, 2020. The property clean-up has been completed and closure approvals are underway with the Arizona Department of Environmental Quality and the Environmental Protection Agency on behalf of the Department of Justice. The Company intends to revitalize this property, without assuming any of the past liability, and bring it back into production. An agreement with the Arizona Department of Environmental Quality was reached and executed on January 8, 2020 whereby ASCU will not be held liable for past environmental issues.

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

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

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

Note 8 – Equity

a) Authorized

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

b) Issued Shares

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

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

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

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

Stock Options

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

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

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

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

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

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

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

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

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

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

c) Restricted Share Units

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

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The RSUs can be settled in either cash, shares, or a combination thereof at the sole discretion of the Company. Such a decision is to be made on each vesting date. The Company considers these RSUs as equity-settled share-based payments.

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

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

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

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

d) Warrants

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

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

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

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

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

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

Expiry Date	Exercise Price	Number of warrants June 30, 2021	Number of warrants December 31, 2020
May 8, 2023	\$ 0.45	1,305,318	1,305,318
June 15, 2023	\$ 0.30	916,664	916,664

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June 26, 2023	\$ 0.30	125,000	125,000
July 8, 2023	\$ 0.30	50,000	50,000
July 10, 2023	\$ 0.60	8,488,889	8,488,889
July 27, 2023	\$ 0.60	1,777,777	1,777,777
June 8, 2024	\$ 0.30	114,583	-
		12,778,231	12,663,648

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

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

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

Note 9 - Related Party Transactions

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

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

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

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

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

(1) Includes severance amounts accrued and payable over the next 12 months to the Company's former CEO.

Note 10 – Commitments and Contingencies

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

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

Note 11 – Operating Segments

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

Note 12 – Supplemental Cash Flow Information

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

Note 13 – Subsequent Events

Subsequent to June 30, 2021, the Company:

- a. Approved a share consolidation on a 3:1 basis. As indicated in Note 1, all share and per share amounts have been restated for the periods presented;
- b. Changed its name to Arizona Sonoran Copper Company Inc. (Note 1);
- c. Appointed a new President and CEO. Associated with this appointment were the following long-term incentives:
 - the grant of 250,000 stock options, vesting one-third on the grant date, one-third on the first anniversary, and one-third on the second anniversary. The options are exercisable for a period of 5 years, at an exercise price of \$2.10
 - the grant of 166,666 RSUs, which vest based on certain financing and operational milestones being achieved;
- d. Issued 6,666,666 shares from the exercise of warrants for proceeds of \$4,000 and issued 2,222,222 incentive warrants with an exercise price of \$1.95 for a period of three years;
- e. Issued 128,979 shares from the exercise of stock options;
- f. Granted 62,997 RSUs to directors and officers;
- g. Paid \$5,894 in connection with the closing of the Arcus property acquisition (see Note 4);
- h. Issued 1,777,777 shares from the exercise of warrants for proceeds of \$1,067 and issued 161,616 incentive warrants with an exercise price of \$2.10 for a period of three years;
- i. Received \$6,000 from Tembo as proceeds from the full drawdown of a standby loan facility. Pursuant to this loan agreement, Tembo was issued 485,711 common shares in compensation and will receive cash interest at an annual rate of 8%; and
- j. Paid \$856 as the final installment of the Merrill note.

APPENDIX "C"

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.

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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:

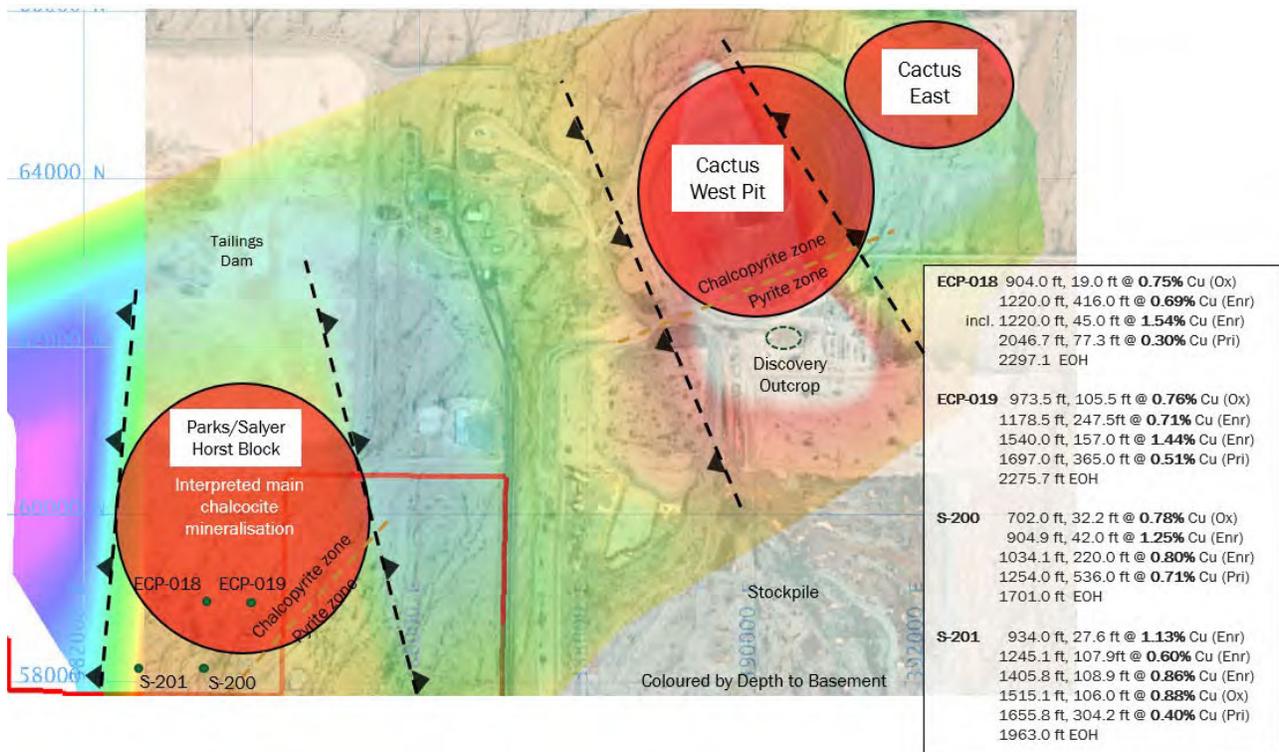
- The Stockpile Project:
 - Stockpile assessment, including associated resource estimation and metallurgical work for issuance of Preliminary Economic Assessment
- The Project:
 - Exploration drill programs of the Cactus West and East deposits and the North-East extension
 - Metallurgical testing of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

Resource

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

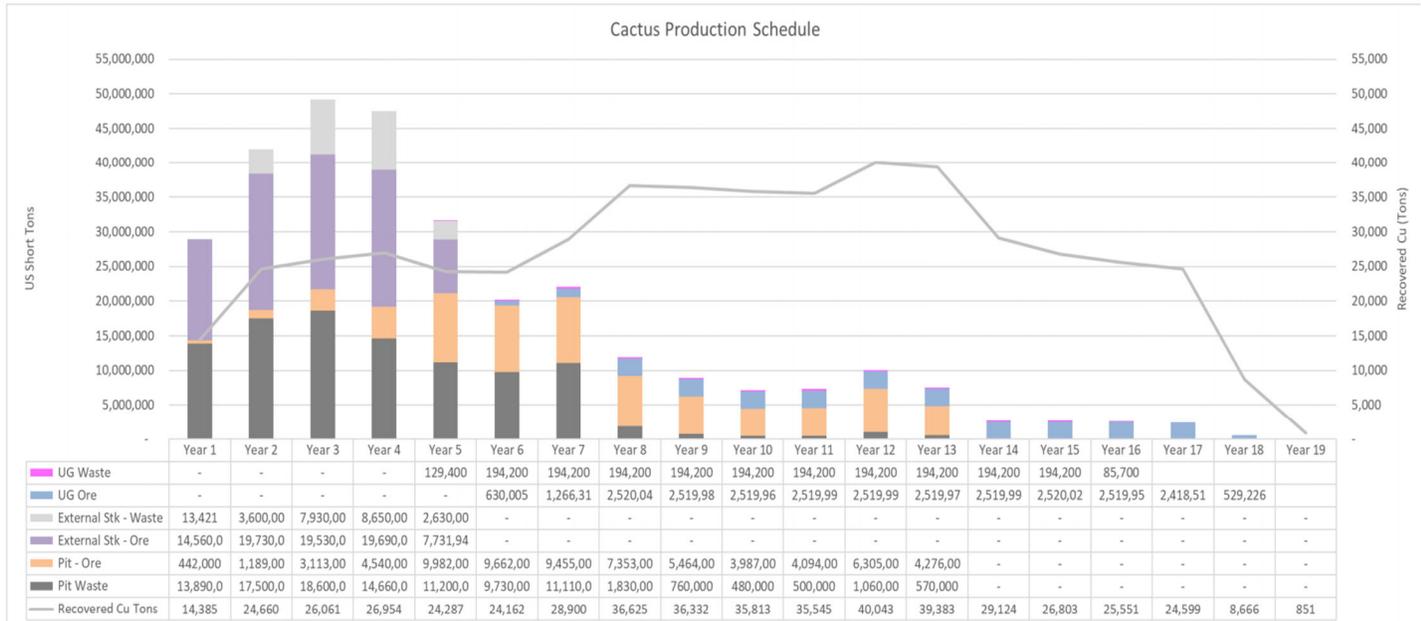
Tons (Kt)	CuT (%)	TSol (%)	CuAS (%)	CuCN (%)	CuT Metal (Klb)	TSol Metal (Klb)
Inferred						
77,400	0.169	0.144	0.118	0.026	262,100	223,500

Notes:

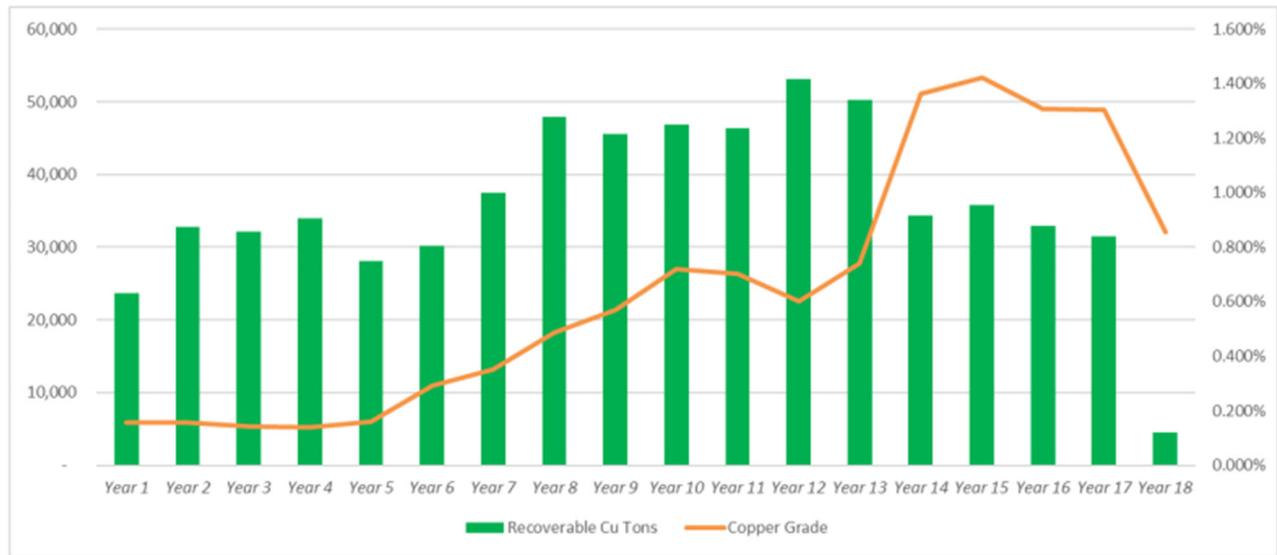
1. There is a reasonable probability of eventual economic extraction of this resource using sulfuric acid leaching and SX/EW recover at a TSol cutoff of 0.095% and a copper price of US\$3.15/lb.
2. Mineral resources, which are not mineral reserves, do not have demonstrated economic viability. The estimate 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



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

Process Solvent Extraction/Electrowinning Plant

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.

CAPITAL COSTS	Unit	Total	Year from Start of Construction			
			-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 1 PFS 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 Treasury 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
<i>Debt Repayments</i>	\$14,786	\$14,786			
<i>Founder's Fees - Land</i>	\$1,100		\$800	\$300	
<i>Total</i>	\$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 Treasury 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.

APPENDIX "D"

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

See attached.



ELIM MINING INCORPORATED

Consolidated Financial Statements

December 31, 2020

(United States Dollars)



Independent auditor's report

To the Shareholders of Elim Mining Incorporated

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Elim Mining Incorporated and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the year ended December 31, 2020 and the period from April 3 to December 31, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the year ended December 31, 2020 and the period from April 3 to December 31, 2019;
- the consolidated statements of cash flow for the year ended December 31, 2020 and the period from April 3 to December 31, 2019;
- the consolidated statements of changes in shareholders' equity for the year ended December 31, 2020 and the period from April 3 to December 31, 2019; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
May 14, 2021

ELIM MINING INCORPORATED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in thousands of United States dollars)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash	\$ 7,248	\$ 47
Receivables	76	38
Prepaid expenses and other	24	10
Reclamation trust fund (note 8)	2,028	-
	9,376	95
Other non current assets		
Mineral properties, plant & equipment (notes 6, 7)	8,614	12,024
Total assets	\$ 17,990	\$ 12,119
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,270	\$ 388
Accruals	2,330	598
Other liabilities	970	9,310
	4,570	10,296
Other Liabilities- long term		
Debentures (note 5)	6,345	-
Other long term liabilities	88	-
	6,433	-
Total liabilities	11,003	10,296
SHAREHOLDERS' EQUITY		
Share capital (notes 9, 10)	11,617	3,626
Reserves (notes 9, 10)	2,277	-
Deficit	(6,907)	(1,803)
Total shareholders' equity	6,987	1,823
Total liabilities and shareholders' equity	\$ 17,990	\$ 12,119
Description of business and going concern (note 1)		
Commitments and contingencies (note 14)		
Subsequent events (notes 8, 17)		

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

ELIM MINING INCORPORATED
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in thousands of United States dollars, except share data)

	Year ended December 31, 2020	Period from April 3 to December 31, 2019
General and administrative expenses		
Salaries and wages	\$ 1,235	\$ 851
Share based compensation (note 10)	436	-
Professional fees	406	224
Directors fees	250	412
Investor relations	209	138
Office and general	201	178
Loss from operations	2,737	1,803
Other (income) expenses		
Accretion (note 5)	1,226	-
Finance expense (note 5)	1,128	-
Depreciation, depletion and amortization (note 6)	17	-
Interest income	(4)	-
	2,367	-
Loss and comprehensive loss for the year/period	\$ 5,104	\$ 1,803
Loss per share		
Basic and diluted	\$ 0.08	\$ 0.05
Weighted average number of common shares outstanding		
Basic and diluted	65,492,830	33,928,569

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

ELIM MINING INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOW
(Expressed in thousands of United States dollars)

	Year ended December 31, 2020	Period from April 3 to December 31, 2019
Cash provided by (used for):		
Operating activities		
Net loss for the period	\$ (5,104)	\$ (1,803)
Add back non-cash items:		
Share-based compensation	436	-
Accretion	1,226	-
Depreciation, depletion and amortization	17	-
Interest and finance expense, net	817	-
Directors fees paid in shares	234	-
Changes in non-cash operating working capital items		
Receivables	(38)	(39)
Prepaid expenses and other	(14)	(10)
Accounts payable and accrued liabilities	951	1,303
Net cash used in operating activities	(1,475)	(549)
Investing activities		
Expenditures on mineral properties, plant and equipment	(4,832)	(899)
Property payments	(8,487)	(1,044)
Sale of NSR	5,093	-
Sale of option on NSR	127	-
Transaction costs paid on sale of NSR and NSR Option	(197)	-
Net cash provided used in investing activities	(8,296)	(1,943)
Financing activities		
Proceeds from loans, net	1,017	-
Repayment of loans	(1,007)	-
Proceeds from private placement, net	3,766	2,539
Proceeds from convertible debenture, net	1,766	-
Repayment of convertible debenture	(1,834)	-
Proceeds from Tembo/RCF debt, net	8,454	-
Proceeds from Tembo/RCF equity units, net	4,901	-
Interest paid on various loans	(91)	-
Net cash provided by financing activities	16,972	2,539
Change in cash	7,201	47
Cash at beginning of year/period	47	-
Cash at the end of year/period	\$ 7,248	\$ 47

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

ELIM MINING INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of United States dollars, except share data)

	Number of common shares (000s)	Share capital	Equity reserves	Accumulated loss	Total
Balance at April 3, 2019	-	-	-	-	-
Private placements	27,312	2,539	-	-	2,539
Issued shares for service	18,500	1,087	-	-	1,087
Net loss for the period	-	-	-	(1,803)	(1,803)
Balance at December 31, 2019	45,812	3,626	-	(1,803)	1,823
Private placements	12,773	3,839	-	-	3,839
Transaction costs for private placements	-	(296)	-	-	(296)
Issued shares for service	2,961	492	-	-	492
Issued convertible debentures	5,808	443	471	-	914
Issued shares to Tembo/RCF	33,956	3,590	1,503	-	5,093
Transaction costs, Tembo/RCF	-	(319)	(133)	-	(452)
Issued shares for interest	1,615	242	-	-	242
Stock options reserve	-	-	292	-	292
RSUs reserve	-	-	144	-	144
Net loss for the year	-	-	-	(5,104)	(5,104)
Balance at December 31, 2020	102,925	11,617	2,277	(6,907)	6,987

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

ELIM MINING INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of United States dollars, except share data)

NOTE 1 – DESCRIPTION OF BUSINESS AND GOING CONCERN

Elim Mining Incorporated ("Elim" or the "Company") is a private company focused on the assessment, consolidation, exploration, development, and eventual mining of the Santa Cruz Copper Mining District in southern Arizona.

Elim Mining was incorporated in British Columbia, Canada on April 3, 2019, and is the 100% parent company of both Elim Mining USA, Inc and Cactus 110, LLC. Elim Mining USA was incorporated in the state of Delaware in April 2019 and is the entity that operates the US Cactus/Park Salyer mining area. Cactus 110, LLC, a Delaware company, was incorporated in May 2019 and holds titles to the Cactus/Park Salyer mining properties, and any additional public or private land leases, water rights and other real property as determined.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development projects will result in profitable mining operations. The Company has no source of revenue and has significant cash requirements to meet its exploration plans and commitments, development activities, administrative overhead and maintain its mineral interests. The recoverability of amounts shown for resource properties is dependent on several factors. These factors include the discovery of economically recoverable reserves, the ability to complete development of these properties, and future profitable production or proceeds from disposition of mineral properties.

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

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

Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. During the year ended December 31, 2020, the Company incurred net cash outflows from operating activities of \$1.5 million (2019: \$0.5 million), and a net loss of \$5.1 million (2019: \$1.8 million).

There can be no assurances that sufficient funding, including adequate financing, will be available to maintain the US Cactus/Park Salyer mining areas and to cover general and administrative expenses necessary for the maintenance of the Company for at least twelve months from December 31, 2020. Subsequent to year end, the Company closed a private placement (see Note 17), but there can be no guarantee that the Company will be able to continue to secure additional financing in order to be able to continue operations for the foreseeable future, and if so, on terms that are favorable.

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

The novel coronavirus ("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, the work stoppages and slowdowns are still in effect. The effect and duration of COVID-19 and government responses to it are unknown. 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.

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

ELIM MINING INCORPORATED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in thousands of United States dollars, except share data)

NOTE 2 – BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Boards ("IFRS").

The Board of Directors approved the consolidated financial statements on May 14, 2021.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the derivative liabilities. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The consolidated financial statements are presented in US dollars, unless otherwise stated.

Foreign currencies and functional currency

The functional currency of the Company and all of its subsidiaries is the United States dollar ("USD"). Functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates. The consolidated financial statements are presented in USD.

In preparing the financial statements, transactions in currencies other than an entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities are translated using the period end foreign exchange rate as needed. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the statement of loss.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies described below have been applied consistently throughout the periods presented in these consolidated financial statements.

a) Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are fully consolidated from the date the Company obtains control and continue to be consolidated until the date that control ceases. Control is achieved when the Company is exposed to or has rights to variable returns from its involvement with that entity and has the ability to affect those returns through its power over the entity.

The principal subsidiaries of the Company, their activities, and their geographic locations as at December 31, 2020 were as follows:

Subsidiary	Principal activity	Location	Ownership interest
Elim Mining USA Inc.	Mineral exploration	United States of America	100%
Cactus 110 LLC.	Mineral exploration	United States of America	100%

All transactions and balances among the entities in the consolidated group are eliminated upon consolidation.

b) Cash and cash equivalents

The Company considers cash equivalents to include amounts held in banks and highly liquid investments with maturity at a point of purchase of 90 days or less. As of December 31, 2020 the Company did not have any cash equivalents.

c) Mineral properties, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment charges. Land is not depreciated.

Where an item of property and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment.

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

ELIM MINING INCORPORATED**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****(Expressed in thousands of United States dollars, except share data)**

Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

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Depreciation is charged using the straight-line method over the estimated useful lives as follows:

Depreciation item:	Useful life
Computer equipment and software	2 years
Vehicles	3-5 years
Mineral property and plant	UOP

Mineral properties and mine development costs are stated at cost less accumulated depreciation and impairment losses. When production commences, these costs are amortized using the units of production ("UOP") method, based on recoverable ounces from the estimated proven and probable reserves and a portion of measured and indicated resources that are reasonably expected to be converted to proven and probable reserves. Capitalization of costs incurred ceases when the mining property is capable of commencement of mining operations in the manner intended by management. Costs incurred prior to this point, including depreciation of related plant and equipment, are capitalized. The Company applies judgment in its assessment of when a mine is capable of operating in the manner intended by management which takes account of the design of the mine and the nature of the initial commissioning phase of the mine. Non-recoverable costs for projects determined not to be commercially feasible are expensed in the period in which the determination is made or when the carrying value of the project is determined to be impaired.

The depreciation method, useful life and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within property and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Impairment

The Company's mineral properties, plant and equipment are reviewed for an indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated to the cash-generating units carrying amount.

The recoverable amount is the greater of the asset's fair value less costs to sell (based on arms-length transactions) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of Impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

d) Exploration and evaluation assets

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company are capitalized on an individual property basis until the property is put into production, sold, abandoned, or determined to be impaired. Administration costs and general exploration costs are expensed as incurred.

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When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation costs are tested for impairment and subsequently transferred to property and equipment. When a property is placed into commercial production, capitalized costs will be depreciated using the units-of-production method.

When a determination is made that there will be no future benefit from the exploration activities, the costs will be written off and expensed to the income statement.

Proceeds from the sale of properties, water rights, or cash proceeds received from royalty agreements are recorded as a reduction of the related mineral interest, with any excess proceeds accounted for in net income (loss). Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects.

The Company's exploration and evaluation assets are reviewed for an indication of impairment at each statement of financial position date. This review generally is made by reference to the timing of exploration work, work programs proposed and the exploration results achieved by the Company. When indicators of Impairment exist, the carrying value of a property is compared to its net recoverable amount, a write down is made for the decline in fair value. The amounts shown for the exploration and evaluation assets represent costs incurred to date and do not reflect present or future values. Acquisition costs represent shares or cash paid to acquire the rights to the resource property, while exploration expenditures represent amounts paid to explore and develop the resource properties. The recoverability of these capitalized costs is dependent upon the existence of economically recoverable reserves and the ability of the Company to obtain necessary financing to successfully complete their exploration program.

e) Provisions

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset.

A liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is amortized on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of provisions for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As of December 31, 2020, the Company has determined that it does not have any significant decommissioning and restoration obligations.

f) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the Consolidated Statement of Comprehensive Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the

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laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Financial instruments

Financial instruments are recognized in the statement of financial position when the Company becomes a party to a contractual obligation. At initial recognition, the Company classifies and measures its financial instruments as one of the following:

- At amortized cost if they are held to collect contractual cash flows which solely represent payments of principal and interest;
- Otherwise, they are classified at fair value through profit or loss ("FVTPL").

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligations specified in the contract are discharged, cancelled or they expire.

At each reporting date, the Company uses the expected credit losses model to assess the impairment of its loans and receivables. The expected losses represent possible outcomes weighted by the probability of their occurrence, and the model focuses on the risk of default rather than whether a loss has been incurred. If there has been a significant increase in credit risk, an allowance would be recognized in the statement of loss.

h) Share-based payments

The fair value of stock options granted to directors, officers, employees, and consultants is calculated using the Black Scholes option pricing model and are expensed over the vesting periods. If and when the stock options are exercised, the value attributable to the stock options is transferred to share capital.

The Company founders as well as several contractors have accepted Company stock in exchange for services. These transactions have been recorded, as required under IFRS 2, in equity of the Company with the offsetting entry going to stock-based compensation.

i) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants, and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price (in our case we will use the last equity raise price for a basis) during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

j) Comprehensive income

Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net profit such as foreign currency translation adjustments for a subsidiary with a different functional currency. The Company's comprehensive income, components of other comprehensive income, and cumulative translation adjustments are presented in the Consolidated Statements of Loss and Comprehensive Loss and the Consolidated Statement of Changes in Equity.

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k) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individual or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligation between related parties.

NOTE 4 – CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies, reported amounts and disclosures. Actual results could differ from those estimates, and these differences may be material.

The areas that require significant estimations or where measurements are uncertain are as follows:

a) Critical judgements in applying accounting policies

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss during the period the new information becomes available.

Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, and environmental or political factors that could affect the assets' value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the acquisition and development or cost of holding such assets; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future on mineral properties; and whether the Company has the necessary funds to be able to maintain its interest in the mineral properties.

Tembo/RCF Financing

In accordance with the substance of the contractual arrangement, convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the initial fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

Mineral properties – net smelter royalty

Upon entering into a net smelter royalty ("NSR") arrangement linked to production at Cactus, management's judgement was required in assessing the appropriate accounting treatment for the transaction on the closing date and in future periods. We considered the specific terms of the arrangement to determine whether we have disposed of an interest in the reserves and resources of the operation or executed some other form of arrangement. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to the counterparty over the life of the operation. These factors include the contractual terms related to the total production over the life of the mine, the percentage being sold, the allowable deductions and the commodity price referred to in the ongoing payment. Management concluded that the initial deposit and value associated with any subsequent amendments should be applied against the carrying value of the mineral interest.

b) Key sources of estimation uncertainty

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Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and common share purchase warrants ("warrants") granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the fair value of stock-based compensation expense reported.

Discount rate of loans

Loans are initially recognized at fair value, calculated as the net present value of the liability based upon discount rate issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. There is significant measurement uncertainty in the determination of the appropriate discount rate to use.

NOTE 5 – FINANCINGS

a) Tembo/RCF financing

On July 10, 2020, the Company, Tembo Capital Mining GP III Fund ("Tembo"), and Resource Capital Fund ("RCF"), along with the assistance of Haywood Securities Inc. ("Haywood"), closed a \$19.1 million financing (the "Financing") comprising the following components:

- \$5.1 million equity investment (units comprising one share and one warrant);
- \$8.8 million debenture loan bearing interest at a 12% annual rate (with a bonus 0.64% net smelter royalty "NSR");
- \$5.1 million purchase of a 1.27% ("NSR"); and
- \$0.1 million purchase of a 1.27% NSR purchase option with a \$8.8 million exercise price;

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

Transaction costs

Pursuant to the Financing, the Company incurred \$1.7 million in transaction costs including \$0.4 million relating to 2,533,333 broker shares issued at \$0.15 per share, \$0.4 million relating to 5,333,333 broker warrants issued with a 3 year life, \$0.20 exercise price and a Black Scholes fair value of \$0.084 (assumptions applied: 100% estimated volatility, \$0.15 stock price, 3 year estimated life, 0.24% bond yield, and \$nil dividends), cash investment banking fees of \$0.5 million, and \$0.4 million of legal and other transaction costs. The \$1.7 million transactions costs were proportionally allocated to the various Financing components.

Equity investment

As part of the Financing, the Company issued 33,955,560 units at \$0.15 per unit (each a "Unit") for proceeds of \$5.1 million, whereby each Unit comprises one common share and a common share purchase warrant exercisable into 0.75 common shares of the Company (for a total of 25,466,670 common shares) with a five year life and \$0.20 exercise price. The Company determined the fair value of the warrants to be \$0.084 using Black Scholes (assumptions applied: 100% estimated volatility, \$0.15 stock price, 3 year estimated life, 0.24% bond yield, and \$nil dividends), and the fair value of the shares to be \$0.15 per share based on recent transactions.

After deducting \$0.5 million of transaction costs, the \$4.6 million net proceeds were proportionately allocated with \$3.3 million recorded to the common shares issued and \$1.3 million to the warrants issued.

Equity Investment	#	Proceeds (\$000)	Transaction costs (\$000)	Net proceeds (\$000)
Shares	33,955,560	\$ 3,590	\$ (319)	\$ 3,271
Warrants	25,466,670	\$ 1,503	\$ (133)	\$ 1,370
		\$ 5,093	\$ (452)	\$ 4,641

Debenture loan

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As part of the Financing, the Company received \$8.8 million by issuing debenture notes payable (the "Debenture Loan") bearing interest at a 12% annual rate, fully secured by the Company and its subsidiaries, and a January 17, 2022 maturity date. The Company has the option to pay the quarterly interest in cash or in shares, whereby the shares would be issued by converting the interest owed at \$0.15 per share.

As part of the consideration for the Debenture Loan, a subsidiary of the Company provided a 0.64% NSR (the "Bonus NSR") to the lenders, which was determined to have a fair value of \$2.5 million based on the purchase price for the 1.27% NSR. The Bonus NSR fair value amount was recorded as a transaction cost directly against the Debenture Loan with the offset credited to mineral properties on the Statement of Financial Position. In addition, \$0.8 million of transaction costs were recorded against the debt.

Debenture Loan	Inception Accounting	
		(\$000)
Proceeds	\$	8,786
Less: Bonus NSR		(2,547)
Less: transaction costs		(779)
Inception fair value	\$	5,460
Accretion		885
Value, December 31, 2020	\$	6,345

1.27% NSR

As part of the Financing, the Company sold a 1.27% NSR in its mineral properties for a \$5.1 million investment. After deducting \$0.5 million of transaction costs, the \$4.6 million net proceeds were recorded to mineral properties on the Statement of Financial Position. The \$5.1 million purchase price was considered to be fair value.

1.27% NSR Purchase Option

As part of the Financing, the Company sold an option for proceeds of \$0.1 million whereby the option holder could acquire an additional 1.27% NSR in the Company's mineral properties through January 15, 2022 for \$8.8 million. After deducting \$0.01 million of transaction costs, the \$0.1 million net proceeds were recorded to other long-term liabilities on the Statement of Financial Position. The \$0.1 million purchase price was considered to be fair value.

b) Convertible debenture financing

On May 8, 2020, the Company closed a convertible debenture unit financing (the "CD Financing") for 1,880 convertible debenture units (each a "CD Unit") for total proceeds of \$1.8 million excluding \$0.05 million in CD Units paid as brokers fees. Each CD Unit comprises:

- a) one \$1,000 face value convertible debenture (the "CD Debenture") bearing interest at a rate of 10% per annum, with a \$0.08 conversion exercise price convertible through June 15, 2020 into conversion units (each a "Conversion Unit") whereby each Conversion Unit comprises one common share and one common share purchase warrant with a 3-year life and \$0.10 exercise price; and
- b) 2,083 warrants with a 3-year life and \$0.15 exercise price.

The brokers CD Debentures bear nil% interest.

The following CD Debenture transactions took place during the year ended December 31, 2020:

- On June 15, 2020, the Company amended the CD Debenture to extend the maturity date to July 17, 2020, and in return the investors received as consideration an increase in the interest rate from 10% to 12%.
- On June 15, 2020, \$0.2 million principal and accrued interest was converted by the holders into 2,250,000 common shares and 2,250,000 warrants.
- On June 30, 2020, \$0.03 million principal and accrued interest was converted into 400,000 common shares and 400,000 warrants.
- On July 17, 2020, \$0.05 million principal balance held by the brokers was converted into 625,000 common shares and 625,000 warrants.

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- On July 17, 2020, the Company repaid \$1.8 million of principal and interest accrued on the CD Debentures with \$nil outstanding at year end.

A 20% discount rate was applied to the CD Debenture to determine the inception \$1.7 million fair value (after deducting \$0.07 million transaction costs). The difference between the future value and the discounted fair value of \$0.07 million was allocated, on a proportionate basis, to the conversion feature (\$0.02 million) and the warrant (\$0.05 million) based on their estimated fair values using Black Scholes assumptions of 100% volatility, 0.26 bond rate, \$nil dividend yield, \$0.15 stock price, and the contractual lives as the expected lives.

CD Debenture continuity		(\$000)
Inception fair value, May 8, 2020	\$	1,670
Accretion		426
Conversion to shares		(262)
Repayment		(1,834)
Value, December 31, 2020	\$	-

c) Short term loan

On January 16, 2020, the Company received \$1.0 million pursuant to a short-term loan agreement. The loan bore interest annually at the greater of 10%, or the TD Bank Prime Rate +6.05%, payable monthly. In connection with the loan, the Company paid a one-time commitment fee of \$0.1 million, issued 125,000 shares to a related party cosigner with a fair value of \$0.05 million, and incurred legal fees of \$0.03 million. The total debt issuance costs of \$0.2 million were applied against the loan principal amount and were accreted over the term of the loan.

The loan was repaid on July 31, 2020 and the Company has no further obligation with respect to this loan obligation.

d) Private placements

During the year ended December 31, 2020, the Company raised a total of \$3.8 million from private placements (Note 10).

NOTE 6 - MINERAL PROPERTIES, LAND AND WATER RIGHTS

Lands known as AR Sacaton LLC, under the management of the ASARCO Multi-state Environmental Custodial Trust (the "Trust"), consisting of approximately 2,035 acres were purchased for \$6.0 million during the year ended December 31, 2019. The Company paid \$0.4 million during its fiscal year ended December 31, 2019 and the remaining balance of \$5.6 million on July 13, 2020, of which \$2.0 million was deposited in an escrow account (Note 8).

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

- From the Merrill Property Division, 160 acres to the south of the property, known as "Parks/Salyer" was purchased for \$1.6 million. Of this amount \$0.4 million was paid during the year ended December 31, 2019 and the remaining balance of \$1.2 million was paid on May 8, 2020.
- From Copper Mountain, 263 acres made up of 5 parcels was purchased for \$2.6 million. Of this amount, \$0.6 million was paid on January 14, 2020 and a further \$1.2 million was paid on July 10, 2020. The balance of \$0.8 million is due on September 30, 2021.

The Trust lands were brought to the Company's attention by a consulting group TAGC Ventures LLC ("TAGC"). TAGC is due a \$1.3 million founder's fee, as follows:

Due upon transfer of the Trust lands	\$0.2 million	Paid on July 10, 2020
Due upon completion of permitting	\$0.3 million	
Due upon start of commercial production	\$0.5 million	
Due upon first anniversary of production start	\$0.3 million	

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The founder's fee amounts will be capitalized as part of the land costs above. The first \$0.2 million was paid on July 10, 2020. The balance of payments will be recorded when the Company undertakes and completes the milestones stipulated in the agreement.

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

	Mineral Properties - Land (\$000)	Cap. Exploration Costs Assets (\$000)	Mine Fleet Light Vehicles (\$000)	Office Furniture and Equipment (\$000)	Total (\$000)
Cost					
Balance as of 01/01/20	10,345	1,670	-	9	12,024
Additions/(Disposals)	(6,733)	5,218	149	-	(1,366)
Reclamation fund	(2,028)	-	-	-	(2,028)
Balance at 12/31/20	1,584	6,888	149	9	8,631

**Accumulated depreciation, amortization
and impairment**

Balance as of 01/01/20	-	-	-	-	-
Additions	-	-	(7)	(9)	(17)
Balance at 12/31/20	-	-	(7)	(9)	(17)
Net book value at 12/31/20	1,584	6,888	142	-	8,614

Cost

Balance as of 04/03/19	-	-	-	-	-
Additions	10,345	1,670	-	9	12,024
Balance at 12/31/19	10,345	1,670	-	9	12,024

**Accumulated depreciation, amortization
and impairment**

Balance as of 04/03/19	-	-	-	-	-
Balance at 12/31/19	-	-	-	-	-
Net book value at 12/31/19	10,345	1,670	-	9	12,024

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Following is the detail of net book value on December 31, 2020:

		Amount Capitalized (\$000)
Mineral and land		
Cactus property	\$	4,122
Parks/Salyer		1,568
Merrill 263		2,582
TAGC founders fee		200
Total property values	\$	8,472
Vehicles purchased		149
Less: depreciation		(7)
Total assets	\$	8,614

NOTE 7 - CAPITALIZED EXPLORATION ASSETS AND EXPENDITURES

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

		2020 (\$000)		2019 (\$000)
Drilling	\$	2,793	\$	803
Exploration		654		133
Salaries and wages		627		124
Sample and assay		413		224
Geology		245		298
Operational		223		-
Engineering		135		-
Environmental		109		66
Travel		14		16
Office		5		4
Safety		-		2
	\$	5,218	\$	1,670

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NOTE 8 – ASSET RETIREMENT OBLIGATIONS

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

The mitigation of environmental risk was a key factor in the acquisition of the Cactus property. The purchase of the approximate 2,035-acre land parcel was finalized with the ASARCO Multi-state Environmental Custodial Trust (the "Trust") on July 13, 2020. The property clean-up has been completed and closure approvals are underway with the Arizona Department of Environmental Quality and the Environmental Protection Agency on behalf of the Department of Justice. The Company intends to revitalize this property, without assuming any of the past liability, and bring it back into production. An agreement with the Arizona Department of Environmental Quality was reached and executed on January 8, 2020 whereby Elim will not be held liable for past environmental issues, however the Company will provide on-going environmental oversight to ensure the reclaimed activities conducted by the Trust stay in good standing.

The Company has also reached an agreement with the Trust whereby the current water pond that services activities at the mine site and the waste rock dump will not be closed until the Company makes an economic decision whether to process the ore in the waste dump. As a result, \$2.0 million of the \$6.0 million acquisition price was deposited in an escrow account to reclaim the waste rock dump if the Company decides that there is no economic benefit in processing it. On March 24, 2021, the Company provided written notice to the Asarco Multi-State Environmental Custodial Trust that Elim had elected to proceed towards reprocessing the overburden and waste rock materials in accordance with an escrow agreement executed on July 10, 2020. As a result of such election, the Trust was entitled to receive a distribution of all the escrowed funds subject to this agreement. Upon issuing such notice, the Company reclassified the \$2.0 million escrow balance that had been recorded as Reclamation Trust Fund to Mineral Properties.

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

NOTE 9 – CAPITAL MANAGEMENT

The Company considers its capital to consists of debt and equity, comprising share capital, reserves, and deficit. The Company's objectives are to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, pursuit of accretive opportunities, and to maximize shareholder return through enhancing the 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 maintain its objectives, the Company may issue new shares, adjust capital spending, acquire, or dispose of assets. There is no assurance that these initiatives will be successful.

The Company is currently not exposed to any externally imposed capital requirements.

NOTE 10 – EQUITY

a) Authorized

The Company is authorized to issue an unlimited number of common shares without par value. As at December 31, 2020, there were 102,925,354 common shares outstanding (December 31, 2019 - 45,812,487 common shares outstanding).

b) Issued Shares

The Company had the following share transactions during the year ended December 31, 2019:

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

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

- During April 2019, the Company issued 6,300,000 common shares for gross proceeds of \$315,000.
- During May 2019, the Company issued 400,000 common shares for gross proceeds of \$20,000 and 17,780,000 common shares with a fair value of \$889,000 for services.
- During June 2019, the Company issued 300,000 common shares with a fair value of \$30,000 for services.
- During July 2019, the Company issued 20,135,516 common shares for gross proceeds of \$2,013,552.
- During December 2019, the Company issued 475,615 common shares for gross proceeds of \$190,246 and 421,354 common shares with a fair value of \$168,542 for services.

The Company had the following share transactions during the year ended December 31, 2020:

- During January 2020, the Company issued 125,000 shares with a fair value of \$50,000 to a significant shareholder to act as a guarantor for short-term financing (see Notes 5 and 11).
- During February 2020, the Company issued 31,250 shares for services valued at \$12,500 (see Note 11).
- During March 2020, the Company issued 67,525 shares for gross proceeds of \$27,010. (See Note 5 – short term loan)
- During April 2020, the Company issued 27,508 shares for services valued at \$11,003. (See Note 5 – short term loan)
- During June and July 2020, the Company issued 3,275,000 shares with a fair value of \$156,026 pursuant to the conversion of \$262,000 debt (see Note 5).
- During July 2020, the Company issued 33,955,560 shares, and 2,533,333 broker shares, with a fair value of \$3,590,422 and \$267,872 respectively pursuant to the Financing (see Note 5). Transaction costs associated with these issuances were \$318,515.
- During October 2020, the Company paid Financing interest of \$242,255 by issuing 1,615,035 shares priced at \$0.15 per share as prescribed in the Tembo and RCF loan agreements (see Note 5).
- During October 2020, the Company issued 1,186,667 common shares with a fair value of \$178,000 for directors fees (see Note 11).
- During December 2020, the Company completed a private placement by issuing 12,705,402 shares for gross proceeds of \$3,811,621 and 1,590,588 common shares with a fair value of \$238,588 for services. Transaction costs associated with these issuances were \$295,581.

c) Stock Options

On July 7, 2020, the Board of Directors implemented a stock option plan which is authorized to grant a combination of stock options and restricted shares up to 10% of the total number of common shares issued and outstanding at any given time.

During the year ended December 31, 2020, the Company granted 3,962,412 stock options to directors and officers of the Company with an exercise price of \$0.15. The total fair value of the options granted was \$438,727.

As at December 31, 2020, the Company has the following stock options outstanding and exercisable:

	Number of options outstanding	Weighted average exercise price
Balance, April 3, 2019 and December 31, 2019	-	\$ -
Granted	3,962,412	0.15
Balance, December 31, 2020	3,962,412	\$ 0.15

Details of stock options outstanding as at December 31, 2020 are as follows:

Date of grant	Expiry date	Exercise price	December 31, 2020 outstanding	December 31, 2020 exercisable	December 31, 2019 outstanding
July 20, 2020	July 20, 2025	\$0.15	2,709,559	812,868	-
July 20, 2020	July 20, 2025	\$0.15	515,916	515,916	-
October 2, 2020	October 2, 2025	\$0.15	350,000	350,000	-
November 12, 2020	November 12, 2025	\$0.15	257,958	77,387	-
December 14, 2020	December 14, 2025	\$0.15	128,979	128,979	-
			3,962,412	1,885,150	

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As at December 31, 2020, outstanding stock options had a weighted average remaining life of 4.6 years (December 31, 2019 – nil).

The following Black Scholes assumption were used in the valuation of stock options granted during the year ended December 31, 2020:

	December 31, 2020
Annualized volatility	100%
Expected life in years	5 years
Dividend rate	0.00%
Risk-free rate	0.24% to 0.44%
Forfeiture rate	0.00%

Total stock-based compensation recognized related to stock options during the year ended December 31, 2020 was \$291,920 (2019 - \$nil).

d) Restricted Shares

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

The RSUs can be settled in either cash, shares, or a combination thereof at the sole discretion of the Company. Such a decision is to be made on each vesting date. The Company considers these RSUs as equity-settled share-based payments. During the year ended December 31, 2020, the Company awarded 1,642,474 RSUs to the directors and officers of the Company. The fair value of the RSUs awarded was \$246,373. The RSU's were valued based on the estimated \$0.15 share price as at the date of grant.

As at December 31, 2020, the Company had 1,642,474 RSUs outstanding (December 31, 2019 – nil) of which 492,742 were vested and unissued (December 31, 2019 – nil).

Total stock-based compensation recognized related to RSUs during the year ended December 31, 2020 was \$144,344 (2019 - \$nil).

e) Warrants

On May 8, 2020, the Company closed the CD Financing. Pursuant to the CD Financing the Company issued 3,811,890 warrants, and 104,150 broker warrants with a fair value of \$47,823 and \$1,307, respectively (see Note 5 for additional information and Black-Scholes assumptions).

During June and July 2020, the Company issued 3,275,000 warrants with a fair value of \$107,629 pursuant to the conversion of debt (see Note 5 for additional information and Black-Scholes assumptions).

In July 2020, the Company issued 25,466,670 warrants, and 5,333,333 broker warrants with a fair value of \$1,369,585 and \$314,746, respectively pursuant to the Financing (see Note 5 for additional information and Black-Scholes assumptions).

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As at December 31, 2020 the Company had warrants to acquire common shares of the Company as follows:

Expiry Date	Exercise Price	Number of warrants December 31, 2020	Number of warrants December 31, 2019
May 8, 2023	\$ 0.15	3,916,040	-
July 17, 2023	\$ 0.10	3,275,000	-
July 17, 2023	\$ 0.20	25,466,670	-
July 27, 2023	\$ 0.20	5,333,333	-
		37,991,043	-

As of December 31, 2020, outstanding warrants had a weighted average remaining life of 2.5 years (December 31, 2019 – nil).

NOTE 11 - RELATED PARTY TRANSACTIONS

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

In connection with the Tembo/RCF financing (Note 5(a)), 1,615,035 common shares were issued with a fair value of \$242,255 pursuant to the Financing interest. As at December 31, 2020, \$6.4 million was payable to Tembo and RCF.

In connection with the convertible debenture financing (Note 5(b)), 350 debenture units were issued to directors and officers for gross proceeds of \$350,000. The debentures units were convertible into one common share and one full share purchase warrant. During the period ended December 31, 2020, 282 debenture units were redeemed at par and 108 were converted into 350,000 common shares and 350,000 warrants.

During the year ended December 31, 2020, 1,342,916 (2019: 12,737,500) common shares were issued to directors and officers for services.

During the year ended December 31, 2020, 2,160,000 (2019: 6,917,360) common shares were issued to directors and officers for gross proceeds of \$0.4 million (2019: \$0.5 million).

Total director fees for the year ended December 31, 2020 were \$0.3 million (2019: \$0.4 million).

The remuneration of the president and chief executive officer, chief financial officer, and chief operating officer (collectively, the key management personnel) was as follows:

	Year Ended December 31, 2020 (\$000)	April 3, 2019 to December 31, 2019 (\$000)
Salaries and bonuses	1,170	238
Share-based compensation*	112	354
	1,282	592

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

As at December 31, 2020, \$0.4 million was payable to key management personnel (December 31, 2019 – \$0.05 million).

NOTE 12 – INCOME TAXES

The tax expense at statutory rates for the Company can be reconciled to the reported loss per the statement of loss and comprehensive loss as follows:

	2020 (\$000)	2019 (\$000)
Loss before income taxes	\$ (5,104)	\$ (1,803)
Canadian federal and provincial income tax rates	27.0%	27.0%

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Income tax expense (recovery) based on the above rates	(1,378)	(487)
Items not deductible for income tax purposes	250	-
Differences in foreign tax rates	105	108
Foreign exchange and other	222	-
Financing costs	(379)	-
Impact of deferred tax assets not recognized	1,180	379
Total income tax expense (recovery)	\$ -	\$ -

The Company's unrecognized deferred income tax assets are as follows:

	2020	2019	Expiry date range
	(\$000)	(\$000)	
Unrecognized deferred income tax assets (liabilities)			
Non-capital losses carried forward	\$ 2,463	\$ 379	See below
Loans	239	-	2022
Financing costs	304	-	2024
Mineral properties	(1,446)	-	Not applicable
Total unrecognized deferred income tax assets	\$ 1,559	\$ 379	

The Company has non-capital losses available of \$10.4 million that may be carried forward to reduce future taxable income. These losses are with respect to Canadian and US operations, and if not utilized, will expire as follows:

	USA	Canada
	(\$000)	(\$000)
2039	2,298	5
2040	6,275	1,826
	8,573	1,831

NOTE 13 – FINANCIAL INSTRUMENTS

	December 31,	December 31,
	2020	2019
	(\$000)	(\$000)
Financial assets at amortized cost		
Cash	7,248	47
Financial liabilities at amortized cost		
Accounts payable	1,270	388
Accruals	2,330	598
Other current liabilities	970	9,310
Tembo Capital Mining GP III Ltd. debenture loan	4,983	-
Resource Capital Funds debenture loan	1,362	-
Other long term liabilities	88	-
	11,003	10,296

As at December 31, 2020, the fair value of the Company's Debenture Loan with Tembo and RCF, using a 12% discount rate, was \$8.4 million. The carrying values of all other financial assets and financial liabilities approximate their fair value.

Management of financial risks

Currency risk

The Company is exposed to the financial risk due to changes in foreign exchange rates. The Company operates in the United States and Canada, and a portion of its expenses are incurred in Canadian dollars. A significant change in the

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exchange rates between the Canadian dollar relative to the US dollar could have an affect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At December 31, 2020, the Company is exposed to currency risk through its cash and cash equivalents denominated in Canadian dollars totalling \$0.4 million.

Based on the exposure as at December 31, 2020, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of approximately \$32,000 in the Company's loss for the year.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its exploration and operational activities. The Company will pursue additional equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favorable terms.

As at December 31, 2020, the contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

December 31, 2020	Less than 1 year	1 to 3 years
Accounts payable	1,270	-
Accruals	2,330	-
Other current liabilities	970	-
Tembo Capital Mining GP III Ltd.	-	6,900
Resource Capital Funds	-	1,886
Other long term liabilities	-	88
	4,570	8,874

December 31, 2019	Less than 1 year	1 to 3 years
Accounts payable	388	-
Accruals	598	-
Other current liabilities	9,310	-
	10,296	-

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

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Based on the achievement of certain development milestones, the Company is obligated to make future payments to TAGC of up to \$1.05 million as discussed in Note 6.

The Company has also committed to NSR obligations with respect to its Tembo/RCF financings, described in Note 5.

NOTE 15 – OPERATING SEGMENTS

As of December 31, 2020 and December 31, 2019, the Company is operating its business in one reportable segment: mineral exploration and development in the United States of America.

NOTE 16 – SUPPLEMENTAL CASH FLOW INFORMATION

	For the year ended December 31 2020 (\$000s)	For the period ended December 31 2019 (\$000s)
Non-Cash Investing and Financing Activities		
Bonus NSR	2,547	-
Mineral property expenditures in Accounts Payable and Accruals	2,039	771
Common shares issued for interest	242	-
Common shares issued for services	492	1,087

NOTE 17 – SUBSEQUENT EVENTS

On February 2, 2021, the Company executed an agreement with Arcus Copper Mountain Holdings LLC and several other owners to purchase 750 acres of land adjacent to the Cactus Mine. The total purchase price of \$6.0 million is scheduled to be paid in three separate disbursements during the period June 30, 2021 to December 31, 2021. The agreement provides for a ninety day due diligence period which expires May 3, 2021, at which time a \$100,000 deposit becomes non-refundable unless the Company terminates the transaction.

On March 9, 2021, a second tranche of private placement was completed, primarily consisting of shares subscribed by a technical consortium (the "Consortium") comprised of Samuel Engineering and Battle Born Materials LLC ("BBM"). The Company and Consortium had agreed in December 2020 that \$1.9 million of the fees payable for certain services on the Stockpile Project were to be satisfied by issuing approximately 6.333 million common shares at the deemed price of \$0.30 per common share. Subsequently, the Company and BBM determined that the portion of the fees that had been attributable to BBM (\$0.9 million) would instead be settled in the form of a cash subscription at the same price.

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 Capital Mining GP III Ltd. exercised its pre-emptive rights on both private placements, subscribing for 12.449 million shares at \$0.30 per share for proceeds of \$3.735 million. RCF Opportunities Fund LP exercised its pre-emptive rights on the March 2021 private placement only, subscribing for 1.449 million shares at \$0.30 per share for proceeds of \$0.435 million.

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

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

APPENDIX "E"

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE PERIOD ENDED DECEMBER 31, 2019

Introduction

The following Elim Mining, Inc. (the "Company" or "Elim Mining") Management Discussion and Analysis ("MD&A") was prepared on May 14, 2021 and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). All dollar amounts are expressed in United States dollars unless otherwise noted.

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

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

Overview

Elim Mining is an emerging U.S. copper producer and developer based in Arizona. The Company's principal business objectives are the identification, acquisition, exploration, development and sustainable production of precious and 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, generating robust returns for investors and providing a long term sustainable and responsible operation for the community and all stakeholders.

Elim Mining 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.

Highlights – 2021 To Date

- Effective May 4, 2021, John Antwi was longer President and Chief Executive Officer of the Company. A board member, Alan Edwards, assumed the role of interim CEO until a permanent hire is named.
- On March 24, 2021, the Company provided written notice to the ASARCO Trust that Elim 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 Capital Mining GP III Ltd ("Tembo"), exercised its pre-emptive rights on both private placements, subscribing for 12.4 million shares at \$0.30 per share for proceeds of \$3.7 million. RCF Opportunities Fund LP ("RCF") exercised its pre-emptive rights on the March 2021 private placement only, subscribing for 1.4 million shares at \$0.30 per share for proceeds of \$0.4 million.
- 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 \$1.9 million 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 6.3 million common shares at the deemed price of \$0.30 per common share. Subsequently, the Company and BBM determined that the portion of the fees that had been attributable to BBM (\$0.9 million) would instead be settled in the form of a cash subscription at the same price.
- On February 2, 2021, the Company executed an agreement with Arcus Copper Mountain Holdings LLC and several co-owners to purchase 750 acres of land adjacent to the Cactus Mine. The total purchase price of \$6.0 million is scheduled to be paid in three separate disbursements during the period June 30, 2021 to December 31, 2021. The agreement provides for a 90 day due diligence period which expired May 3, 2021, at which time a \$100,000 deposit became non-refundable.

Highlights - 2020

- On December 22, 2020, the Company completed a \$3.8 million non-brokered private placement of common shares. The first tranche of the non-brokered private placement financing of common shares of the Company provided aggregate gross proceeds of \$3.8 million (the "Offering"). Under the Offering, the Company issued a total of 12.7 million common shares at a price of \$0.30 per common share.
- On December 10, 2020, the Company reported results from six diamond drill holes in respect of resource

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

drilling from the Cactus Project. These results focused on the Cactus West deposit and tested the extension of the mineralization from the historic pit. Together with the previously released eight diamond drill holes, the Company had, as of the given date, released cumulative results for 13 of the 17-hole drilling program (24,269 feet, 7,507 meters). Results for the remaining four holes were still pending. An additional hole (1,697 feet, 517 meters) was completed to support column leach test work as part of metallurgical studies on leach parameters for the Cactus Project Preliminary Economic Assessment ("PEA").

- On November 30, 2020, the Company issued results from the Company's ongoing core re-logging and re-assaying program. A total of 192 historic pulp samples were selected to represent the grade distributions present within the Cactus West and Cactus East deposits. Pulps were selected to cover: Cactus West and Cactus East deposits; a range of potentially economic grades; and the main copper mineral zones consisting of oxide, enriched and primary zones. The program confirmed the historic total copper assays ("CuT") indicating a 0.98 correlation coefficient between the re-assay samples and historic dataset. A key component of the maiden mineral resource is the inclusion of historic core which was available onsite from the property acquisition. A re-log and re-assay program was initiated to conform the results to NI43-101 standards, allowing the inclusion of 177 additional drill holes into the Company's mineral resource database.
- On November 17, 2020, the Company announced assay results for the first seven drill holes totaling 9,009 feet (2,746 meters) from the 17-hole diamond drilling program. Some highlights included, in hole ECE-002, an enriched intercept of 200 feet (61 meters) of 1.25% total copper (CuT); in hole ECE-001 an oxide intercept of 70 feet (22 meters) of 0.48% CuT continuous with an enriched intercept of 60 feet (18 meters) of 1.54% CuT; in hole ECW-003, an enriched intercept of 48 feet (15 meters) of 0.70% CuT; and in hole ECW-008, enriched intercepts of 54 feet (16 meters) of 0.69% CuT and 48 feet (15 meters) of 1.09% CuT.
- On August 14, 2020, the Company commenced mineral resource drilling at the Cactus Project. The 17-hole drilling program was intended to defining the extension of the mineralization from the historic pit. Additionally, the Company announced its intent to drill one metallurgical hole to prepare a column leach test from the in-situ material.
- On July 13, 2020, the Company closed a \$19.1 million financing with the strategic investors Tembo and RCF. The three-part financing package was comprised of an equity subscription, a loan and several royalty agreements. Proceeds of the financing were intended to complete the purchase of the Cactus Project, repay outstanding debt, and fund ongoing development and working capital. Upon completion of the financing, the Company finalized the acquisition of the Cactus property from the ASARCO Trust for a total of \$7.0 million.
- On May 15, 2020, the Company closed a US\$1.8 million debenture financing with management and other insiders. The net proceeds were used to complete the Parks/Salyer property acquisition for \$1.2 million and for general working capital. The acquisition provided 100% ownership of the land immediately adjacent to the Cactus Project.
- On March 10, 2020, the Company announced a Preliminary Economic Assessment in respect of the Stockpile Project (see the "Stockpile Project" section of this report).

Cactus Mine Project

The 100%-owned Cactus Mine Project ("Cactus 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 2,500 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

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

under the guidance of the 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 excellent condition and have undergone some renovation in the past year. 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 being steadily progressed through project permitting. With access to historic and well-organized core data, the Cactus Project's 500-acre Stockpile inventory, comprising mostly leachable material, has been positively assessed for its economic potential.

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:

- Stockpile assessment, including associated resource estimation and metallurgical work for issuance of an NI-43-101 Preliminary Economic Assessment
- Exploration drill programs of the Cactus West and East deposits
- Metallurgical investigation of the Cactus West and East deposits
- NI-43-101 Mineral Resource Estimate of the Cactus deposits

An integrated Preliminary Economic Assessment is now being done to ascertain initial project economics of all leachable ores including the Stockpile, Cactus West, and Cactus East.

Stockpile

Drilling

In 2019, a sonic drilling program that entailed 30,000 feet based on hole spacings of 750 feet was undertaken to determine potential mineral content of the Project waste dump.

Drill samples were assayed and reported for total copper, and sequential copper analysis (acid soluble copper and cyanide soluble copper) with measured leachable component. Widespread leachable copper was observed throughout the stockpile with grade increasing from the base of the stockpile (lift 1) to the top (lift 3). Based on this drill program, the Stockpile reported inferred resources as follows.

Stockpile Mineral Resources as of March 2, 2020										
CLASS	CUTOFF TSOL_Cu %	Tons (Mt)	Grade (%)				Pounds Cu (Million lbs)			
			CuAS	CuCN	TSOL_Cu	TCu	CuAS	CuCN	TSOL_Cu	TCu
Inferred	0.09	75.5	0.121	0.024	0.145	0.168	182.6	36.2	218.8	253.5

Notes:

1. There is a reasonable probability of eventual economic extraction of this resource using sulfuric acid leaching and SX/EW recover at a total copper soluble ("TSOLCu") cutoff of 0.09% and a copper price of \$2.82/pound (based on the 3 year trailing average)
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.

Metallurgy

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

Bottle roll testing was conducted with various areas randomly selected based on average assay grades ahead of column leach testing of the stockpile in the second half of 2020. By December, 2020, results from the stockpile column leach testing were received. As compared to bottle roll testing:

- Copper recovery exceeded bottle roll 180-day predictions, with 2-year modeled copper recovery having been exceeded in 50 leach days;
- CuAS recovery was very rapid/high in all tests, averaging 94% against a predicted 85%; and
- CuCN recovery was tracking as expected (except for sample WD-50) for 1-year leach cycle

50-Day COPPER RECOVERY (%)										
	WD-22		WD-24		WD-50		AV G	Predicted		
	Assay %	Recovery %	Assay %	Recovery %	Assay %	Recovery %		180 Days	1-Yr	2-Yr
CuAS	80.6%	97% (+)	63.6%	89% (+)	69.8%	94% (+)	94% (+)	85.0%	75.0%	10.0%
CuCN	17.6%	64% (-)	5.8%	39% (-)	10.7%	30% (-)	44% (-)	75.0%	35.0%	40.0%
CuSOL	98.1%	91% (+)	69.4%	85% (+)	80.5%	86% (+)	87% (+)	83.3%	68.2%	15.1%
CuT		76% (+)		75% (+)		70% (+)	74% (+)	71.9%	59.0%	12.9%

As compared to initial bottle roll test data:

- Acid consumption exceeded bottle roll expectations for test composites WD-22 and WD-50;
- Acid/water initial leach solutions were more aggressive than raffinate (buffering was not realized but is expected in future tests); and
- Initial target leach solution acid concentration of 15 grams per litre (gpl) H₂SO₄ was high, resulting in a PLS pH ≤1.4 for the majority of the testing period

Without the benefit of historical data, a higher initial leach acid content was selected in these first tests to ensure pH control throughout the columns. A solvent extraction pilot plant was also included in the testing plan and it required time to develop the raffinate leach solution volumes required to stabilize the tests. This mature raffinate has been saved and is being used to initiate the new column tests now in progress. It is expected that the next tests will be more representative of the commercial results and report lower overall net acid consumption values.

Higher net acid consumption (accounting for recovered copper) results were possibly the result of slow reacting gangue mineral consumption (clays, biotite & limonite). It is expected that additional planned testing will benefit from using the now existing mature raffinate produced in the initial tests. Acid cost per pound impacts, resulting from the higher net acid consumption, are expected to be partially offset by improved average leach recovery, production and leach times. Metallurgical analysis and test work continue, and an optimal leach strategy will be reflected in the PEA planned for release in 2021.

Net Acid Consumption Results

NET ACID CONSUMPTION (pounds/ton)				
	WD-22	WD-24	WD-50	AVG
Bottle Roll	16.7	17.9	7.1	13.9
Column	28.5	15.7	22.3	22.2
Difference	11.8	-2.2	15.2	8.3

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

An initial preliminary economic analysis in relation to the stockpile was released and posted to the Elim Mining website (www.elimining.com) in March 2020. The technical study included assaying, metallurgical testing (bottle roll) and engineering. The results demonstrated a robust operation on the 500-acre Cactus stockpile operation as a means to generate cash flow ahead of developing the Cactus Project.

Operating and Financial Results of the Stockpile Project Preliminary Economic Assessment

- Base case parameters assume a copper price of \$2.82 per pound
- Low upfront costs
- Initial capital costs of \$71.4 million, including \$19.2 million for pad construction, ponds and pipeline, and \$52.1 million for construction of the SX/EW plant, including \$9.3 million for contingencies
- Simple heap leach, run of mine operation processing 75.5 million short tons ("st") @ 0.168% total copper ("TCu") over 8 years
- Total copper production of 182.4 million pounds of copper as cathode
- Average annual heap leach processing rate of 10.9 million tons
- Average acid and cyanide soluble combined recoveries of 83.3% and total copper recovery of 71.9% from the onsite SX/EW plant
- Base case after-tax NPV (8%) of \$71.4 million with an IRR of 28% and a 3.3 year payback
- Cumulative free cash flow of \$140 million
- Average annual steady state cash flow of \$31 million
- Average life of mine cash costs of \$1.23 per pound of copper produced (\$2.94 per ton processed) and AISC of \$1.87 per pound of copper produced
- General understanding of ASARCO's pit mining schedule, coincident with mineral placement with the stockpile

Cactus Project Exploration

In 2020, exploration work programs were undertaken in the second half of the year to support the phased development plans of the Cactus Project and develop a Mineral Resource Estimate for the Cactus West and East deposits

The work programs included:

- Step-out drilling (\$1.9 million) at Cactus West and East deposits consisting of 24,629 feet (7,507 meters) of diamond drilling, including
 - Twelve step-out holes at Cactus West to expand the inferred resources to the extent of the initial conceptual pit shells developed, with one hole oriented to support geotechnical logging of structures, and
 - Five holes at Cactus East to expand inferred resources to the extent of the initial conceptual pit shells. In addition, conceptual underground extents were developed. One hole was oriented to support geotechnical logging of structures.

Drilling in each hole intercepted leachable copper mineralization. At Cactus East it was determined that the leachable mineralization rises to the north, and at Cactus West, the leachable mineralization extends from the south, around west and to the north.

This drilling supported the planned mineral resource estimate and PEA scheduled for 2021. Subject to successful results from the preliminary studies, the Company plans to complete further technical studies to arrive at a construction decision.

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

Cactus Project Historic Relogging/Re-assaying

Relogging and re-assaying of historical drillholes was also conducted to inform the Cactus mineral resource work and to confirm geological controls. In addition to historic drill core assays, approximately 2,400 historical pulps were sent for either re-assaying of total copper or for sequential copper analysis. Initial results from 192 total copper samples received confirmed the validity of the historical total copper assay results with a 0.98 correlation coefficient. The combination of this work validated the historic data compliance to CIM 2019 Best Practices. As a result, a total of 177 drill holes were available for inclusion to the NI43-101.

As at the end of December 2020, 400 of the remaining 2,400 pulp re-assays had been received and were awaiting QA/QC. These will provide total leachable copper results and further resolution on the copper mineral zone contacts in areas of the resource currently defined by historical drilling only. At the end of 2020, the project was awaiting final collar coordinates, surveys, logging, and assays. Once attained, geologic models were updated for the Cactus East and West deposits to support exploratory data analysis and grade estimation for the initial mineral resource model completed in March 2021.

Metallurgy

A metallurgical program was undertaken to ascertain the leachability of oxide and enriched ores representing Cactus East and Cactus West. To this end, a metallurgical sample hole was drilled under the following criteria.

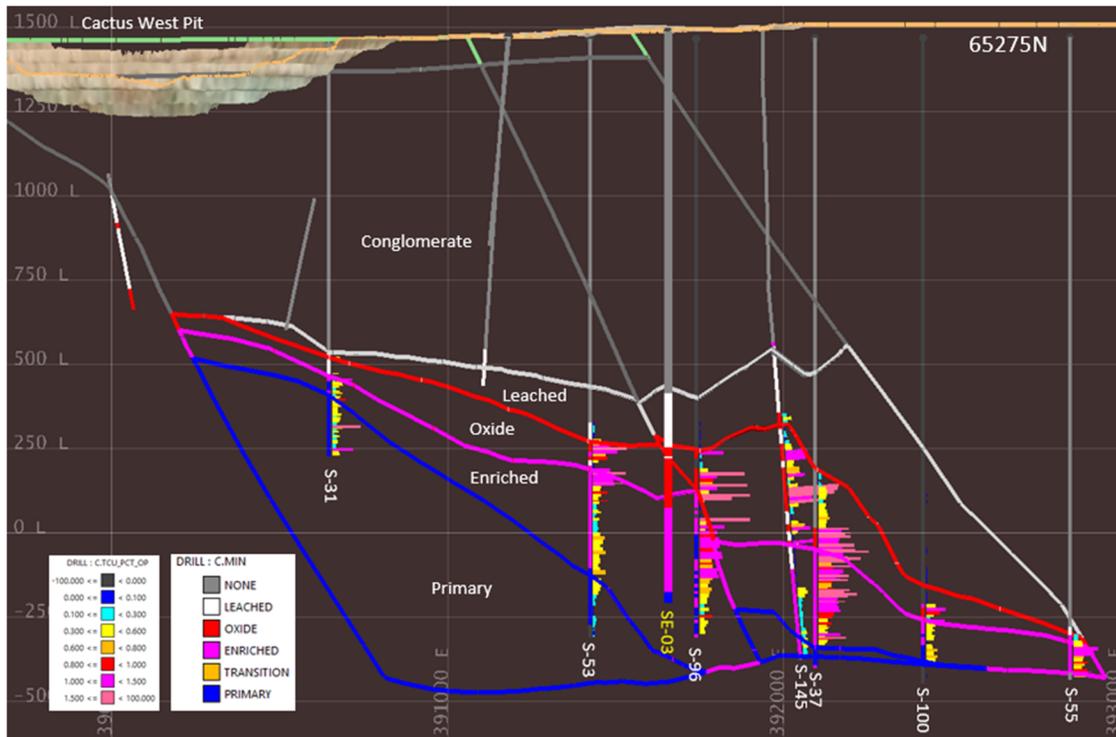
Targets:

- Fresh oxide materials in drilling program (one test)
- Fresh enriched Materials (chalcocite dominant, minor primary chalcopyrite, balance CuAS <30% - mill feed potential threshold) – two tests

Testing Plan:

- Leach parameters similar to stockpile columns
- Material provided to grow bacterial media for enriched column testing inoculation
- Expected duration 6 months (180 days) for bio-leach, to be considered with actual performance

Hole SE-03 was drilled as a twin to historic hole S-96.



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

Six barrels of approximately 250 lbs each of core pieces were shipped to McClelland Laboratories for analysis. A bottle roll test was first completed, as shown here, with the following notes.

Sample	Cu		% Cu			H ₂ SO ₄	H ₂ SO ₄ Consumption		
	Recovery, % of total	Extracted	Tail	Calculated	Head	Added, lb/ton ore	Gross lb/ton ore	Gangue lb/ton ore	Specific (Gaugue) lb/lb Cu
				Head	Assay				
4600-001 (Oxide)	90.7	0.706	0.073	0.778	0.838	57.6	14.2	6.7	0.5
4600-002 (Sulfide)	8.8	0.204	2.130	2.313	2.433	32.8	6.5	6.7	1.7
4600-003 (Sulfide)	11.3	0.066	0.523	0.584	0.618	38.7	4.7	7.3	5.5

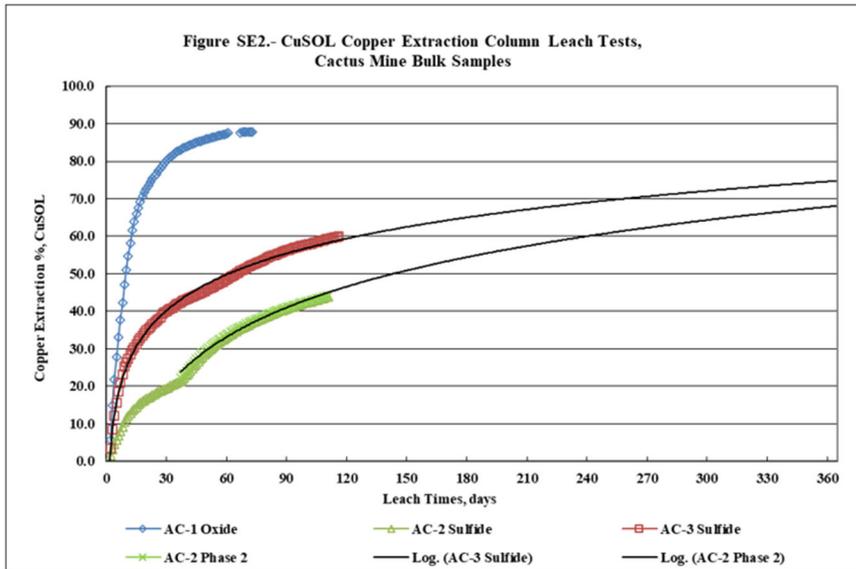
- The sample -003 grade variation was significant between bottle roll calculated head and average head assay;
- Grades were higher than anticipated from nearby hole S-96;
- There was low copper extraction (~10%) in sulfide samples (chalcocite vs. covellite); and
- Acid consumption was low overall for all samples

Subsequent columns were built to test the leachability of oxide and enriched ores, with mesophilic cultures developed in-lab for the leaching of the enriched, or chalcocite materials.

MLI Test #	Leach/Rinse Sample	Leach/Rinse Time, days	Cu		% Cu			H ₂ SO ₄	H ₂ SO ₄ Consumption		
			Recovery, %	Extracted	Tail	Calc'd.	Avg.	Added, lb/ton ore	Gross lb/ton ore	Gangue lb/ton ore	Specific (Gaugue) lb/lb Cu
						Head	Head				
AC-1	4600-001 (Oxide)	61		0.685			0.832	120.4	26.8	5.7	0.4
AC-2	4600-002 (Sulfide)	110		1.017			2.392	121.3	26.4	-4.9	-0.2
AC-3	4600-003 (Sulfide)	110		0.349			0.627	120.4	8.4	-2.4	-0.3

- Oxide column results were comparable to Stockpile Project results (see below)
- Acid consumption was very low overall & comparable to bottle roll results
- Overall pregnant leach solution ("PLS") iron ("Fe") content reduced by dilution to create more volume for upcoming tests – lower iron content may be impacting sulfide column performance
- Mineralogy indicates covellite could be more predominant in these samples (which requires bio activity for significant copper extraction versus chalcocite)

SE-03 met core Preliminary Column Data & Results to 77 days:

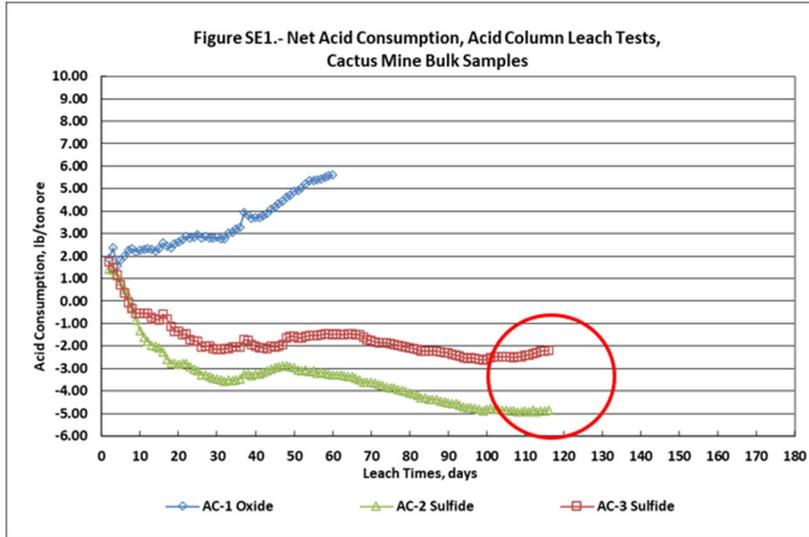


Sulfide Column AC-2 Shows Evidence of Significant Bio-Activity @ Day 41 (Redox ~525 mV; ~95% of Fe converted to Fe³⁺) & Copper Extraction with higher pH (>1.6) and lower flows (0.005 gpm/ft²)

Sulfide Column AC-3 Shows Evidence of Significant Bio-Activity @ Day 70 (Redox ~520 mV; ~95% of Fe converted to Fe³⁺)

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

SE-03 Met Core Preliminary Column Data & Results:



Fresh acid has not been added since mid-Dec (Day 15)

Oxide column consuming excess acid from sulfide columns

Sulfide pH dropped when oxide column stopped.

Sulfide Columns presently net acid producers based on copper extraction and low expected acid consumption. Bio-activity expected to improve mineral acid production (sulfur).

Key Observations:

- Sulfide column AC-2 bio activity has initiated and copper recovery trajectory is now advancing as expected. AC-03 is also now operating in a bio-active trajectory;
- Pyrite content is significantly higher in AC-02 versus AC-03 sulfide columns;
- Acid content (~10 gpl H₂SO₄) to sulfide columns is still high, but now raffinate acid is at controllable levels going forward. Target PLS pH 2.0-2.5;
- Start-up scheme for sulfide columns may include higher flows (0.012 gpm/ft²) initially and ramp down to 0.005 gpm/ft² once PLS balance ("pH") is stabilized at ≥2.0;
- Oxide column preliminary results were as expected with rapid kinetics (<60 days required);
- Sulfide columns presently are net acid producers based on copper extraction and low expected acid consumption. The bioactivity is expected to improve acid production (sulfur); and
- Geology/mineralogy of AC-03 is different – characterization work is required to tie it to the overall resource.

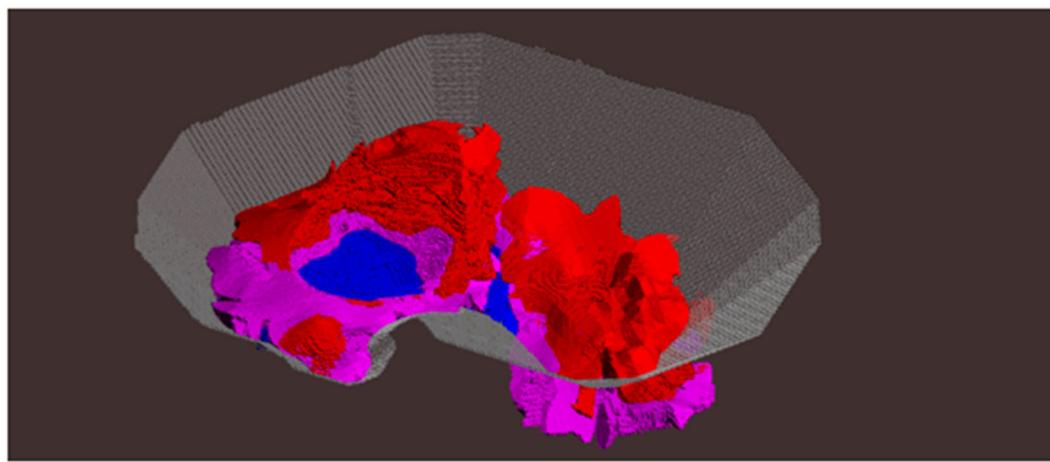
Mineral Resource Estimate

An NI-43-101 compliant, Mineral Resource Estimate was completed in March 2021 based on the results of the exploration and metallurgy programs previously described. A summary of that resource is provided below.

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

Total Indicated & Inferred Resource

Min_Zone	Product	Tons (KTons)	TCu (%)	TSol (%)	TCu_Lbs (KLbs)	TSol_Lbs (KLbs)
Oxide	2-Indicated	31,348	0.599	0.559	375,331	350,210
Oxide	3_Inferred	62,280	0.383	0.346	476,510	431,327
Oxide	MII	93,629	0.455	0.417	851,841	781,537
Enriched	2-Indicated	42,433	0.933	0.844	792,106	715,854
Enriched	3_Inferred	54,976	0.574	0.499	631,105	548,231
Enriched	MII	97,409	0.731	0.649	1,423,212	1,264,085
Primary	2-Indicated	77,939	0.350	0.057	545,790	88,851
Primary	3_Inferred	111,300	0.349	0.049	776,857	107,986
Primary	MII	189,239	0.349	0.052	1,322,647	196,836
Total	Indicated	151,721	0.565	0.381	1,713,228	1,154,914
Total	Inferred	228,556	0.412	0.238	1,884,472	1,087,544
Total	MII	380,277	0.473	0.295	3,597,700	2,242,458



Notes:

- Summary numbers include resources both inside and outside the pit shell depicted.
- Summary numbers reflect total leachable ores, noted as Oxide and Enriched Zones, as well as non-leachable, Primary Zone
- Cut off grades applied inside the pit shell were 0.096% TSol for the Oxide Mineral Zone, 0.098% TSol for the Enriched Zone, and 0.205% for the Primary Zone
- Cut off grades applied outside the pit shell were 0.56% TSol for the Oxide Mineral Zone, 0.70% TSol for the Enriched Zone, and 0.70% for the Primary Zone

Preliminary Economic Assessment (PEA)

A Preliminary Economic Assessment is being developed to ascertain initial project economics of all leachable ores. This PEA is anticipated to include 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 accompanying notes are an integral part of these consolidated financial statements.

Parks/Salyer

In February 2020, results were received from a surface soil sampling ionic leach program conducted in late 2019. Sampling was conducted at regular 100-meter intervals over the entire Parks/Salyer property, indicating anomalous copper and molybdenum values throughout the property, with gold and silver values. A two-hole follow up exploration drilling program was completed by December 2020 to extend mineralization which would inform future drilling programs.

The program successfully targeted the 800-foot extension of mineralization from historic holes in the south. Logging of the drillholes for alteration and mineralogy, particularly ECE-019, indicates that the hole is located near the core of the porphyry system. This is highlighted in the primary mineralization zone by increasing potassic alteration with feldspar and biotite in addition to higher logged presence of molybdenite. ECE-018 is located proximal to the core also with notable chlorite alteration in addition to the alteration listed above.

Of note is the shallowing bedrock and basement contacts to the east and the thicker enrichment zones than encountered previously (>600 feet vertically). The next phase will consider extending Parks/Salyer to the north and west.

Social and Environmental

Elim Mining is committed to mining sustainably. The Cactus Project is a unique opportunity for the Company to revitalize a previously abandoned site, contribute to local economic development and help power a renewable energy future. "The Elim Way" defines the Company's corporate values and these fundamental values are integrated into the Company's way of working. The Elim Way sets forth ways to operate with integrity, with respect for others and the environment, and to create positive, lasting partnerships with the communities in which the Company works.

The Company's environmental, social and governance ("ESG") framework is underpinned by good governance practices and focuses on four key areas:

- Ensuring responsible operations;
- Maintaining a positive work culture;
- Being part of the community; and
- Contributing to a renewable energy future.

Responsible Operations

The Company is committed to operating in an environmentally responsible manner. By revitalizing an inactive copper mine, the Company will significantly reduce the amount of natural habitat disturbed by operations compared to a new mining operation. The Company plans to take commensurate action as recommended in the site improvement plan to remediate the property whilst unlocking value from it.

The Company has taken a proactive approach towards limiting environmental impacts and in this context, in order to improve biodiversity, in 2020 the Company commenced conducting biodiversity surveys on its property. While no protected species have been found, the Company has created a pro-active plan to protect and enhance natural habitat for cactus wren, saguaros and ironwood trees, three iconic species in the state of Arizona. Additionally, in early 2021, the Company planted 220 trees along Bianco Road, the main access to the mine property, to increase biodiversity, reduce dust and beautify the landscape.

Positive Work Culture

The Company aspires to provide meaningful work opportunities and prioritize worker wellbeing and safety. Elim Mining's success is directly linked to the health and safety practices at its operations. The Company expects and requires that all of its employees, contractors, and visitors adhere to best practices in health and safety. Elim Mining conducts daily safety briefings with all employees and contractors working on site to build a culture of safety and vigilance. This has included specific protocols to protect employees against the spread of Covid-19. The Company is continuing to build its safety program during its transition to development. In 2020, the Company had 40,387 man-hours worked with zero fatalities and zero lost-time incidences.

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

Beyond workplace safety, the Company strives to provide rewarding work and development opportunities. Elim Mining provides competitive wages and benefits and promotes work-life balance. Elim is also committed to creating a diverse, equitable and inclusive workplace where human rights are respected.

Part of the Community

The Company is committed to supporting local economic development and an open dialog with all stakeholders. The Company regularly meets with local community leaders, regional and state level lawmakers and officials and heads of educational institutions to share its plans and better understand community needs. The Company also maintains a public hotline to answer questions from residents.

Renewable Energy Future

The Company expects to produce LME A grade copper in cathode form. Copper is a critical component for development, particularly in the context of powering the renewable energy and electric vehicle sectors in the U.S. There is a growing need for copper in the U.S., given the increased focus on renewable energy. Renewable energy sources such as solar, wind, geothermal, fuel cells and other technologies are all heavily reliant on copper due to its excellent conductivity. All major forms of transportation depend on copper to perform critical functions. Electric vehicles require significant copper supplies for construction. As a copper producer the Company will be an active participant in the renewable energy future.

Permitting

The Cactus Project is based 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) AP Permit: 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 the Company for the stockpile project and becomes effective upon demonstration of financial capability submitted along with an amendment application. The relevant amendments for full project coverage will be filed by the Company 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 PM 10 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.

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

Results of Operations

Selected Annual Information

The following table sets out selected annual financial information of the Company and is derived from the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019. The Company was incorporated on April 3, 2019, and therefore 2019 results represent only nine months of activity.

	December 31, 2020	December 31, 2019
	\$ (000's except loss per share)	\$ (000's except loss per share)
Revenues	Nil	Nil
Loss for the year/period	5,104	1,803
Loss per share (basic and diluted)	0.08	0.05
Total assets	17,990	12,119
Total non-current financial liabilities	6,433	-
Dividends declared	Nil	Nil

During 2020 and 2019, the Company focused on finalizing the acquisition of the Cactus Project and the neighboring Parks/Salyer property. As described above and as reflected in the accompanying consolidated financial statements of the Company, in July 2020 the Company secured funding via a \$19.1 million financing from Tembo and RCF. In addition to closing the acquisition of the Cactus Project and the Parks/Salyer property, this funding allowed the Company to commence its resource drilling and start work on the PEA expected to be completed in 2021.

The details of the Company's exploration activities for the year ended December 31, 2020 and from the period April 3, 2019 to December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
	\$ (000's)	\$ (000')
Drilling	2,793	803
Exploration	654	133
Salaries and wages	627	124
Sample and assay	413	224
Geology	245	298
Operational	223	-
Engineering	135	-
Environmental	109	66
Travel	14	16
Office	5	4
Safety	-	2
	5,218	1,670

In the current stage of development, the Company's accounting policy is to capitalize all mineral exploration costs within mineral properties, plant and equipment on the statement of financial position.

As at December 31, 2020, the Company's non-current financial liabilities pertained to the debenture loans from Tembo and RCF.

Summary of Quarterly Results

The following table sets out selected unaudited 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 IFRS and IAS 34.

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

Period	Revenues \$ (000's)	Loss for the period \$ (000's)	Loss per share (basic and diluted) \$
4th Quarter 2020	Nil	1,855	0.02
3rd Quarter 2020	Nil	1,736	0.02
2nd Quarter 2020	Nil	800	0.02
1st Quarter 2020	Nil	713	0.02
4th Quarter 2019	Nil	1,242	0.03
3rd Quarter 2019	Nil	503	0.01
2nd Quarter 2019	Nil	58	0.00

The Company is in an early stage of restarting the Cactus Project and developing its Parks/Salyer property, 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 the financing from Tembo and RCF in July 2020.

Year ended December 31, 2020 compared to the period from April 3, 2019 to December 31, 2019

For the year ended December 31, 2020, the Company had a loss of \$5.1 million compared to a loss of \$1.8 million during the period ended December 31, 2019. The Company's loss per share for the year ended December 31, 2020 was \$0.08, as compared to \$0.05 for 2019.

The Company was incorporated on April 3, 2019 and has steadily been increasing its exploration activities. All exploration-related costs are capitalized within mineral properties, plant and equipment within the balance sheet as described above.

The Company's general and administrative cost totaled \$2.7 million during the year ended December 31, 2020 compared to \$1.8 million during the period ended December 31, 2019, an increase of \$0.9 million. A significant portion of the Company's general and administrative costs pertain to employee compensation as well as fees paid to its directors. During the year ended December 31, 2020, such costs amounted to approximately \$1.6 million compared to \$1.3 million during the period ended December 31, 2019. The Company also incurred higher professional fees, with respect to its audit and legal costs due to the increased activity during 2020. Total professional fees incurred during the year ended December 31, 2020 were \$0.4 million compared to \$0.2 million during 2019. During the year ended December 31, 2020, the Company granted stock options and restricted share units to certain employees and directors, and as a result, recognized share-based expenses of \$0.4 million; there were no such costs incurred during the period ended December 31, 2019. Other administrative costs were also higher due to the increased activity in 2020 compared to 2019.

During the year ended December 31, 2020, the Company incurred other expenses such as the accretion of the loan amount from Tembo and RCF as well as the related interest expense. This amounted to a total of \$2.4 million additional expenses during 2020. No such expenses were incurred during 2019.

Three month period ended December 31, 2020 compared to the three month period ended December 31, 2019

During the three-month period ended December 31, 2020, the Company had a loss of \$1.9 million compared to a loss of \$1.2 million for the three month period ended December 31, 2019. Loss per share during the three months ended December 31, 2020 was \$0.02 per share compared to \$0.03 per share during the three months ended December 31, 2019.

The increase in loss is attributable to the overall increased activity during 2020 as described above. The Company's total general and administrative costs during the three months ended December 31, 2020 were \$1.0 million (2019 - \$1.2 million). The Company had a significantly lower cash balance during the three months ended December 31, 2019 and issued common shares for a total of \$0.9 million as compensation for services received during that period.

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

During the three months ended December 31, 2020, total accretion of the loan amount from Tembo and RCF was \$0.5 million and the interest on these loans was \$0.3 million. The Company did not have any loans outstanding during the three months ended December 31, 2019.

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 incurred operating losses and negative cash flows from operations since inception. In order to continue as a going concern, the Company must generate sufficient operating cash flows, secure additional capital or otherwise pursue strategic restructuring, refinancing or other transactions to provide it with additional liquidity.

Several adverse conditions and material uncertainties cast significant doubt upon the going concern assumption. During the year ended December 31, 2020, the Company incurred net cash outflows before financing activities of \$9.8 million (2019: \$2.5 million), and a net loss of \$5.1 million (2019: \$1.8 million).

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 necessary for the maintenance of the Company for at least twelve months. Subsequent to year end, the Company closed a private placement, but there can be no guarantee that the Company will be able to continue to secure additional financing in order to be able to continue operations for the foreseeable future, and if so, on terms that are favorable.

During the year ended December 31, 2020 the Company spent a total of \$2.7 million on administrative and exploration costs (2019 – \$1.8 million). The Company also paid \$8.5 million (2019 - \$1.0 million) for the completion of its property acquisition agreements executed during 2019.

In July 2020, the Company completed a financing with Tembo and RCF for total gross proceeds of \$19.1 million. Total related transaction costs paid during the year ended December 31, 2020 amounted to \$0.7 million. The Company also paid \$0.09 million in interest on debt. In addition to this, the Company raised funds through other loans and private placements for total net proceeds of \$3.5 million (2019 - \$2.5 million).

As at December 31, 2020, the Company's cash balance was \$7.2 million (2019 - \$0.05 million). As of the date of this MD&A, the Company has raised a further \$2.0 million from private placements in 2021.

The Company anticipates that it will need to raise further capital to fund its planned exploration, development and corporate overhead activities. The maturity date of the debenture loan of \$8.8 million from Tembo and RCF is January 17, 2022. The Company is planning a public offering that is expected to be completed in 2021.

As at March 31, 2021, the Company had 125.4 million outstanding common shares. The Company also had 3.8 million share purchase options, 1.6 million restricted share units and 38.0 million warrants outstanding.

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.

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

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

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

In connection with the Tembo/RCF financing, 1,615,035 common shares were issued with a fair value of \$242,255 pursuant to the financing interest. As at December 31, 2020, \$6.4 million was payable to Tembo and RCF.

In May 2020, 350 debentures units were issued to related parties for gross proceeds of \$350,000. The debentures units were convertible into one common share and one full share purchase warrant. During the period ended December 31, 2020, 252 debenture units were redeemed at par and 88 debenture units were converted into 350,000 common shares and 350,000 warrants.

During the year ended December 31, 2020, 1.3 million (2019: 12.7 million common shares were issued to directors and officers for services.

During the year ended December 31, 2020, 2.2 (2019: 6.9 million common shares were issued to directors and officers for gross proceeds of \$0.4 million (2019: \$0.5 million).

Total director fees for the year ended December 31, 2020 were \$0.3 million (2019: \$0.4 million).

The remuneration of the President and Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer (collectively, the key management personnel) were as follows:

	Year Ended December 31, 2020 (\$000)	April 3, 2019 to December 31, 2019 (\$000)
Salaries and bonuses	1,170	238
Share-based compensation*	112	354
	1,282	592

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

As at December 31, 2020, \$0.4 million was payable to key management personnel (December 31, 2019 – \$0.05 million).

Key Accounting Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies, reported amounts and disclosures. Actual results could differ from those estimates, and these differences may be material.

The areas that require significant estimations or where measurements are uncertain are as follows:

- a) Critical judgements in applying accounting policies

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgement in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of loss and comprehensive loss during the period the new information becomes available.

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

Factors considered in the assessment of impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, and environmental or political factors that could affect the assets' value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the acquisition and development or cost of holding such assets; whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future on mineral properties; and whether the Company has the necessary funds to be able to maintain its interest in the mineral properties.

Tembo/RCF Financing

In accordance with the substance of the contractual arrangement, convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the initial fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors, and the presence of any derivative financial instruments.

Mineral properties – net smelter royalty

Upon entering into a net smelter royalty arrangement linked to production at the Cactus Project, management's judgement was required in assessing the appropriate accounting treatment for the transaction on the closing date and in future periods. We considered the specific terms of the arrangement to determine whether we have disposed of an interest in the reserves and resources of the operation or executed some other form of arrangement. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to the counterparty over the life of the operation. These factors include the contractual terms related to the total production over the life of the mine, the percentage being sold, the allowable deductions and the commodity price referred to in the ongoing payment. Management concluded that the initial deposit and value associated with any subsequent amendments should be applied against the carrying value of the mineral interest.

b) Key sources of estimation uncertainty

Stock-based compensation

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options and common share purchase warrants ("warrants") granted. This model requires management to estimate the volatility of the Company's future share price, expected lives of stock options and future dividend yields. Consequently, there is significant measurement uncertainty in the fair value of stock-based compensation expense reported.

Discount rate of loans

Loans are initially recognized at fair value, calculated as the net present value of the liability based upon discount rate issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. There is significant measurement uncertainty in the determination of the appropriate discount rate to use.

Financial Instruments

Fair Value

The Company's financial instruments as at December 31, 2020 consist of cash, accounts payable, accruals, other current liabilities, other long term liabilities, and its debenture with Tembo and RCF. As at December 31, 2020, the fair value of the Company's debenture loans with Tembo and RCF, using a 12% discount rate, was \$6.3 million. The carrying values of all other financial assets and financial liabilities approximate their fair value.

Management of Financial Risk:

Currency risk

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

The Company is exposed to the financial risk due to changes in foreign exchange rates. The Company operates in the United States and Canada, and a portion of its expenses are incurred in Canadian dollars. A significant change in the exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and cash flows. The Company has not hedged its exposure to currency fluctuations. At December 31, 2020, the Company is exposed to currency risk through its cash and cash equivalents denominated in Canadian dollars totalling \$0.4 million.

Based on the exposure as at December 31, 2020, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the US dollar against the Canadian dollar would result in an increase/decrease of approximately \$0.03 million in the Company's loss for the year.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit risk the Company is exposed to is 100% of cash and cash equivalents and receivables.

The Company's cash and cash equivalents are held in large Canadian and U.S. financial institutions. The Company does not deem that it has a significant credit risk exposure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements by taking into account anticipated cash expenditures for its exploration and operational activities. The Company will pursue additional equity or debt financing as required to meet its long-term commitments. There is no assurance that such financing will be available or that it will be available on favorable terms.

As at December 31, 2020, the contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

December 31, 2020	Less than 1 year	1 to 3 years
Accounts payable	1,270	-
Accruals	2,330	-
Other current liabilities	970	-
Tembo Capital Mining GP III Ltd.	-	6,900
Resource Capital Funds	-	1,886
Other long term liabilities	-	88
	4,570	8,874

December 31, 2019	Less than 1 year	1 to 3 years
Accounts payable	388	-
Accruals	598	-
Other current liabilities	9,310	-
	10,296	-

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

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

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 Elim Mining, Inc. has approved the disclosure contained in this MD&A.

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

APPENDIX "F"
EQUITY INCENTIVE PLAN

See attached.

Elim Mining Incorporated 2020 Equity Incentive Plan

As amended and restated on June 21, 2021

History and Purpose. The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company or any subsidiary of the Company, by offering them an opportunity to participate in the Company's future performance through awards of Options.

ARTICLE I INTERPRETATION

- (a) **Definitions.** As used in this Plan, the following words and terms will have the following meanings:
- (b) **"Award"** means any Option or Restricted Share Unit granted under this Plan which may be denominated or settled in Shares, cash or in such other form as provided herein;
- (c) **"Award Agreement"** means a written or electronic agreement (which includes a Stock Option Certificate), in the form or any one of the forms approved by the Board, evidencing the terms and conditions on which an Award has been granted under this Plan and which need not be identical to any other such agreements;
- (d) **"Board"** means the board of directors of the Company;
- (e) **"Cause"** means a (i) repeated failure to competently and diligently perform duties of Participant's position with the Company (other than due to physical or mental illness); (ii) conviction of guilty or nolo contendere plea to, a misdemeanor which is materially and demonstrably injurious to the Company or any of its subsidiaries or any felony; (iii) commission of an act, or a failure to act, that constitutes fraud, gross negligence or willful misconduct (including without limitation, embezzlement, misappropriation or breach of fiduciary duty resulting or intending to result in personal gain at the expense of the Company or any of its subsidiaries); and (iv) violation of any applicable laws, rules or regulations or failure to comply with applicable confidentiality, non-solicitation and non-competition obligations to the Company or any of its subsidiaries, corporate code of business conduct or other material policies of the Company or any of its subsidiaries in connection with or during performance of the Participant's duties to the Company or any of its subsidiaries that could, in the Board's opinion, cause material injury to the Company or any of its subsidiaries; and (v) failure to maintain applicable professional licenses or certifications. In the case of a violation or failure under (i), (iv) or (v), if such violation or failure is curable, such violation or failure shall only constitute "Cause" if it is not cured within thirty (30) days after notice thereof to the Participant;
- (f) **"Code"** means the United States Internal Revenue Code of 1986, as amended;
- (g) **"Committee"** means the committee appointed by the Board to administer this Plan consisting of not less than three (3) members of the Board, or if no committee is appointed, the Board;
- (h) **"Company"** means Elim Mining Incorporated or any successor corporation;
- (i) **"Consultant"** means any person, including an advisor, engaged by the Company or a Parent or majority-owned Subsidiary of the Company or a Parent, to render services to such entity; *provided that* (i) the consultant or adviser renders bona fide services to the Company or any Parent or Subsidiary of the Company; (ii) the services rendered by the consultant or adviser are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (iii) the consultant or adviser is a natural person.
- (j) **"Disability"** means the mental or physical state of an individual such that:

- (i) the Board, other than such individual, determine that such individual has been unable, due to illness, disease, mental or physical disability or similar cause, to fulfil his or her obligations as an employee, independent contractor, consultant or director of the Company either for any consecutive 6 month period or for any period of 8 months (whether or not consecutive) in any consecutive 12 month period; or
 - (ii) a court of competent jurisdiction has declared such individual to be mentally incompetent or incapable of managing his or her affairs.
- (k) "**Effective Date**" means August 28, 2020;
- (l) "**Eligible Person**" means any person who is means any person who is an employee, officer, director, Consultant, or independent contractor of the Company or its majority-owned subsidiaries ("**subsidiaries**");
- (m) "**Expiration Date**" means the expiration date specified in the Award Agreement; provided, however, that if at any time the expiry of the term of an Award should be determined to occur either during a period in which the trading of Shares by the awardee is restricted under the insider trading policy or other policy of the Company or within ten business days following such a period, such Expiry Date shall be deemed to be the date that is the tenth business day following the date of expiry of such restriction.
- (n) "**Exercise Price**" means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option;
- (o) "**Market Price**" means, as of any date, the value of the Shares, determined as follows:
 - (i) if the Shares are listed on the TSX, the Market Price shall be the closing price of the Shares on the last trading day prior to the date of the grant of the Award or other applicable date;
 - (ii) if the Shares are listed on an exchange other than the TSX, the Market Price shall be the closing price of the Shares (or the closing bid, if no sales were reported) as quoted on such exchange on the last trading day prior to the date of the grant of the Award or other applicable date; and
 - (iii) if the Shares are not listed on an exchange, the Market Price shall be determined in good faith by the Board.
- (p) "**Non-Employee Director**" means a member of the Board who is not otherwise an employee or executive officer of the Corporation or a subsidiary;
- (q) "**Option**" means an award of an option to purchase Shares hereunder;
- (r) "**Option Term**" means the period during which the Option may be exercised, subject to any vesting requirements, this term not to exceed ten years;
- (s) "**Participant**" means every Eligible Person who is approved for participation in the Plan by the Board;
- (t) "**Plan**" means this 2020 Equity Incentive Plan as amended and restated on June 21, 2021;
- (u) "**Restricted Share Unit**" or "**RSU**" means a unit equivalent in value to a Share, credited by means of a bookkeeping entry in the books of the Company in accordance with Section 2.4;
- (v) "**Shares**" means the Common Shares (of any series, if applicable) in the capital of the Company and include any shares of the Company into which such shares may be converted, reclassified, redesignated, subdivided, consolidated, exchanged or otherwise changed;

(w) "**Termination**" or "**Terminated**" means, for purposes of this Plan with respect to a Participant that the Participant has for any reason ceased to provide continuous services as an employee, independent contractor, director or consultant to the Company. An employee will not be deemed to have ceased to provide services in the case of:

- (i) sick leave; or
- (ii) any other leave of absence approved by the Board, provided that such leave is for a period of not more than 90 days unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing.

The Board will have sole discretion to determine whether a Participant has ceased to provide continuous services and the effective date on which the Participant ceased to provide services (the "**Termination Date**").

(x) "**Trigger Event**" means:

- (i) the mailing of a notice of meeting to consider an arrangement between the Company and its creditors or members or any class thereof;
- (ii) a bona fide offer for Common Shares is made to the optionee, the holder of RSUs, or to shareholders generally, or to a class of shareholders which includes the optionee or the holder of RSUs, which offer, if accepted in whole or in part, would affect materially the control of the Company; or
- (iii) the date upon which a person, or group of associated persons, becomes entitled, subsequent to the date of issue of the Award, to sufficient shares to give it or them the ability in a general meeting to replace all or allow a majority of directors of the Company in circumstances where such ability was not already held by a person associated with such person or group of associated persons. Notwithstanding the foregoing, the Board may, in its sole discretion, determine that the occurrence of a circumstance in clause (iii) does not constitute a Trigger Event.

(y) "**TSX**" means the Toronto Stock Exchange.

ARTICLE II THE PLAN AND GRANT OF AWARDS

2.1 Number of Shares Available, Limits with Respect to Insiders, Annual Grant Limits and Non-Employee Director Limits.

- (a) Subject to this Section 2.1, Section 2.2 and Article 5, the total number of Shares reserved and available for grant and issuance pursuant to this Plan, as at the Effective Date, shall be a rolling number equal to 10% of the total issued and outstanding Shares from time to time. Subject to this Section 2.1, Section 2.2 and Article 5, any unissued Shares in respect of which Awards or shares are granted but that are subject to issuance upon exercise of an Option or redemption of an RSU but cease to be issuable under such Award for any reason (other than exercise or redemption of such Award), including without limitation, expiry of the Award or surrender of the Award pursuant to an exchange program, will again be available for grant and issuance in connection with future Awards granted under this Plan. At all times the Company will reserve and keep available a sufficient number of Shares as will be required to satisfy the requirements of all outstanding RSUs or Options granted under this Plan. Notwithstanding the foregoing: (i) the number of Shares reserved for issuance to any one person pursuant to Awards granted under the Plan shall not exceed 10% of the issued and outstanding Shares; (ii) the number of Shares which may be reserved for issuance pursuant to the Plan (together with those Shares which may be issued pursuant to any other share compensation arrangement of the Company) to all insiders of the Company shall not exceed 10% of the Shares outstanding on a non-diluted basis from time to time;

- (iii) the number of Shares which may be issued pursuant to the Plan (together with those Shares which may be issued pursuant to any other share compensation arrangement of the Company) to all insiders of the Company, within a one-year period, shall not exceed 10% of the Shares outstanding on a non-diluted basis from time to time; and (iv) if the Shares are listed on the TSX, the maximum number of Shares that may be made issuable pursuant to Awards made to employees and Non-Employee Directors within any one-year period shall not exceed 5% of the issued and outstanding Shares (as of the commencement of such one-year period).
- (b) No Award may be granted if such grant would have the effect of causing the total number of Shares reserved for issuance under this Plan to exceed the maximum number of Shares reserved for issuance under this Plan as set out above.
- (c) The Board may make Awards to Non-Employee Directors under the Plan provided that if the Shares are listed on the TSX:
 - (i) the annual grant of Awards under this Plan to any one Non-Employee Director, shall not exceed \$150,000 in value (based on a Black-Scholes calculation or such other similar and acceptable methodology, applied consistently and appropriately as determined by the Board), of which no more than \$100,000 may comprise Options; and
 - (ii) the maximum number of Shares that may be made issuable pursuant to Awards made to all Non-Employee Directors within any one-year period shall not exceed 1% of the issued and outstanding Shares (as of the commencement of such one-year period).

2.2 Adjustment of Shares. In the event that the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, consolidation, combination, reclassification or similar change in the capital structure of the Company without consideration, then:

- (a) the number of Shares reserved for issuance under the Plan; and
- (b) the number of Shares subject to outstanding Options and Restricted Share Units; and
- (c) the Exercise Prices of outstanding Options;

will be proportionately adjusted, subject to any required action by the Board or the shareholders of the Company and in compliance with applicable securities laws and Code Section 409A to the extent it is applicable; provided, however, that fractions of a Share will not be issued but will either be: (i) paid in cash at the closing market price of the Shares on the TSX on the date of such aforementioned event; or (ii) rounded down to the nearest whole Share, as determined by the Board.

2.3 Options. The Board may grant Options to Eligible Persons and will determine the number of Options, the Exercise Price, the Option Term, the vesting provisions, and all other terms and conditions of the Option, subject to the following:

- (a) **Form of Option Grant.** Each Option granted under this Plan will be evidenced by a stock option agreement or stock option certificate (whether a stock option agreement or stock option certificate, called the "**Stock Option Agreement**") which will be in such form and contain such provisions (which need not be the same for each Participant) as the Board may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan;
- (b) **Date of Grant.** The date of grant of an Option will be the date on which the Board approves the grant of such Option and has undertaken all actions required to create a legally binding right, including designating the Participant(s), the number of options granted to each Participant, and the Exercise Price, or such later date as may be specified by the Board. The Stock Option Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option;

- (c) **Option Term.** The Board or the Committee, as the case may be, shall determine, at the time of granting the particular Option, the Option Term, which cannot exceed ten (10) years from the date the Option is granted. Unless otherwise determined by the Board, all unexercised Options shall be cancelled at the expiry of such Options.
- (d) **Vesting and Exercise Period.** Options may be exercisable, up to the Expiration Date determined by the Board and specified in the Stock Option Agreement, while the Participant is in continuous service and has not ceased to provide services to the Company, or as otherwise provided in the applicable Stock Option Agreement or pursuant to the Plan. The Board may provide for Options to vest at one time or from time to time, periodically or otherwise, in such manner of Shares or percentage of Shares as the Board determines. If the application of vesting causes the Option to become exercisable with respect to a fractional Share, such Share shall be rounded down to the nearest whole Share;
- (e) **Exercise Price.** The Exercise Price of an Option will be determined by the Board when the Option is granted and shall not be less than the Market Price of the Shares.
- (f) **Method of Exercise.** Options may be exercised only by delivery to the Company of a written stock option exercise agreement (the "**Exercise Agreement**") in a form approved by the Board (which need not be the same for each Participant), stating the Participant's election to exercise the Option, the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding Participant's investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price, and any applicable taxes, for the number of Shares being purchased. If someone other than the Participant exercises the Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise the Option. The Option may not be exercised unless such exercise is in compliance with all applicable securities laws, as they are in effect on the date of exercise.
- (g) **Termination.** Subject to earlier termination pursuant to Article 5 and the discretion of the Board, and except as otherwise provided in the Stock Option Agreement, exercise of an Option will be subject to the following:
 - (i) If the Participant is Terminated by the Company for Cause, the Board, in its sole discretion, may terminate and cancel all unexercised Options, whether vested or unvested;
 - (ii) if the Participant is Terminated for any reason other than the Participant's death, Disability or termination by the Company for Cause, then the Participant may exercise such Participant's Options, (but only to the extent that such Options would have been vested and exercisable upon the Termination Date), during the three month period following the Termination Date or such longer period as may be specified in the Stock Option Agreement (but in any event, not later than the Expiration Date); and
 - (iii) if the Participant is Terminated because of the Participant's death or Disability, then such Participant's Options may be exercised, (but only to the extent that such Options would have been vested and exercisable by Participant on the Termination Date) by Participant (or Participant's legal representative or authorized assignee), during the 12 month period after the Termination Date or such longer period as may be specified in the Stock Option Agreement (but in any event not later than the Expiration Date);
- (h) **Limitations on Exercise.** The Board may specify a reasonable minimum number of Shares that may be purchased on exercise of an Option, provided that such minimum number will not prevent Participant from exercising the Option for the full number of Shares for which it is then exercisable;
- (i) **Modification, Extension or Renewal.** The Board may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution thereof or, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option

previously granted and any such actions will be undertaken in a manner that complies with Code Section 409A; and

- (j) **Issuance of Shares.** Provided that the Exercise Agreement and payment are in form and substance satisfactory to counsel for the Company, the Company shall issue the Shares registered in the name of the Participant or Participant's legal representative and shall deliver certificates representing the Shares with the appropriate legends affixed thereto.

2.4 Restricted Share Units. Restricted Stock Units may be granted at any time and from time to time as determined by the Board. After the Board determines that it will grant Restricted Stock Units, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

- (a) **Vesting Criteria and Other Terms.** The Board will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Board may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service, achievement of a going public transaction or other liquidity event as defined in the Award Agreement), or any other basis determined by the Board in its discretion.
- (b) **Earning Restricted Stock Units.** Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Board. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Board, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout, and the timing of settlement of the Restricted Stock Units will be governed by the terms of the Award Agreement. If the application of vesting causes the RSU to become payable with respect to a fractional Share, such Share shall be rounded down to the nearest whole Share.
- (c) **Form and Timing of Payment.** Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Board and set forth in the Award Agreement. The Board, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.
- (d) **Cancellation.** On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.
- (e) **Tax Withholding.** The Board may take all such measures as it deems appropriate to ensure that the Company's obligations under the withholding provisions under income tax laws applicable to the Company and the Participants and other provisions of applicable laws are satisfied with respect to the grant of the Restricted Share Units under the Plan, including without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the grant of Restricted Share Units or Shares or payment of any amount payable, until such time as the Participant has paid the Company or any Affiliate of the Company for any amount which the Company or the Affiliate of the Company is required to withhold with respect to such taxes.

ARTICLE III ADMINISTRATION

3.1 Authority. This Plan will be administered by the Board or, if the Board by resolution so decides, by the Committee. The Board may delegate all or any portion of such powers to the Committee. Any reference to the Board in this Plan shall be also refer to the Committee, to the extent that the Board has delegated such power and authority to the Committee. The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan to:

- (a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan;
- (b) prescribe, amend and rescind rules and regulations relating to this Plan (subject to Section 6.1);

- (c) select Eligible Persons to receive Options and Restricted Share Units under the Plan;
- (d) determine the form and terms of Awards and Award Agreements, not inconsistent with the terms of the Plan;
- (e) determine the Exercise Price of an Options and the Market Value at any applicable date;
- (f) determine the number of Shares to be covered by each Award;
- (g) determine whether Options will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, any other incentive or compensation plan of the Company;
- (h) amend or modify each Award (subject to Section 6.1);
- (i) determine the vesting and exercisability of Options and Restricted Share Units; and
- (j) correct any defect, supply any omission, or reconcile any inconsistency in this Plan, any Option, any Stock Option Agreement or any Exercise Agreement (subject to Section 6.1).

3.2 Board Discretion. Any determination made by the Board with respect to any Option and Restricted Share Units will be made in its sole discretion at the time of grant of the Option or RSU or, unless in contravention of any express term of this Plan, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Award or shares under this Plan.

3.3 Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A, except as otherwise determined in the sole discretion of the Board. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Board. If an Award is subject to Code Section 409A, any modification, extension, renewal, assumption or substitution of such Award, including as a result of termination of the Plan, will be undertaken in manner that complies with Code Section 409A. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Code Section 409A. To the extent that any Award that constitutes "deferred compensation" under Code Section 409A (a "Deferred Compensation Award") is otherwise payable or distributable to a Participant solely by reason of the occurrence of a change in control or due to the Participant's disability or "separation from service" (as such terms are defined under Code Section 409A), such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless the Board determines in good faith that (i) the circumstances giving rise to such change in control, disability or separation from service meet the definition of a change in ownership or control, disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code, or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Code Section 409A by reason of the short-term deferral exemption or otherwise. If payment or distribution with respect to a Deferred Compensation Award otherwise would be made to a Participant who is a "specified employee" (as such term is defined under Code Section 409A) as a result of separation from service, such payment or settlement will be delayed until the date that is six months and one day after the date of the specified employee's separation from service (or if earlier, upon the specified employee's death), unless such payment or distribution is exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise. If the Award Agreement for any Deferred Compensation Award states that payment or settlement will occur in installments, each installment will be treated as a separate payment for purposes of Code Section 409A.

3.4 Legal Compliance and Investment Representations. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

ARTICLE IV PRIVILEGES OF OWNERSHIP

4.1 Voting and Dividends. No Participant will have any of the rights of a shareholder with respect to any Shares until the Shares are issued as evidenced by the appropriate entry on securities register of the Company. After Shares are issued to the Participant, the Participant will be a shareholder and have all the rights of a shareholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares.

4.2 Non-Transferability of Awards. Unless otherwise approved by the Board, Awards granted under this Plan, and any interest therein, may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or by the applicable laws of descent.

ARTICLE V CORPORATE TRANSACTIONS

5.1 Trigger Event. Except as otherwise provided in the applicable Award Agreement, upon the occurrence of a Trigger Event, the Board may, in its sole discretion, determine that (i) any number of Awards will immediately become fully vested, whereupon the RSU will be settled in accordance with its terms and such Option may be exercised in whole or in part by the optionee for the remainder of the term of the Option or (ii) use their reasonable efforts to procure that an offer is made to awardees on like terms (having regard to the value of the Awards) to the terms proposed under the Trigger Event in which case the Board may determine an appropriate period during which the optionee may elect to accept.

5.2 Assumption or Replacement of Awards by Successor. Except as otherwise provided in the Applicable Award Agreement, in the event of:

- (a) a merger, consolidation, arrangement, amalgamation, acquisition or other similar transaction in which the Company is not the surviving corporation (other than a merger or consolidation with a wholly-owned subsidiary, or other transaction in which there is no substantial change in the shareholders of the Company or their relative shareholdings and the Awards granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants);
- (b) a merger in which the Company is the surviving corporation but after which shareholders of the Company immediately prior to such merger (other than any shareholder which merges, or which owns or controls another corporation which merges, with the Company in such merger) cease to own their shares or other equity interests in the Company; or
- (c) the sale of substantially all of the assets of the Company,

any or all outstanding Awards may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants or, in the alternative, the successor corporation may substitute equivalent Options or provide substantially similar consideration to Participants as was provided to shareholders (after taking into account the existing provisions of the Options). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions and other provisions no less favourable to the Participant than those which applied to such outstanding Shares immediately prior to such transaction described in this Section 5.2, which substitution, provision or other consideration or issuance shall be binding on all Participants. In the event such successor corporation (if any) refuses to assume or substitute Awards, as provided above, pursuant to a transaction described in this Section 5.2, then notwithstanding any other provision in this Plan to the contrary, (i) the vesting of any Award shall be accelerated and (1) with respect to Options, give each Participant the right to exercise his or her Option as to all or a part of the Shares thereof, including Shares as to which the Option would not otherwise be exercisable, and (2) with respect to RSUs, such RSUs shall be settled in accordance with the Plan and the applicable Award Agreement, and (ii) such Awards will expire on such transaction at such time and on such conditions as the Board will determine, in each case in a manner that is compliant with Code Section 409A. In addition, even if such successor corporation (if any) determines to assume or substitute Awards pursuant to a transaction described in this Section 5.2, the Board may, in its sole discretion, (i) accelerate the vesting of any Award and (1) with respect to Options, give each Participant the right to exercise his or her Option as to all or a part of the Shares thereof, including Shares as to which the Option would not otherwise be exercisable, and (2)

with respect to RSUs, such RSUs shall be settled in accordance with the Plan, and the applicable Award Agreement and/or (ii) determine if such Awards will expire on such transaction at such time and on such conditions as the Board will determine; in each case in a manner that is compliant with Code Section 409A.

5.3 Assumption of Options by the Company. The Company, from time to time, also may substitute or assume outstanding options granted by another company, whether in connection with an acquisition of such other company or otherwise, by either:

- (a) granting an Option under this Plan in substitution of such other company's option; or
- (b) assuming such option as if it had been granted under this Plan if the terms of such assumed option could be applied to an Option granted under this Plan.

Such substitution or assumption will be permissible if the holder of the substituted or assumed option would have been eligible to be granted an Option under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an option granted by another company, the terms and conditions of such option will remain unchanged (except that the exercise price and the number and nature of shares issuable upon exercise of any such option will be adjusted appropriately). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

5.4 Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, to the extent that an Award has not been previously exercised, it will terminate immediately prior to the consummation of such proposed action. The Board may, in the exercise of its sole discretion in such instances, declare that any Award shall terminate as of a date fixed by the Board and give each Participant the right to exercise his or her Option as to all or any part of the Shares thereof, including Shares as to which the Option would not otherwise be exercisable.

ARTICLE VI AMENDMENT OR TERMINATION OF PLAN

6.1 Board May Amend. The Board of Directors shall have the power to, without shareholder approval, at any time and from time to time, either prospectively or retrospectively, amend, suspend, or terminate the Plan or any Award granted under the Plan:

- (a) for the purposes of making minor or technical modifications to any of the provisions of the Plan;
- (b) to correct any ambiguity, defective provisions, error or omission in the provisions of the Plan;
- (c) to change any vesting provisions of Restricted Share Units or Options;
- (d) to change the termination provisions of the Restricted Share Units or Options or the Plan which does not entail an extension beyond the original expiry date of the either;
- (e) to add or change provisions relating to any form of financial assistance provided by the Company to Participants that would facilitate the purchase of securities under the Plan;
- (f) to extend the term of any Restricted Share Units or Option previously granted in accordance with the Plan (but not beyond the original expiration date of such Award);
- (g) any amendment which accelerates the date on which any Option may be exercised under the Plan;
- (h) to reduce the exercise price of any Option previously granted in accordance with the Plan; and
- (i) any other amendment that does not require the approval of the shareholders of the Company set out below pursuant to this Section 6.1;

provided however that: such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed; no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing

rights of an awardee with respect to any then outstanding Award, as determined by the Board of Directors acting in good faith, without his or her consent in writing; and, if the Shares are listed on the TSX or any other stock exchange, the Board of Directors shall obtain shareholder approval of the following:

- (i) any amendment to the maximum number of Shares specified in Section 2.1 in respect of which Awards may be granted under the Plan (other than pursuant to Section 2.2);
- (ii) any amendment to the number of Shares that may be made issuable pursuant to Awards made to employees and Non-Employee Directors;
- (iii) any amendment that would reduce the exercise price of an outstanding Option granted to an insider (within the meaning of the rules of the TSX or any other exchange on which the Shares are listed), other than pursuant to Section 2.2;
- (iv) any amendment that would extend the term of any Award granted to an insider (within the meaning of the rules of the TSX or any other exchange on which the Shares are listed) beyond the Expiration Date;
- (v) any amendment which would permit Awards granted under the Plan to be transferable or assignable other than for normal estate settlement purposes; and
- (vi) a change to this Section 6.1 of the Plan.

6.2 Powers of the Board Following Termination of the Plan. If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board of Directors and in force on the date of termination will continue in effect as long as any rights pursuant thereto remain outstanding and, notwithstanding the termination of the Plan, the Board of Directors shall remain able to make such amendments to the Plan or the Awards as they would have been entitled to make if the Plan were still in effect.

ARTICLE VII GENERAL

7.1 No Obligation to Employ. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or limit in any way the right of the Company to terminate Participant's employment or other relationship at any time, with or without cause.

7.2 Term of Plan. Unless earlier terminated as provided herein, this Plan will terminate 10 years from the Effective Date or, if earlier, the date of shareholder approval.

7.3 Governing Law. This Plan and all Awards granted under this Plan shall be governed by and construed in accordance with the laws of the Province of British Columbia.

7.4 Notices. Any notice required to be given or delivered to the Company under the terms of this Plan shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to Participant shall be in writing and addressed to participant at the address indicated in the Award Agreement or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three (3) days after deposit in the mail by certified or registered mail (return receipt requested); one (1) business day after deposit with any return receipt express courier (prepaid); or one (1) business day after transmission by email, confirmed facsimile, rapidfax or telecopier.

7.5 Successors and Assigns. The Company may assign any of its rights under this Plan. This Plan shall be binding upon and inure to the benefit of the successors and assigns of the Company.

7.6 Non-exclusivity of the Plan. Neither the adoption of this Plan by the Board nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

APPENDIX "G"
BOARD CHARTER

See attached.

ARIZONA SONORAN COPPER COMPANY INC.

BOARD OF DIRECTORS CHARTER

Adopted by the Board of Directors on June 21, 2021.

1. PURPOSE

The Board of Directors (the "**Board**") of Arizona Sonoran Copper Company Inc. (the "**Company**") has the responsibility for the stewardship of the Company, the supervision of senior management of the Company and to oversee the general affairs and conduct of the business of the Company. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, ensure that the Company meets its obligations on an ongoing basis and that the Company operates in a reliable, sustainable, safe and socially responsible manner. In performing its functions, the Board should also consider the legitimate interests of its other stakeholders, such as employees, customers and communities. The Board should conduct the procedures, and manage the responsibilities and obligations set out below, either directly or through committees of the Board.

2. COMPOSITION

2.1 Authority

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs, including selecting the chair of the Board ("**Chair**"), nominating candidates for election to the Board, constituting committees of the full Board and determining compensation of the directors of the Company ("**Directors**").

Subject to the Company's constating documents and the *Business Corporations Act* (British Columbia) ("**BCBCA**"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

2.2 Members

Directors are elected annually at the Company's annual meeting of shareholders and must meet the requirements of applicable corporate laws and securities laws, instruments, rules, regulations and guidelines of all applicable securities regulatory authorities, including without limitation the securities commissions in each of the provinces and territories of Canada, and stock exchanges on which the Company's securities will be listed, including the Toronto Stock Exchange (collectively, the "**Securities Laws**"). The majority of the Directors and the Chair shall be independent as determined by Securities Laws.

2.3 Majority Voting Policy

Each Director must be elected by a majority (50% +1 vote) of the votes cast with respect to his or her election other than at contested meeting. If a Director is not elected by at least a majority (50% +1 vote) of the votes cast with respect to his or her election, such Director must immediately tender his or her resignation to the Board. The Board shall determine whether or not to accept the resignation within 90 days after the date of the relevant security holders' meeting. The Board shall accept the resignation absent exceptional circumstances and the resignation will be effective when so accepted by the Board. The Board shall promptly issue a press release to announce its decision, a copy of which shall be provided to the Toronto Stock Exchange. If the Board declines to accept the resignation, it should include in the press release the reasons for its decision. A Director who tenders a resignation pursuant to this provision will not participate in any meeting of the Board or any sub-committee of the Board at which the resignation is considered. If a resignation is accepted, the Board may, in accordance with the BCBCA and the Company's articles, appoint a new director to fill any vacancy created by the resignation or reduce the size of the Board.

3. MEETINGS AND PROCEDURES

3.1 Meetings

The Board shall meet at least four times per year and may also hold additional meetings as considered necessary.

3.2 Independent Meetings

The independent Directors shall hold regularly scheduled meetings, without the non-independent Directors and officers present, at least once per annum or as required at each meeting of the Board.

3.3 Quorum

Quorum for the transaction of business at any meeting of the Board shall be as set out in the articles of the Company in effect at the time.

3.4 Notice

Board meetings shall be held from time to time and at such place as any member of the Board shall determine with not be less than twenty-four (24) hours advanced notice. The notice period may be waived by the Director or as provided in the Articles of the Company. Any member of the Board may call a meeting.

3.5 Participation

Members may participate in a meeting of the Board in person or by means of telephone, web conference or other communication equipment. The Board may invite such officers and employees of the Company and such other advisors and persons as is considered advisable to attend any meeting of the Board. For greater certainty, the Board shall have the right to determine who shall and who shall not be present at any time during a meeting of the Board.

3.6 Agenda and Minutes

The Chair, with the assistance of the Corporate Secretary, shall develop and set the Board's agenda, in consultation with other members of the Board and management. The agenda and information concerning the business to be conducted at each Board meeting shall be, to the extent practical, communicated to members of the Board sufficiently in advance of each meeting to permit meaningful review. The Board will keep minutes of its meetings.

3.7 Voting

Any matter to be determined by the Board shall be decided by a majority of the votes cast at a meeting of the Board called for such purpose. Any action of the Board may also be taken by written resolution signed by all of Board members, in accordance with the Articles of the Company, and any such action shall be as effective as if it had been decided by a majority of the votes cast at a Board meeting.

3.8 Assessment of Charter

The Governance and Nominating Committee will annually review this charter and submit any recommended changes to the Board for approval.

4. BOARD CHAIR

4.1 Appointment of Chair

The Chair shall be appointed annually by the Board and shall have such skills and abilities appropriate to the appointment of Chair as shall be determined by the Board. The Chair shall be a duly elected member of the Board and shall, unless otherwise considered desirable and approved by the Board, be independent as defined under Securities Laws. Where a vacancy occurs at any time in the position of Chair, it shall be filled by the Board. The Board may remove and replace the Chair at any time.

4.2 Outside Consultants or Advisors

The Chair, when he or she considers it necessary or desirable, may retain, at the Company's expense, outside consultants or advisors to advise the Chair or the Board independently on any matter. The Chair shall have the authority to retain and

terminate any such consultants or advisors, including authority to review the fees and other retention terms of such persons.

4.3 Duties

The Chair is accountable to the Board and shall have the duties of a member of the Board as set out in Applicable Laws. The Chair is responsible for the management, development and effective performance of the Board and leads the Board to ensure that it fulfills its duties as required by Applicable Laws and as set out in these terms of reference. In particular, the Chair shall:

- 4.3.1 organize the Board to function independently of management;
- 4.3.2 promote ethical and responsible decision making, appropriate oversight of management and best practices in corporate governance;
- 4.3.3 ensure the Board has the opportunity to meet without members of management present on a regular basis;
- 4.3.4 determine, in consultation with the Board and management, the time and places of the meetings of the Board and of the annual meeting of shareholders;
- 4.3.5 manage the affairs of the Board, including ensuring that the Board is organized properly, functions effectively and meets its obligations and responsibilities;
- 4.3.6 co-ordinate with management and the Corporate Secretary to ensure that matters to be considered by the Board are properly presented and given the appropriate opportunity for discussion;
- 4.3.7 provide advice, counsel and mentorship to other members of the Board, the Chief Executive Officer of the Company ("CEO") and other senior officers;
- 4.3.8 preside as chair of each meeting of the Board;
- 4.3.9 preside as chair of each meeting of the shareholders of the Company;
- 4.3.10 communicate with all members of the Board to co-ordinate their input, ensure their accountability and provide for the effectiveness of the Board and its committees as well as to keep members up to date on all major developments concerning the Company; and
- 4.3.11 ensure the Company, and where appropriate the Board, is adequately represented at official functions and meetings with major shareholder groups, other stakeholders, financial analysts, media and the investment community.

5. DUTIES AND RESPONSIBILITIES

The Board's principal duties and responsibilities fall into a number of categories, which are outlined below.

5.1 Legal Requirements

- 5.1.1 The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained; and
- 5.1.2 The Board has the statutory responsibility to:
 - (a) supervise the management of the business and affairs of the Company;

- (b) act honestly and in good faith with a view to the best interests of the Company;
- (c) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
- (d) act in accordance with its obligations contained in the BCBCA and the regulations thereto, the Company's constating documents, Securities Laws and other applicable laws and regulations (collectively, "**Applicable Laws**").

5.2 Independence

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including having a majority of directors who are "independent" as defined by National Instrument 58-101 – Disclosure of Corporate Governance Practices ("**NI 58-101**") and under applicable stock exchange requirements. The Board, in consultation with the Governance and Nominating Committee will, at least annually, review the relationship of each Director to determine if each Director is or remains "independent" within the meaning of NI 58-101 and applicable stock exchange requirements. In addition, the independent Directors shall hold an in camera session without the presence of management or any non-independent Directors at each meeting. In determining the independence of any member of the Board, the Board will consider all relevant factors, including any relationship a Director has with the Company, its management, its shareholders and other direct or indirect material relationships which could, in the view of the Board, be reasonably expected to interfere with the exercise of a Board member's independent judgment.

5.3 Strategy Determination

The Board has the responsibility to:

- 5.3.1 participate with management, in the development of, and ultimately approve, the Company's strategic plan, taking into account, among other things, the opportunities and risks of the Company's business and long term sustainability;
- 5.3.2 approve annual capital and operating budgets that support the Company's ability to meet its strategic objectives;
- 5.3.3 approve the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;
- 5.3.4 approve financial and operating objectives used in determining compensation if they are different from the strategic, capital or operating plans referred to above;
- 5.3.5 approve material divestitures and acquisitions;
- 5.3.6 monitor the Company's progress towards its strategic objectives, and revise and alter its direction through management in light of changing circumstances;
- 5.3.7 conduct periodic reviews of human, technological and capital resources required to implement the Company's strategy and the regulatory, cultural or governmental constraints on the business; and
- 5.3.8 review, at every regularly scheduled Board meeting if feasible, recent developments that may affect the Company's strategy, and advise management on emerging trends and issues.

5.4 Financial and Corporate Issues

The Board has the responsibility to:

- 5.4.1 primarily through the Audit Committee, take reasonable steps to ensure the integrity and effectiveness of the Company's internal controls and management information systems, including the evaluation and assessment of information provided by management and others (e.g., internal and external auditors) about the integrity and effectiveness of the Company's internal controls and management information systems;
- 5.4.2 review operating and financial performance relative to budgets and objectives;
- 5.4.3 with the Audit Committee, review and approve the interim and annual financial statements and notes thereto, management's discussion & analysis of financial condition and results of operations, the annual information form and the management information circular;
- 5.4.4 approve the delegation of financial authority for budgeted and unbudgeted expenditures to the CEO;
- 5.4.5 upon recommendation by the Audit Committee and subject to confirmation by the shareholders of the Company at each annual meeting, appoint the external auditor for the Company and upon recommendation by the Audit Committee, to approve the auditor's fees for audit and interim review services;
- 5.4.6 consider, and if established, review from time to time, and approve of a dividend and any dividend policy of the Company; and
- 5.4.7 approve significant contracts, transactions, and other arrangements or commitments that may be expected to have a material impact on the Company.

5.5 Managing Risk

The Board has the responsibility to:

- 5.5.1 understand the principal risks of the business in which the Company is engaged;
- 5.5.2 achieve a proper balance between risks incurred and the potential return to shareholders;
- 5.5.3 ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Company; and
- 5.5.4 be responsible for the Company risk management processes including:
 - (a) reviewing the Company's risk register and enterprise risk management framework;
 - (b) receiving reports from management and other Board committees, including without limitation the Audit Committee, and the Sustainability Committee, on the identification, assessment and management of new material risks; and
 - (c) reviewing major risk exposures and the guidelines and policies that management has put in place to govern the process of monitoring, controlling and reporting such exposures.

5.6 Culture & Sustainability

The Board has the responsibility to promote a culture of integrity, ethical leadership, diversity, inclusion and sustainability within the Company, including to oversee the Company's overall human resources strategy and the Company's strategy and practices relating to sustainability (including health, safety, environmental and corporate social responsibility) matters.

5.7 Appointment, Training and Monitoring Senior Management

The Board has the responsibility to:

- 5.7.1 appoint the CEO, monitor and assess CEO performance against corporate and personal goals and objectives, determine compensation for the CEO, considering the recommendations of the Governance and Nominating and Compensation Committees, and provide advice and counsel in the execution of the CEO's duties;
- 5.7.2 annually consider what additional skills and competencies would be helpful to senior management and the Board, with the Governance and Nominating Committee and the Compensation Committee (having received input from the Board) being responsible for identifying specific candidates for consideration for appointment to management and / or the Board;
- 5.7.3 approve certain decisions relating to senior officers, including:
 - (a) the appointment and discharge of senior officers;
 - (b) compensation and benefits for senior officers;
 - (c) acceptance by the CEO of any outside directorships on public companies or any significant public service commitments; and
 - (d) employment, consulting, retirement and severance agreements, and other special arrangements proposed for senior officers;
 - (e) ensure that adequate provision has been made to train and develop management and for the orderly succession of the CEO and the other senior officers; and
 - (f) to the extent possible, satisfy itself as to the integrity of the CEO and other senior officers and satisfy itself that the CEO and other senior officers are creating a culture of integrity throughout the Company.

5.8 Policies, Procedures and Compliance

The Board has the responsibility to:

- 5.8.1 ensure that the Company operates at all times within Applicable Laws and to the highest ethical and moral standards;
- 5.8.2 approve and monitor compliance with significant policies and procedures by which the Company is operated;
- 5.8.3 ensure the Company sets high environmental and community relations standards in its operations and is in compliance with environmental laws and legislation;
- 5.8.4 ensure the Company has in place appropriate programs and policies for the health, safety and security of its employees in the workplace; and
- 5.8.5 review significant new corporate policies or material amendments to existing policies (including, for example, policies regarding business conduct, conflict of interest and the environment).

5.9 Governance

The Board has the responsibility to:

- 5.9.1 appoint Board committees and delegate to those committees any appropriate powers of the Board;
- 5.9.2 review the size and composition required of the Board and approve nominations for candidates for election to the Board, with a view to ensuring that the Board is comprised of Directors with the necessary skills, experience and other qualities such as independence and diversity to facilitate effective decision-making;
- 5.9.3 develop the Company's approach to corporate governance;
- 5.9.4 ensure the establishment and compliance of appropriate standard of corporate conduct, adopt a code of business conduct and ethics for all employees, including senior officers, and shall ensure that procedures are in place to monitor compliance with such code; and
- 5.9.5 review annually its charter and its performance and the performance of the Board committees, the Chair and the chairs of the committees to ensure that the Board and the committees are operating effectively.

5.10 Reporting and Communication

The Board has the responsibility to:

- 5.10.1 adopt a communication or disclosure policy for the Company and ensure that the Company has in place effective communication processes with shareholders and other stakeholders (including measures to enable stakeholders to communicate with the independent Directors of the Board) and with financial, regulatory and other institutions and agencies;
- 5.10.2 ensure that the financial performance of the Company is accurately reported to shareholders, other security holders and regulators on a timely and regular basis in accordance with Applicable Laws;
- 5.10.3 ensure that the financial results are reported fairly and in accordance with generally accepted accounting principles and Applicable Laws;
- 5.10.4 ensure the timely reporting of any other developments that have a significant and material impact on the value of the Company;
- 5.10.5 approve the content of the Company's major communications to shareholders and the investing public, including the interim and annual financial statements and management's discussion and analysis, the management information circular (including the compensation, discussion and analysis and disclosure of corporate governance practices), the annual information form, any prospectuses that may be issued, and any significant information respecting the Company contained in any documents incorporated by reference in any such prospectuses; and
- 5.10.6 report to shareholders on its stewardship of the affairs of the Company for the preceding year.

6. INDIVIDUAL DIRECTORS

6.1 Each Director:

- 6.1.1 shall act honestly and in good faith in the best interests of the Company and its shareholders; and
- 6.1.2 must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

6.2 Responsibilities of Corporate Stewardship

Each Director has the responsibility to:

- 6.2.1 represent the best interests of the Company and its shareholders, assist in the maximization of shareholder value and work towards the long-term success of the Company;
- 6.2.2 advance the interests of the Company and the effectiveness of the Board by bringing his or her knowledge and experience to bear on the strategic and operational issues facing the Company;
- 6.2.3 provide constructive counsel to and oversight of management;
- 6.2.4 respect the confidentiality of information and matters pertaining to the Company;
- 6.2.5 maintain his or her independence, generally and as defined under Applicable Laws;
- 6.2.6 be available as a resource to the Board; and
- 6.2.7 fulfill the legal requirements and obligations of a director and develop a comprehensive understanding of the statutory and fiduciary roles of a director.

6.3 Responsibilities of Integrity and Loyalty

Each Director has the responsibility to:

- 6.3.1 comply with the Company's governance policies;
- 6.3.2 disclose to the Corporate Secretary, prior to the beginning of his or her service on the Board, and thereafter as they arise, all actual and potential conflicts of interest; and
- 6.3.3 disclose to the Chair, in advance of any Board vote or discussion, if the Board or a committee of the Board is deliberating on a matter that may affect the Director's interests or relationships outside the Company and abstain from discussion and/or voting on such matter as determined to be appropriate.

6.4 Responsibilities of Diligence

Each Director has the responsibility to:

- 6.4.1 prepare for each Board and committee meeting by reading the reports, minutes and background materials provided for the meeting;
- 6.4.2 attend in person the annual meeting of the Company and attend all meetings of the Board and all meetings of the committees of the Board of which the Director is a member, in person or

by telephone, video conference, or other communication facilities that permit all persons participating in the meeting to communicate with each other; and

- 6.4.3 as necessary and appropriate, communicate with the Chair and with the President and CEO between meetings, including to provide advance notice of the Director's intention to introduce significant and previously unknown information at a Board meeting.

6.5 Responsibilities of Effective Communication

Each Director has the responsibility to:

- 6.5.1 participate fully and frankly in the deliberations and discussions of the Board;
- 6.5.2 encourage free and open discussion of the Company's affairs by the Board;
- 6.5.3 establish an effective, independent and respected presence and a collegial relationship with other Directors;
- 6.5.4 focus inquiries on issues related to strategy, policy, and results;
- 6.5.5 respect the CEO's role as the chief spokesperson for the Company and participate in external communications only at the request of, with the approval of, and in coordination with, the Chair and the CEO;
- 6.5.6 communicate with the Chair and other Directors between meetings when appropriate;
- 6.5.7 maintain an inquisitive attitude and strive to raise questions in an appropriate manner and at proper times; and
- 6.5.8 think, speak and act in a reasoned, independent manner.

6.6 Responsibilities of Committee Work

Each Director has the responsibility to:

- 6.6.1 participate on committees and become knowledgeable about the purpose and goals of each committee; and
- 6.6.2 understand the process of committee work and the role of management and staff supporting the committee.

6.7 Responsibilities of Knowledge Acquisition

Each Director has the responsibility to:

- 6.7.1 become generally knowledgeable about the Company's business and its industry;
- 6.7.2 participate in Director orientation and education programs developed by the Company or other relevant organizations from time to time;
- 6.7.3 maintain an understanding of the regulatory, legislative, business, social and political environments within which the Company operates;
- 6.7.4 become acquainted with the senior officers and key management personnel; and

- 6.7.5 gain and update his or her knowledge about how the Company's facilities are operated and any related health, safety, security, environmental, community relations and social matters relating thereto by visiting such facilities when appropriate.

7. LEAD DIRECTOR

7.1 Appointment

The Board will appoint a Lead Director in circumstances in which the Chair is not considered independent under Applicable Laws in order to provide independent leadership, as required, to the Board and for the other purposes set forth below.

If a Lead Director is required, the Governance and Nominating Committee will recommend a candidate for the position of Lead Director from amongst the independent members of the Board. The Board will be responsible for appointing the Lead Director and approving the Lead Director's remuneration.

7.2 Duties

The Lead Director, if any, will serve at the pleasure of the Board. The Lead Director, if any, will provide as required, independent leadership to the Board and will facilitate as required the functioning of the Board independently of the senior officers and the Chair. The Lead Director, if any, will:

- 7.2.1 in the absence of the Chair, act as chair of meetings of the Board;
- 7.2.2 review with the Chair and the CEO matters for presentation to the Board;
- 7.2.3 consult and meet with any or all of the other independent directors, at the request of any of them and with or without the attendance of the Chair and senior management, and represent such directors in discussions with the senior officers and Chair concerning corporate governance and other matters;
- 7.2.4 together with the Chair and the CEO, ensure that all required matters are presented to the Board, such that the Board is able to supervise the management of the business and affairs of the Company; and
- 7.2.5 together with the Chair and the Chair of the Governance and Nominating Committee, ensure that the Board, the committees of the Board, individual directors and the senior officers understand and discharge their obligations under the approach to corporate governance established by the Board from time to time.

8. COMMITTEE CHAIRS

8.1 Appointment

The chair of each Committee ("**Committee Chair**") shall be appointed annually by the Board. Each Committee Chair shall be a duly elected member of the Board and independent as determined pursuant to Securities Laws. Where a vacancy occurs at any time in the position of a Committee Chair, it shall be filled by the Board. The Board may remove and replace a Committee Chair at any time.

8.2 Duties

Each Committee Chair shall lead and oversee the Committee to ensure it fulfills its mandate as set out in its terms of reference. In particular, each Committee Chair shall:

- 8.2.1 organize the Committee to function independently of management;

- 8.2.2 ensure that the Committee has an opportunity to meet without members of management present at regular intervals;
- 8.2.3 determine, in consultation with the Committee and management, the time and places of the meetings of the Committee;
- 8.2.4 manage the affairs of the Committee, including ensuring that the Committee is organized properly, functions effectively and meets its obligations and responsibilities;
- 8.2.5 co-ordinate with management and the secretary to the Committee to ensure that matters to be considered by the Committee are properly presented and given the appropriate opportunity for discussion;
- 8.2.6 provide advice and counsel to the CEO and other senior officers in the areas covered by the Committee's mandate;
- 8.2.7 preside as chair of each meeting of the Committee; and
- 8.2.8 communicate with all members of the Committee to co-ordinate their input, ensure their accountability and provide for the effectiveness of the Committee.

9. OUTSIDE CONSULTANTS OR ADVISORS

At the Company's expense, the Board may retain, when it considers it necessary or desirable, outside consultants or advisors to advise the Board independently on any matter. The Board shall have the sole authority to retain and terminate any such consultants or advisors, including sole authority to approve a consultant's or advisor's fees and other retention terms.

CERTIFICATE OF THE COMPANY

Dated: November 8, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada other than Québec.

ARIZONA SONORAN COPPER COMPANY INC.

"George Ogilvie"
Chief Executive Officer

"Rodney Prokop"
Chief Financial Officer and Corporate Secretary

ON BEHALF OF THE BOARD OF DIRECTORS

"David Laing"
Director

"Alan Edwards"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: November 8, 2021

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada other than Québec.

RBC DOMINION SECURITIES INC.

"Phil Wilkinson"
Phil Wilkinson
Director, Global Mining & Metals Investment Banking

HAYWOOD SECURITIES INC.

"Ryan Matthiesen"
Ryan Matthiesen
Managing Director, Investment Banking

CANACCORD GENUITY CORP.

"Tom Jakubowski"
Tom Jakubowski
Managing Director,
Global Head of Metals and Mining,
Investment Banking

CORMARK SECURITIES INC.

"Darren Wallace"
Darren Wallace
Managing Director

STIFEL NICOLAUS CANADA INC.

"Pierre Laliberté"
Pierre Laliberté
Managing Director, Investment Banking

BEACON SECURITIES LIMITED

"Daniel Belchers"
Daniel Belchers
Managing Director

PARADIGM CAPITAL INC.

"John R. Booth"
John R. Booth
Partner, Head of Investment Banking