ELIM MINING INCORPORATED

Consolidated Financial Statements

December 31, 2020

(United States Dollars)

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.

	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.

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.

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.

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.

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.

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 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.

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

<u>Exploration and evaluation assets</u>

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.

<u>Tembo/RCF Financing</u>

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.

<u>Mineral properties – net smelter royalty</u>

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

<u>Stock-based compensation</u>

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.

<u>Discount rate of loans</u>

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.

<u>Transaction costs</u>

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.

<u>Equity investment</u>

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 25,466,667 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

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.
- 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	

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.

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

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

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:

- 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	

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).

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%
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 ($000)		2019 ($000)	Expiry date range
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 ($000)	Canada ($000)
2039	2,298	5
2040	6,275	1,826
	8,573	1,831

Note 13 – Financial Instruments

	December 31, 2020 ($000)	December 31, 2019 ($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 Ill 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 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 Ill 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	-

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

Non-Cash Investing and Financing Activities	For the year ended December 31 2020 ($000s)	For the period ended December 31 2019 ($000s)
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.

ELIM MINING, INC.
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").

Contents

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 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 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

<u>Drilling</u>

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

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		AVG	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) H_2SO_4 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

An initial preliminary economic analysis in relation to the stockpile was released and posted to the Elim Mining website (www.elimmining.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.

<u>Operating and Financial Results of the Stockpile Project Preliminary Economic Assessment</u>

- 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.

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.

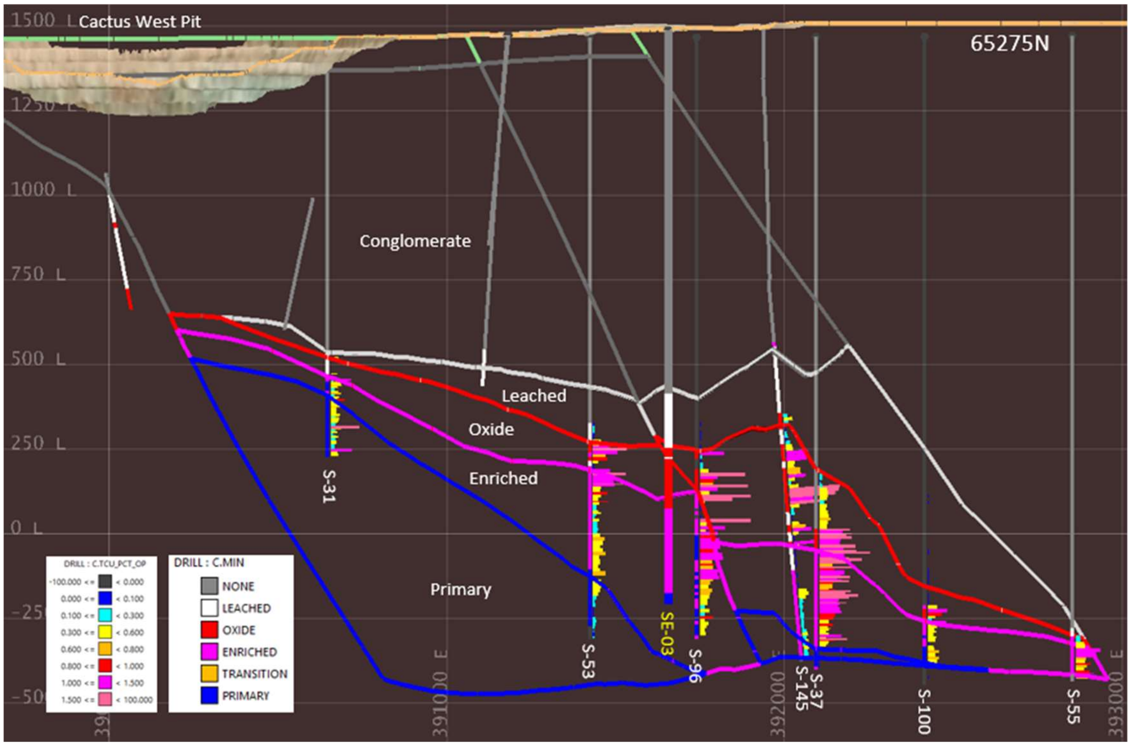
Targets:

- 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.



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.

Table 1. - Summary Metallurgical Results, Bottle Roll Tests, Cactus Mine, 100%-10M Feed Size, 24 hr Leach

Sample	Cu Recovery, % of total	% Cu Extracted	Tail	Calculated Head	Head Assay	H_2SO_4 Added, lb/ton ore	H_2SO_4 Consumption Gross lb/ton ore	Gangue lb/ton ore	Specific (Gaugue) lb/lb Cu
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

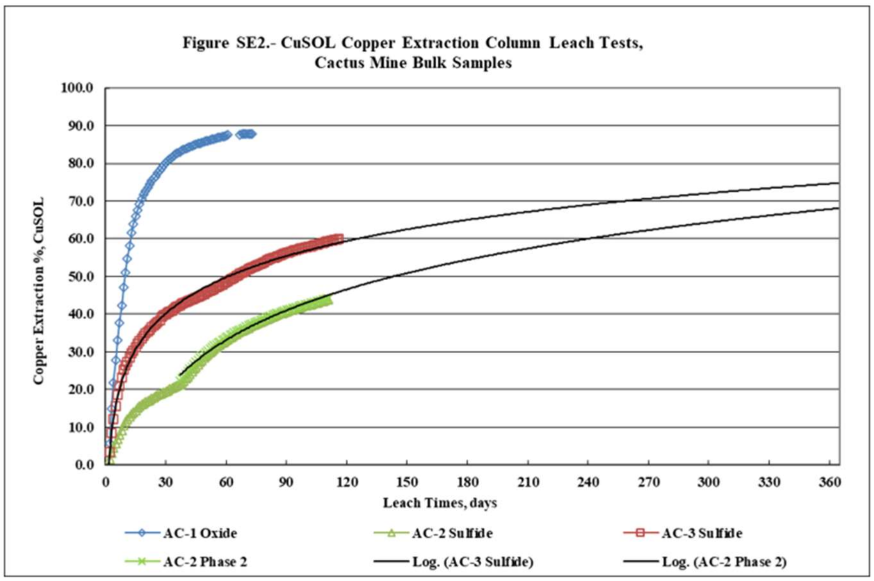
- The sample -003 grade variation was significant between bottle roll calculated head and average head assay;
- Grades were higher than anticipated from nearby hole S-96;
- There was low copper extraction (~10%) in sulfide samples (chalcocite vs. covellite); and
- Acid consumption was low overall for 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.

Table 1. - Summary Metallurgical Results, Acid Column Leach Tests, Cactus Mine Bulk Samples, -2.5" Feed Size												
MLI		Leach/Rinse	Cu	% Cu				H_2SO_4	H_2SO_4 Consumption		
Test #	Sample	Time, days	Recovery, %	Extracted	Tail	Calc'd. Head	Avg. Head	Added, lb/ton ore	Gross lb/ton ore	Gangue lb/ton ore	Specific (Gaugue) lb/lb Cu
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)

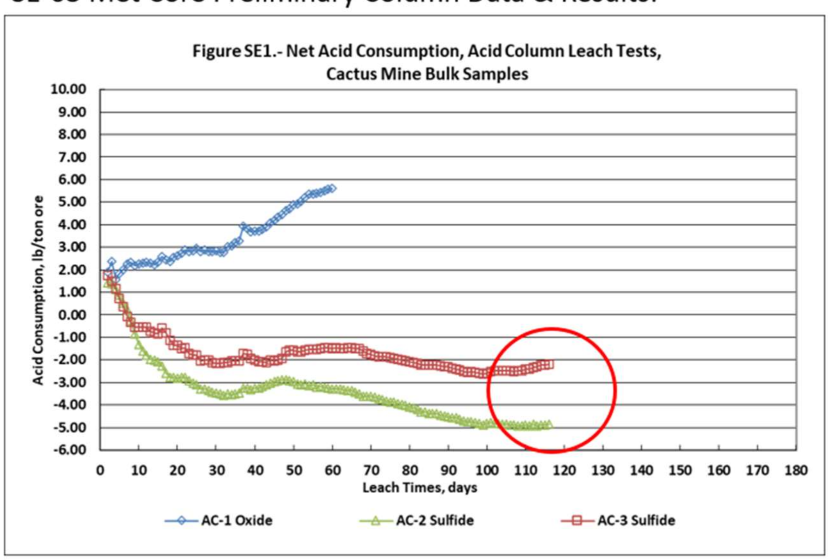
SE-03 met core Preliminary Column Data & Results to 77 days:



Sulfide Column AC-2 Shows Evidence of Significant Bio-Activity @ Day 41 (Redox ~525 mV; ~95% of Fe converted to Fe^{3+}) & 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+)

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:

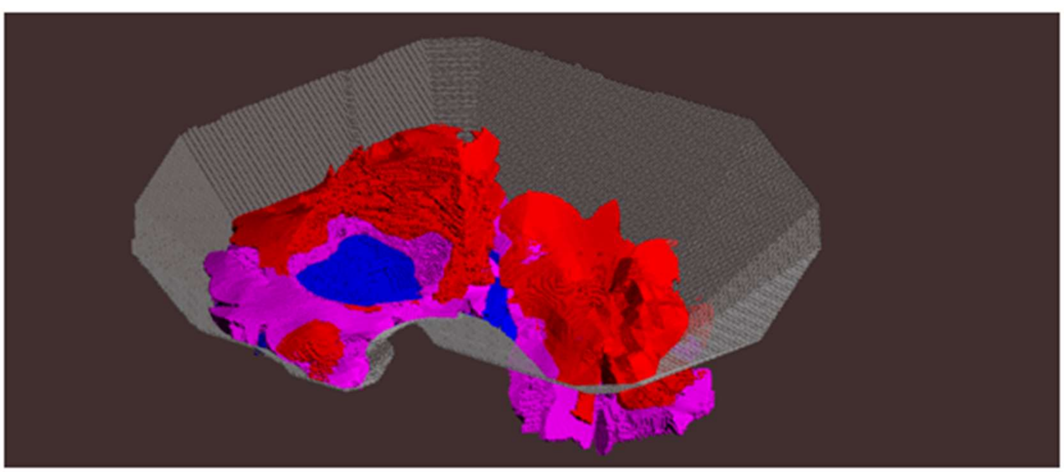
- Sulfide column AC-2 bio activity has initiated and copper recovery trajectory is now advancing as expected. AC-03 is also now operating in a bio-active trajectory;
- Pyrite content is significantly higher in AC-02 versus AC-03 sulfide columns;
- Acid content (~10 gpl H_2SO_4) to sulfide columns is 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.

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.

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.

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) 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. Application for this permit has been submitted by the Company in respect of the processing of the stockpile.
- 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.

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 $ (000's except loss per share)	December 31, 2019 $ (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 $ (000's)	December 31, 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

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.

<u>Summary of Quarterly Results</u>

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.

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.

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.

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: 12.5 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.

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 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 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.