ARIZONA SONORAN COPPER COMPANY INC. (FORMERLY ELIM MINING INCORPORATED)

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND DECEMBER 31, 2020

Introduction

The following Arizona Sonoran Copper Company Inc. (formerly Elim Mining Incorporated) ("ASCU" or the "Company") Management Discussion and Analysis ("MD&A") was prepared on March 30, 2022 and should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2021, 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. Additional information relating to the Company is available on the Company's website (www.arizonasonoran.com).

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

ASCU currently generates no revenues from its mineral properties. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations. A description of significant risks may be found in the Company's Annual Information Form for the year ended December 31, 2021.

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

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COMPANY HIGHLIGHTS – 2022 TO DATE

- On February 28, 2022, ASCU announced that it had received the jurisdictional delineation from the U.S. Army Corps of Engineers ("USACE"), determining that there are no U.S. jurisdictional waters located on the Company's property. As a result, all permitting processes at the Cactus Mine will be subject to state and county permitting approvals, and not federal
- On February 23, 2022, ASCU announced interim results from its currently ongoing metallurgical testing program in respect of the Pre-Feasibility Study ("PFS"). The tests comprising sequential assaying, bottle roll testing and column testing for the mineral resources at the Cactus Mine, demonstrate improved overall recoveries of ~1% total soluble copper and a decreased net acid consumption of ~2 lbs. per ton of material. The table below summarizes the results.

Table 1: Updated Metallurgical Recoveries and Net Acid Consumption

	Preliminary Column Tests (PEA)				Updated Column Tests			
Resource Component	Net Copper Recovery (% CuAS)	Net Copper Recovery (% CuCN)	Gross Acid Consumption (lb/ton)	Net Acid Consumption (lb/ton)	Net Copper Recovery (% CuAS)	Net Copper Recovery (% CuCN)	Gross Acid Consumption (lb/ton)	Net Acid Consumption (lb/ton)
Stockpile								
Oxide	90%	40%	22	18	90%	40%	22	16 (-)
Open Pit & Underground								
Oxide	90%	72%	22	18	92% (+)	73% (+)	22	16 (-)
Enriched	90%	72%	22	1	92% (+)	73% (+)	22	0 (-)

- On February 10, 2022, the Company paid $7.614 million in connection with the initial closing of the LKY land purchase transaction.
- On February 10, 2022, the Company announced results of drilling from the Parks/Salyer project. Drill results included:
  - ECP-045: 595 ft (181.4 m) of 1.29% CuT, 1.18% TSol, 0.018% Mo (enriched)
  - ECP-042: 86 ft (26.2 m) of 2.26% CuT, 2.11% TSol, 0.020% Mo (enriched)
    - Including: 27 ft (8.2 m) of 4.22% CuT, 3.78% TSol, 0.019% Mo

  The Company also outlined an exploration target covering a 4,000ft x 4,000ft (1.2km x 1.2km) area on the Parks/Salyer project comprising of:

  - 40-90 million tons of potential leachable material @ 1.05%- 1.3% TSol for potential of 1.0-2.35 billion lbs. of contained copper; and
  - 8-35 million tons of potential primary material @ 0.85-1.05% TCu for 0.15-0.75

billion lbs. of contained copper.

The exploration target will be pursued as part of the work program outlined for Parks/Salyer.

- On February 9, 2022, ASCU completed the General Plan Amendment with the City Council of Casa Grande. The amendment applies to a 2,159 acre parcel of land, including the LKY, ARCUS and Merrill properties, which were demarcated for manufacturing/industrial use. The Company's entire land package now consists of 4,800 acres of private land sufficient to accommodate all the infrastructure envisioned within its 18-year Life-of-Mine ("LOM") plan. With the new amendment, the entire land package is fully zoned for industrial purposes.
- On February 9, 2022, Cactus 110 LLC entered into an assignment and assumption agreement, and a royalty agreement, in respect of transfer of permit 08-122116 with Bronco Creek Exploration Inc., a wholly-owned subsidiary of EMX Royalty Corporation. The total added land position was 158 acres of leased state land.
- On January 10, 2022, the Company appointed Nicholas Nikolakakis as Vice President-Finance and Chief Financial Officer.
- On January 7, 2022, Tembo Capital Elim Co-Investment LP (together with Tembo Capital Mining GP III Ltd, "Tembo") exercised its option to convert its $6.9 million debenture loan to the Company to a 1.00% NSR.
- Effective January 1, 2022, the Company appointed Sarah Strunk to the board of directors.

COMPANY HIGHLIGHTS – 2021

- On December 30, 2021, RCF Opportunities Fund L.P. ("RCF") received consideration of a 0.27% NSR in lieu of the $1.886 million principal amount due on the debenture loan. The debenture loan from RCF has been fully repaid.
- On November 16, 2021, the Company completed an initial public offering ("the IPO"). An aggregate of 18,367,347 common shares of ASCU at a price of C$2.45 ($1.95) per common share were issued for total gross proceeds of C$45.0 million ($35.9 million). The Company converted $5.0 million of the short-term loan from Tembo into common shares as part of the IPO.
- On September 29, 2021, the Company paid $3.281 million in connection with the Phase II and Phase III closings of the Arcus property acquisition and paid $0.856 million (including interest) for the final installment.
- On September 23, 2021, the Company received $6.0 million from Tembo pursuant to the standby loan facility agreement. As stipulated in the agreement, Tembo received 485,711 common shares in compensation for the full drawdown on the loan.
- On September 8, 2021, Haywood Securities ("Haywood") exercised 1.78 million warrants at $0.60 for gross proceeds to the Company of $1.067 million. As an incentive to compensate Haywood for the time value of money lost in exercising these warrants well in advance of expiration, the Company issued 161,616 new three-year warrants to Haywood at an exercise price of $2.10 per warrant.
- On August 30, 2021, the Company paid $2.713 million in connection with the Phase I closing of the Arcus property acquisition.
- Effective July 22, 2021, the Company appointed Rita Adiani as Senior Vice President

Strategy and Corporate Development.

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

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

- On July 7, 2021, the Company closed a private placement and issued 238,095 common shares for $0.5 million, to an employee in respect of previously agreed contractual arrangements.

- On July 7, 2021, Tembo exercised 6.7 million warrants at $0.60 for gross proceeds to the Company of $4.0 million. As an incentive to compensate Tembo for the time value of money lost in exercising these warrants well in advance of expiration, the Company issued 2.2 million new three-year warrants to Tembo at an exercise price of $1.95 per warrant.

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

- On June 22, 2021, the Company and Tembo entered into a $6.0 million standby loan facility. The interest rate is 8% and the funds were available for drawdown until December 31, 2021, at which time full repayment was due. For every $1,000 drawn the Company issued shares based on the following schedule:

    - First $1.0 million - 100,952 shares
    - Second $1.0 million - 92,380 shares
    - Third $1.0 million - 83,809 shares
    - Fourth $1.0 million – 75,238 shares
    - Each subsequent draw of $1.0 million – 66,666 shares

- Effective June 16, 2021, John Antwi resigned as President and Chief Executive Officer of the Company. A non-executive member of the board, Alan Edwards, assumed the role of interim CEO until a permanent replacement was named.

- On June 8, 2021, the Company completed a non-brokered private placement of 114,583 units for gross proceeds of $0.28 million to an employee in respect of previously agreed contractual arrangements. Each unit consisted of one common share and one warrant entitling the holder thereof to acquire one common share at an exercise price of $0.30 per share.

- On May 28, 2021, Paul Huet resigned as Chairman and David Laing was appointed Chairman of the board.

- On May 20, 2021, the Company's wholly owned subsidiary, Cactus 110 LLC, entered into an agreement with LKY/Copper Mountain Investments Limited Partnership LLP to purchase 1,000 acres of land adjacent to the Cactus Mine. The agreement stipulates that the total purchase price of $20.0 million be paid in three separate disbursements during the period commencing from the closing date to the fifth anniversary of such closing date.

- On March 24, 2021, the Company provided written notice to the ASARCO Trust that the Company 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 received 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 a private placement was completed, primarily consisting of common shares subscribed by a technical consortium (the "Consortium") composed of Samuel Engineering and Battle Born Materials LLC ("BBM"). The Company and the 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 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 was paid during the year ended December 31, 2021.

CACTUS MINE PROJECT

The 100%-owned Cactus Mine Project ("Cactus Project" or "Project") is a porphyry copper project located on private land, near the city of Casa Grande, Arizona, USA. The city of Phoenix and Sky Harbor International Airport are situated approximately 55 miles to the north and Tucson is approximately 75 miles to the southeast. The property location provides easy access to infrastructure and amenities such as power, water, rail, roads and a skilled workforce. The Cactus Project itself covers approximately 4,000 acres (with the remainder of the land package covering additional exploration properties).

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

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

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

1. The Stockpile Project:
    - Stockpile assessment, including associated mineral resource estimation and metallurgical work for issuance of a Preliminary Economic Assessment
    - An updated Mineral Resource Estimate based on further infill drilling to support the Integrated Preliminary Economic Assessment combining the Stockpile Project and Cactus

Project.

2. The Cactus Project:
    - o Exploration drill programs of the Cactus West and East deposits including associated mineral resource estimation and metallurgical work for the issuance of an Integrated Preliminary Economic Assessment combining the Stockpile Project and Cactus Project.
3. The Parks/Salyer Project:
    - o Ongoing exploration drilling of the Parks/Salyer project to support initial resource estimation work. Recent declaration of an exploration target was mentioned above.

A total of $24.2 million has been incurred in capitalized exploration expenditures in respect of the Project. This includes the technical work required for the integrated Preliminary Economic Assessment ("PEA") which was completed in Q3, 2021 that ascertains initial project economics of all leachable ores including the Stockpile Project, Cactus West, and Cactus East. Further details of the PEA are provided below.

The Company is currently advancing the Cactus Project to a Pre-Feasibility Study ("PFS") and subsequently to a Definitive Feasibility Study ("DFS") stage (subject to a positive outcome from the PFS).

The Parks/Salyer property is at an exploration stage. The Company conducted an ionic leach soil geochemistry program over the Parks/Salyer property in 2019 on 325ft (100m) spacing. This confirmed soil geochemistry across the property for copper, molybdenum, silver and gold and a general northeast trend of the higher anomalous values. The Company followed up this work with two diamond drill holes in 2020. This extended the mineralization a further 900-1000ft (275-300m) to the northeast of previously drilled mineralization. A further two holes were drilled in late 2021 extending mineralization again, another 500ft (150m) to the north. As at the end of 2021, assay results were pending. The Company is currently pursuing a 12-hole exploration program, following up on four historic diamond holes. The planned program totals 26,000 ft (~7,900 m) and aims to test the extension of the porphyry copper system from the southern border of its Parks/Salyer property, along the mine trend towards the Cactus Project. With success, the Company may increase the number of drill holes on the project.

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

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

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

<u>Preliminary Economic Assessment (PEA)</u>

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

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

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

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

- The PEA LOM estimates production for 18 years
- Pre-CP ramp up period estimated at 18 months to initial production
- Initial construction capital is estimated at US$124 million and sustaining capital estimated at US$340 million
- Estimated average cash costs (C1) of US$1.55 /lb Cu. Estimated all-in sustaining costs ("AISC") average US$1.88/lb Cu.
- The PEA benefits from the processing of Stockpile ore for the first five years of production along with

the processing of open pit ore for the first 13 years of production. The underground is estimated to commence production in year 6 and will continue until year 18 of the mine life

Mineral Resource Estimates

The following tables outline the resource estimates for the Cactus West, Cactus East, and the Stockpile Project.

Table 4: Total Indicated and Inferred Resource Estimate

CACTUS & STOCKPILE – TOTAL CONTAINED COPPER: Indicated Resource– 1,610,700k lbs Inferred Resource– 1,978,800k lbs				
Mineral Resource Category and Type(2)	Tons (kt)	CuT (%)	Tsol (%)	Tsol_lb (klbs)
Indicated Resource				
Total Leachable (Oxide and Enriched)	73,900	–	**0.723**	**1,065,200**
Primary	77,900	0.350	–	545,500
Inferred Resource				
Total Leachable (Oxide and Enriched)	117,600	–	**0.417**	**979,300**
Stockpile (Leachable)	77,400	**0.169**	**0.144**	**223,500**
Primary	111,300	0.349	–	776,000

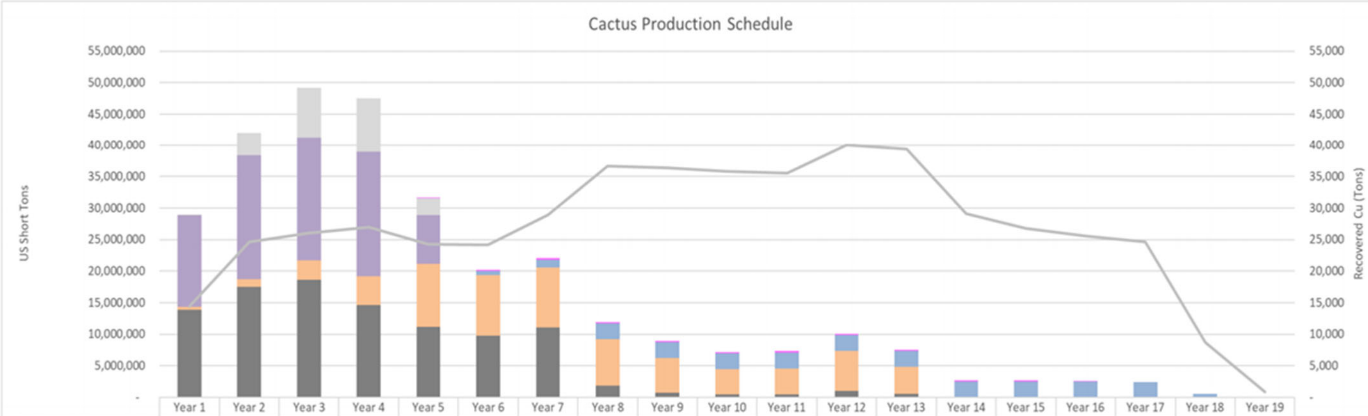
<u>Resource Update</u>

Infill drilling comprising a 200ft (61m) drill spacing program was completed in Q2, 2021 in an effort to bring the Stockpile Project mineral resource to an eventual Indicated status. A mineral resource update is currently underway to support the PFS incorporating drilling information and historical waste rock dumping schedules.

Mining & Production Schedules

Per the PEA and assuming an affirmative development decision, the following tables outline the Life-Of-Mine schedules for mining production and recoverable copper at the Cactus Project. Material sourced from the Stockpile Project will be mined first in conjunction with pit stripping and early ore production. In year five, the production from the Stockpile will be exhausted and the pit will be in full production. The underground will be in development by year seven, and by year eight the underground is in full production. Table 5 contains the projected annual production levels from the stockpile, the open pit and the underground operations.

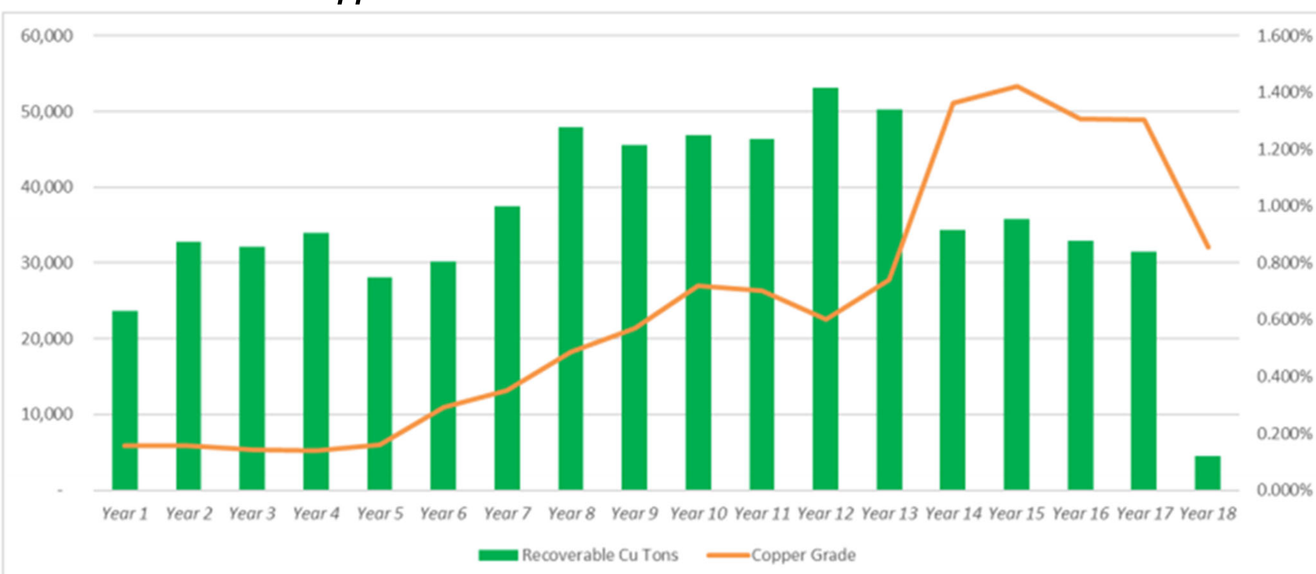
Table 5: Life of Mine Mining Volumes



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19
UG Waste	-	-	-	-	129,400	194,200	194,200	194,200	194,200	194,200	194,200	194,200	194,200	194,200	194,200	85,700			
UG Ore	-	-	-	-	-	630,005	1,266,31	2,520,04	2,519,98	2,519,96	2,519,99	2,519,99	2,519,97	2,519,99	2,520,02	2,519,95	2,418,51	529,226	
External Stk - Waste	13,421	3,600,00	7,930,00	8,650,00	2,630,00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
External Stk - Ore	14,560,0	19,730,0	19,530,0	19,690,0	7,731,94	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pit - Ore	442,000	1,189,00	3,113,00	4,540,00	9,982,00	9,662,00	9,455,00	7,353,00	5,464,00	3,987,00	4,094,00	6,305,00	4,276,00	-	-	-	-	-	-
Pit Waste	13,890,0	17,500,0	18,600,0	14,660,0	11,200,0	9,730,00	11,110,0	1,830,00	760,000	480,000	500,000	1,060,00	570,000	-	-	-	-	-	-
Recovered Cu Tons	14,385	24,660	26,061	26,954	24,287	24,162	28,900	36,625	36,332	35,813	35,545	40,043	39,383	29,124	26,803	25,551	24,599	8,666	851

Table 6 contains the projected annual copper production and associated grade as per the PEA.

Table 6: Recoverable Copper Tons Schedule



<u>Heap Leaching Process</u>

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

Oxide material mined from the Stockpile Project is expected to be relatively fine (approximately 80% -1 inch based on bulk sampling) and freshly mined material from open pit and underground operations will be blasted to a P80 4-inch top size. The initial oxide materials pad is 8.5 million square feet (790 thousand square meters) and will hold approximately 40 million tons of leach material or approximately 2-3 years of mined material. Initial leach material will come predominantly from the Stockpile Project along with some open pit material as pre-stripping activities are initiated.

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

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

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

Process Solvent Extraction/Electrowinning Plant

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

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

Expected recoveries by material type and source are summarized in Table 7 below.

Table 7: Copper Recoveries by Material and Site Location

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

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

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

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

Capital Expenditures

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

Table 8: Initial Projected Capital Expenditures

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

Planned Work Program

The Company has embarked upon a PFS workstream to advance the development of the Cactus Project based on the PEA. The PFS will be followed by the DFS subject to positive results from the study.

The planned work program as recommended in the PEA requires expenditures in relation to drilling, lab testing (assaying and metallurgical), re-assaying, technical study preparation and permitting in relation to advance the project. Additional payments will be required in order to complete agreed land acquisitions which will provide the Company with operational flexibility in relation to the site layout of the Cactus Project.

Drilling/Assaying

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

In Q4, 2021, work programs undertaken to support the PFS included:

1. In respect of the Stockpile Project, assay results from the infill drilling program continue to be received to support the phased development plans of the Cactus Project. The infill drilling program will support additional technical studies for the PFS. As at the end of the year, QAQC was being undertaken on the final returned assay data in preparation for an updated resource model. Ultimately, the infill drilling program will reduce the drill spacing across the Stockpile to 200ft.

2. Infill drilling at Cactus West and East undertaken by diamond drilling for 18,247 feet (5,561 meters) to support upgrading of the resource classification of material for the planned mineral resource update. Thirteen holes were drilled in the quarter to support mineral resource modeling and metallurgical characterization of the deposits. The program continued beyond the end of the quarter with drill spacing reduced to 250ft (76m).

3. Drilling in each hole intercepted leachable copper mineralization prior to entering primary sulfide mineralization. Holes were terminated within the primary zone once the leachable extents of the hole were completed and the planned depth of the hole reached. A steady flow of results is being received from the assay laboratories and will be reported once quality assurance and quality control (QAQC) processes are complete.

4. A program of re-assaying of historical drillholes was completed in the quarter. Re-assayed results will be included in the resource update planned for later in 2022. The main objective of the program is to add sequential copper analysis results as a measure of leachable copper contents to the historical core/pulps that were not assayed historically using this method. As at the end of the fourth quarter 2021, all assay results had been received.

Metallurgical Testing

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

The Company will continue to update the market with respect to results from the work program and issued preliminary results following the end of the year.

Technical Studies/Trade-Offs

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

Exploration Drilling

In Q4, 2021, exploration drilling at the Parks/Salyer Project consisted of 2,590ft (789m) to support expansion of the mineralization to the north by 500ft (152m). Two holes were drilled in the quarter. The Company has planned a 26,000ft (7,900 m) drill program at Parks/Salyer focused on step-out drilling and the possibility of declaring maiden resources in relation to the deposit (subject to successful drill results) in the medium term.

Permitting

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

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

2. Arizona Department of Environmental Quality (“ADEQ”) Aquifer Protection Permit (“APP”): This permit is required for owners or operators of facilities that could discharge a pollutant directly to an aquifer or to a land surface or vadose zone where there is a reasonable probability that the pollutant will reach an aquifer. The permit is valid for the life of the facility. This permit was obtained by ASCU for the Stockpile Project in July 2021 and becomes effective upon demonstration of financial capability submitted along with an amendment application in respect of the full project. Following development of the PFS mine plan a major amendment for full project coverage to include expanded leach facilities, waste dumps and both open pit and underground infrastructure has been prepared for filing in 2022.

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

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

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

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

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

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

2022 Outlook

Cash Position: As of March 30, 2022 the Company had cash of $14.3 million. The Company has sufficient financial resources to carry out the Company's planned activities over the short term but will likely require additional funding to complete its planned activities for 2022.

The Company continues to progress on the planned work program with key milestones expected to be in relation to the:

- Issuance of the PFS in 2022;
- Continued exploration drilling within the Cactus West, Cactus East and Parks/Salyer Project; and
- Permitting at state and county level within Arizona.

Social and Environmental

Arizona Sonoran Copper Company 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. Our "Core Values" framework defines the Company's corporate values, and these fundamental values are integrated into the Company's way of working. The framework 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 an important part of the community; and
- Contributing to a renewable energy future.

Good Governance

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

The Company's Corporate Governance Code outlines the Company's expectations of its directors, officers and employees for ethical conduct. Beyond the Corporate Governance Code, ASCU provides a strong corporate governance framework comprised of additional policies and procedures which enable the Company to operate with integrity, in compliance with applicable regulatory requirements.

Responsible Operations

The Company is committed to operating in an environmentally responsible manner. The Company intends to revitalize an inactive copper mine and plans to 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.

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

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 identified, the Company has created a proactive 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. The Company's success is directly linked to the health and safety practices at its operations. The Company expects and requires that all its employees, contractors, and visitors adhere to best practices in health and safety. The Company 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 programs during its transition to development. In 2020, the Company had 40,387 man-hours worked with zero fatalities and zero lost-time incidents.

Beyond workplace safety, the Company strives to provide rewarding work and development opportunities. The Company provides competitive wages and benefits and promotes work-life balance. It is also committed to creating a diverse, equitable and inclusive workplace where human rights are respected and enforced through its Diversity and Inclusion Policy.

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 and globally. 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.

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, 2021 and 2020.

	December 31, 2021 $ (000's except loss per share)	December 31, 2020 $ (000's except loss per share)
Revenues	Nil	Nil
Loss for the year	13,059	5,104
Loss per share (basic and diluted)	0.28	0.23
Total assets	54,424	17,990
Total non-current financial liabilities	1,077	6,433
Dividends declared	Nil	Nil

During 2021 and 2020, 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, on November 16, 2021, the Company completed an Initial Public Offering ("IPO"). Upon closing the IPO, the Company issued 18.4 million shares at a price of CAD$2.45 (US$1.95) per share translating to gross proceeds of CAD$45.0 million (approximately US$35.9 million). The Company also incurred share issuance costs of CAD$3.0 million (approximately US$2.4 million).

The details of the Company's exploration activities for the years ended December 31, 2021, and 2020 are as follows:

	December 31, 2021 $ (000's)	December 31, 2020 $ (000')
Drilling	4,800	2,793
Exploration	12,171	1,162
Salaries and wages	876	627
Operational	394	223
Sample and assay	144	413
	18,385	5,218

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, 2021, the Company's non-current financial liabilities pertained to a debenture loan from Tembo and the remainder of the standby loan from Tembo. In the subsequent period, Tembo exercised its option to acquire a 1% NSR for $6,900. Tembo obtained the NSR through a contractual arrangement in which the debenture loan owed to Tembo was set off against the purchase price of the NSR.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited interim consolidated financial statements. The Company's interim consolidated financial statements are prepared in accordance with IAS 34.

Period	Revenues $ (000's)	Loss for the period $ (000's)	Loss per share (basic and diluted) $
4th Quarter 2021	Nil	3,709	0.06
3rd Quarter 2021	Nil	2,964	0.06
2nd Quarter 2021	Nil	4,147	0.10
1st Quarter 2021	Nil	2,239	0.05
4th Quarter 2020	Nil	1,855	0.05
3rd Quarter 2020	Nil	1,736	0.06
2nd Quarter 2020	Nil	800	0.05
1st Quarter 2020	Nil	713	0.05

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, with further support provided by the IPO completed in November 2021.

Year ended December 31, 2021, compared to the year ended December 31, 2020

For the year ended December 31, 2021, the Company had a loss of $13.1 million compared to a loss of $5.1 million during the year ended December 31, 2020. The Company's loss per share for the year ended December 31, 2021, was $0.28, as compared to $0.23 for 2020.

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 operational costs totaled $8.4 million during the year ended December 31, 2021, compared to $2.7 million during the period ended December 31, 2020, an increase of $5.7 million. A significant portion of the Company's operational costs pertain to employee compensation as well as marketing and administration costs. During the year ended December 31, 2021, such costs amounted to approximately $6.9 million compared to $2.1 million during the period ended December 31, 2020. The Company also incurred higher professional fees, with respect to its audit and legal costs due to the IPO and increased activity during 2021. Total professional fees incurred during the year ended December 31, 2021, were $1.0 million compared to $0.4 million during 2020. During the year ended December 31, 2021, the Company granted stock options, and restricted and deferred share units, to certain employees and directors, and as a result, recognized share-based expenses of $2.1 million; compared to $0.4 million during the period ended December 31, 2020. Other administrative costs were also higher due to the increased activity in 2021 compared to 2020.

During the year ended December 31, 2021, the Company incurred other expenses such as the accretion and interest expense on the Tembo and RCF debentures as well as the Tembo standby loan. A total of $4.0 million of accretion and interest expense was recorded in 2021 vs. $2.4 million in 2020.

Three-month period ended December 31, 2021, compared to the three-month period ended December 31, 2020

During the three-month period ended December 31, 2021, the Company had a loss of $3.7 million compared to a loss of $1.9 million for the three-month period ended December 31, 2020. Loss per share during the three months ended December 31, 2021, was $0.06 per share compared to $0.05 per share during the three months ended December 31, 2020.

The increase in loss is attributable to the overall increased activity during 2021 as described above. The Company's total operational costs during the three months ended December 31, 2021, were $1.8 million (2020 - $1.0 million). The Company had a significantly higher cash balance during the three months ended December 31, 2021, mainly as a result of the IPO.

During the three months ended December 31, 2021, total accretion and interest expense was $1.5 million (2020 - $0.8 million).

RISKS AND UNCERTAINTIES

Like all mineral exploration and development companies, Arizona Sonoran also continues to be subject to ongoing risks and uncertainties and other factors, which among others, include: inability to repay or refinance existing indebtedness at time of maturity or renewal and other liquidity risks (see also *"Financial Accounting and Reporting Processes)* and "*Risk Factors*" in the Company's AIF.

The following *Risks and Uncertainties* pertain to the outlook and conditions currently known to Arizona Sonoran that could have a material impact on the financial condition of the Company. A discussion of these and other factors that may affect the Company's actual results, performance, achievements or financial position is contained under the heading "*Risk Factors*" and elsewhere in the Company's AIF. Such factors include, but are not limited to: indebtedness risk, political risks, title risks, commodity prices, public health crises including the COVID-19 pandemic, exchange rate risks, permitting risks, operating and environmental hazards encountered in the exploration, development and mining business and changing laws and public policies.

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

Liquidity and Capital Resources

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration and development programs will result in profitable mining operations in the future. The Company currently has no source of revenue and has significant cash requirements to fund its development project capital requirements, exploration programs, administrative overhead, and to maintain its mineral properties in good standing.

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for at least the next twelve months.

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

During the year ended December 31, 2021, the Company spent a total of $8.4 million on operational costs (2020 - $2.7 million). The Company also paid $6.7 million (2020 $8.5 million) in connection with its various property acquisition agreements.

On November 16, 2021, the Company completed an IPO, resulting in the issuance of 18.4 million shares at a price of CAD$2.45 (US$1.95) per share translating to gross proceeds of CAD$45.0 million (approximately US$35.9 million). The Company also incurred share issuance costs of CAD$3.0 million (approximately US$2.4 million).

As at December 31, 2021, the Company's cash balance was $27.3 million (2020 - $7.2 million). As of the date of this MD&A, the Company has raised a further $0.1 million from option and warrant exercises in 2022.

As at March 30, 2022, the Company had 71,148,099 outstanding common shares. The Company also had 2,922,357 million share purchase options, 233,577 million restricted share units, 355,055 deferred share units and 6,509,327 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. Tembo and RCF are related parties due to the fact that they are shareholders.

During the year ended December 31, 2021, 1.1 million (2020: 0.4 million) common shares were issued to directors and officers for services.

During the year ended December 31, 2021, 0.3 million (2020: 0.7 million) common shares were issued to directors and officers for gross proceeds of $0.3 million (2020: $0.4 million).

Total director fees for the year ended December 31, 2021 were $0.4 million (2020: $0.3 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, 2021 ($000)	Year ended December 30, 2020 ($000)
Salaries and wages	1,070	920
Salaries and wages capitalized as exploration	428	-
Share-based compensation*	1,693	112
Directors' fees	466	250
	3,657	1,282

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

As at December 31, 2021, $0.1 million was owed to the Company by key management personnel (2020 – $0.4 million payable).

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:

1. Critical judgements in applying accounting policies:

a) Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment 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 judgment 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 expenses 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, 2021 consist of cash, accounts payable, accruals, other short term liabilities, other long term liabilities, and its debenture with Tembo. As at December 31, 2021, the fair value of the Company's debenture loans with Tembo, using a 12% discount rate, was $6.7 million. The fair value of the Tembo standby loan was $1.0 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 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, 2021, the Company is exposed to currency risk through its cash and cash equivalents denominated in Canadian dollars totaling $2.5 million.

Based on the exposure as at December 31, 2021, 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 $0.2 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 is 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, 2021, the contractual undiscounted future cash flows of the Company's significant financial liabilities are as follows:

December 31, 2021	Less than 1 year	1 to 3 years
	$	
Accounts payable	776	-
Accruals	1,613	-
Other current liabilities	117	-
Tembo Capital Mining GP III Ltd.	6,900	-
Lease liabilities	51	138
Other long- term liabilities	-	1,218
	9,457	1,356

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

Forward-Looking Information

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

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

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

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

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

Approval

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