

## Arizona Metals Corp. (AMC-V)

### Wide Zones, High-Grades

This morning AMC provided another impressive set of assay results for 2 recently completed holes at its Kay Mine project in Arizona. Drilling through the core of the mineralization returned the widest zones drilled to date: **125.3m grading 3.2% eqCu** and **93.3m grading 8.3 g/t eqAu**. The zones contain some of the highest grades seen at the Kay Mine thus far.

#### Highlights of drill results:

- Hole KM-21-60: Higher-grade interval of **17.5m grading 29.6g/t eqAu**, within a wide zone of **93.3m grading 8.3 g/t eqAu**.
- Hole KM-21-57B: **125.3m grading of 3.2% eqCu**, including higher grade intervals of **1.8m grading 9.9% eqCu** and **7.3m grading 7.7% eqCu**,
- Assays received to date have intersected mineralization over a down-plunge extent of 760 m (880 m below surface).

For more detail and results see company NR: [HERE](#)

AMC continued the expansion of the Kay Mine mineralized envelop at excellent grades and width while demonstrating excellent continuity of mineralization laterally. **The results show that mineralization can be substantially thicker than we previously estimated. It highlights the potential to define significantly tonnage than we are currently estimating.** The deepest assayed interval has extended vertical depth to approx. 900m. Drilling confirmed the continuity of the broad mineralized envelope down and up plunge at an excellent widths and grades. Current drilling is testing down 1,200m vertical depth, while testing also laterally for the thicker hinge zone.

The company has three drill rigs turning 24hrs per day, and another 20 holes are pending assays. **All 20 holes have encountered semi-massive or massive sulphide mineralization.** Drill pad and road permitting is currently underway for the Central and Western targets. AMC plans to provide a detailed update in the next few weeks.

**AMC continues to demonstrate that the mineralized system remains robust at depth. We have a BUY rating and a 12-month target price of \$10.50 per share for AMC.**

Overall, the width and grades at the core of the system, and deepest holes to date, reflect the fact that the system is still evident at depth, as well as may continue to widen at its current core. AMC underscored that an even deeper hole, with assays pending, have intersected massive to semi-massive sulphides. All holes drilled to date at the Kay Mine have intersected semi-massive to massive sulphide mineralization. **The assays pending on 20 more holes are likely to reinforce our expectations that there are still more tonnes to be delineated at the Kay Mine alone.**

The company is testing extensions of high-grade mineralization, both laterally and targeting depths below 1,200m. AMC is fully funded to complete the current and upcoming drill programs. We believe additional exploration can result in the discovery of at least 20MMt (with a potential to exceed 25MMt).

#### Update

##### Buy (unch)

**C\$10.50 (unch)**

Recent/Closing Price	C\$6.30
12-month Target Price	C\$10.50
Potential Return	67%
52 Week Price Range	C\$2.03 - C\$6.98

##### Estimates

YE: Dec 31	FY20A	FY21E	FY22E
Revenue (\$MM)	\$0.0	\$0.0	\$0.0
Cash Flow (\$MM)	(\$7.0)	(\$22.0)	(\$27.0)

##### Valuation

P/CF	n.m.
NAV	\$1,492
P/NAV	0.4x

##### Stock Data (CSMM)

Shares O/S (MM)	124
Mgmt/Insiders	8%
Market Cap	\$784
LT Debt (Corporate)	\$0
Working Capital	\$50
Enterprise Value	\$734

##### Reserves & Resources

2P Reserves	-
M+I Resources	-
M+H Resources	-

#### About the Company

Arizona Metals owns 100% of a highly prospective property: the Kay Mine Property royalties free as well as the Sugarloaf Peak Property, in Arizona. AMC's Flagship, the Kay Mine, is past producer from a high-grade VMS deposit.

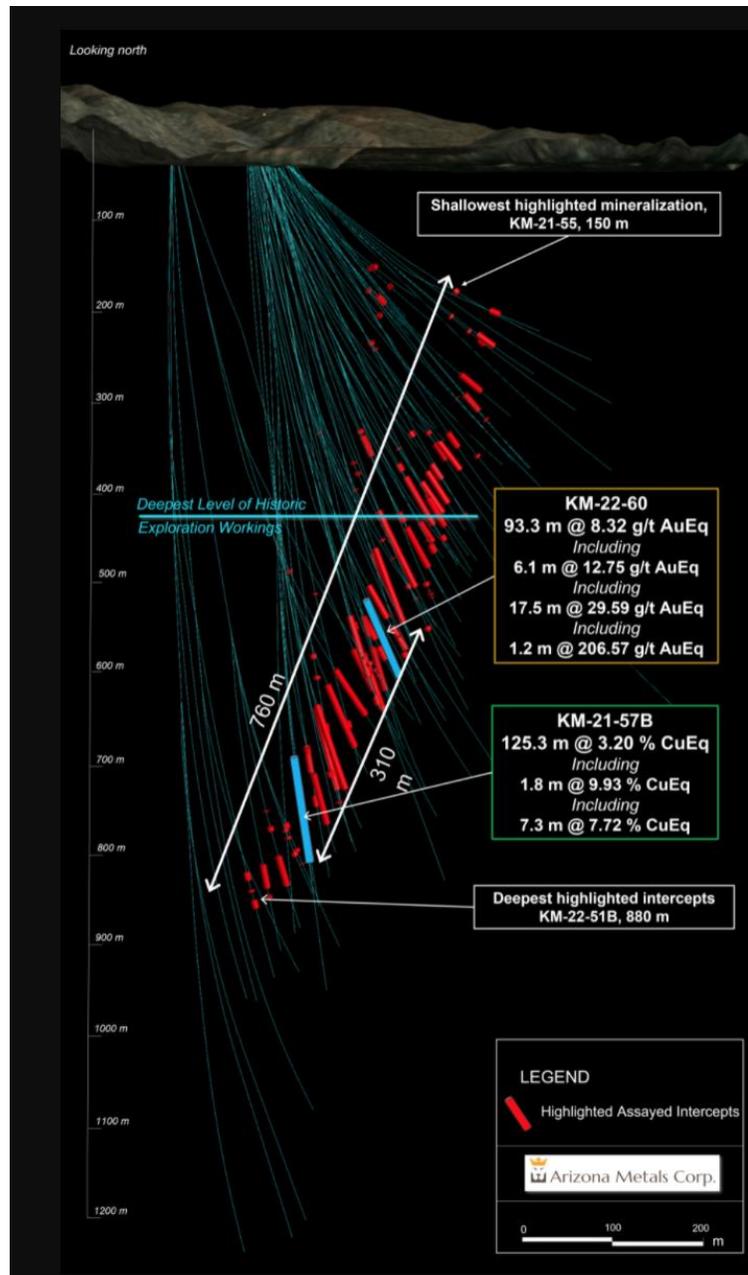
All prices in C\$ unless otherwise stated

#### Stock Performance



These results collectively reinforce our expectations that there is significantly higher resource upside to our original estimate (on the Kay Mine alone). The impact of this result on our valuation is highly positive. At this point we have not included credit for the potential of discovery of more resources at the Central and Western geophysical targets. Potentially, given their geophysical footprint each of these targets can be just as large as Kay Mine.

**Fig 1 Cross section view looking north showing assay intervals in drilling**



Source: Company

**Fig 2 Most recent assay results (including Metal Equivalent)**

Hole ID	From m	To m	Length m	Analyzed Grade					Analyzed Metal Equivalent			Metal Equivalent			Vertical Depth Below Surface m
				Cu %	Au g/t	Zn %	Ag g/t	Pb %	Cu eq %	Au eq g/t	Zn eq %	Cu eq %	Au eq g/t	Zn eq %	
KM-22-57B	736.7	862.0	125.3	2.40	0.90	1.29	18.7	0.13	3.62	5.93	9.42	3.20	5.25	8.33	728
including	739.7	741.6	1.8	9.42	2.37	0.32	8.5	0.03	11.06	18.12	28.76	9.93	16.28	25.84	
including	798.3	805.6	7.3	6.35	0.81	3.76	19.5	0.14	8.47	13.89	22.04	7.72	12.65	20.08	
KM-22-60	554.7	648.0	93.3	1.36	5.65	3.25	32.6	0.34	6.39	10.47	16.62	5.08	8.32	13.21	557
including	591.6	597.7	6.1	0.58	5.62	12.00	56.3	1.40	9.37	15.37	24.38	7.78	12.75	20.24	
including	627.0	644.5	17.5	5.22	25.37	4.71	100.6	0.59	23.44	38.42	60.98	18.05	29.59	46.95	
including	634.3	635.5	1.2	5.63	273.00	0.18	715.0	0.28	177.99	291.74	462.98	126.03	206.57	327.82	

Source: Company

### Valuation Summary

**We maintain a BUY and a 12-month target price to \$10.50 per share.** Our valuation is now based on the exploitation of a conceptual minable resource of 20.0MMt grading 1.80g/t Au, 2.0%Cu, 3.0%Zn and 55.0g/t Ag. We assume a mill throughput rate of 1.6MMtpa and 80% base metal recovery and 60% for precious metals. We use a 0.70x NAV multiple, a discount rate of 7% and corporate adjustments to derive our price target. Our assumptions are informed by AMC's exceptional exploration success thus far and its potential to significantly extend its historic resource base.

We believe additional exploration can result in the discovery of at least 20MMt (with a potential to exceed 25MMt). We utilize long-term commodity prices of US\$3.50/lb copper, US\$1.10/lb zinc, US\$1600/oz gold and US\$25/oz silver to derive a price target. This is relative to the much higher spot prices. Our base case scenario results in a fully funded post-tax NPV<sub>7%</sub> of \$1.38B (NPV<sub>5%</sub> \$1.65B).

**Fig 3 Valuation Summary**

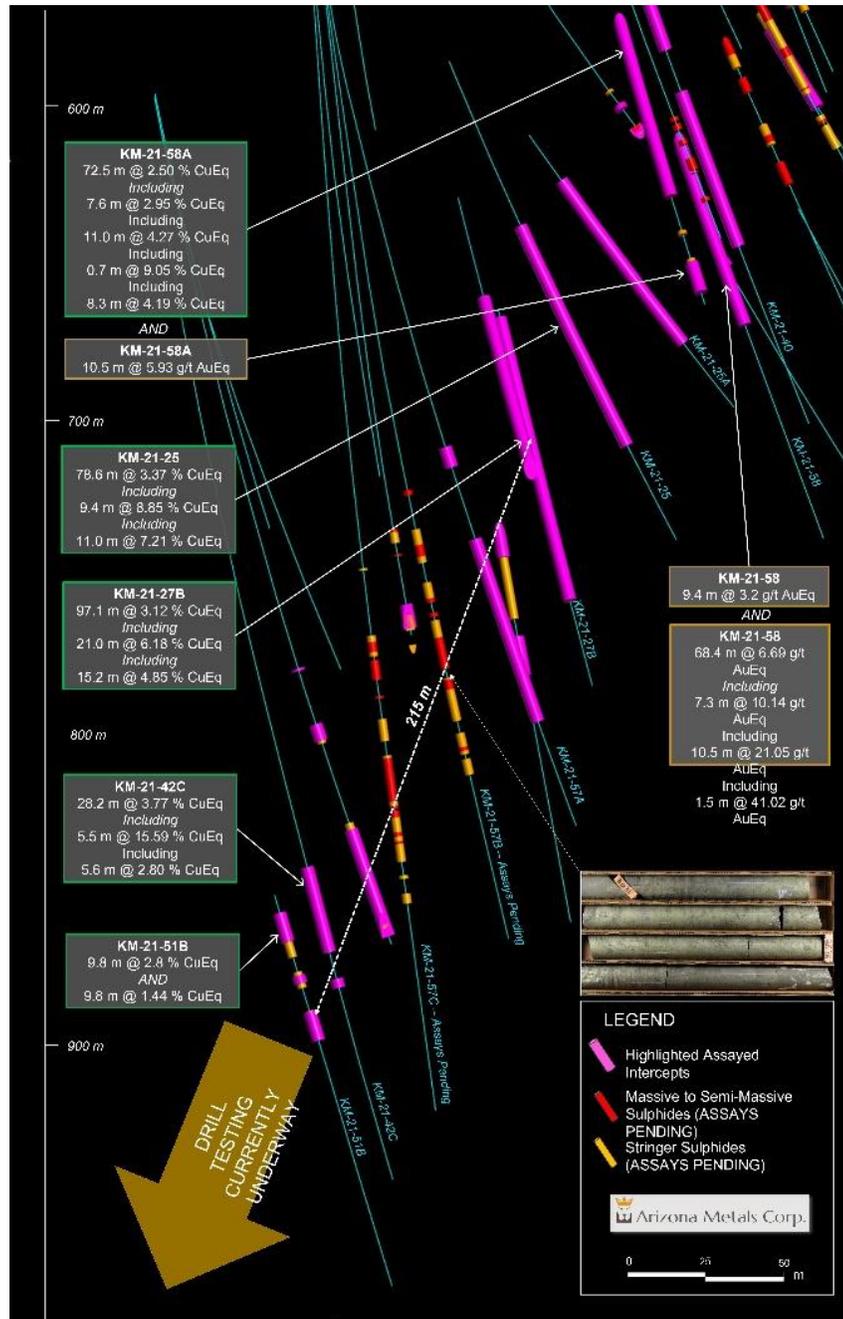
	<u>Discount Rate</u>	<u>Ownership</u>	<u>Value (C\$M)</u>	<u>Per Share (C\$/sh) 2022</u>
Kay Mine	7%	100%	\$1,380	\$13.90
Sugarloaf Peak		100%	\$62	\$0.62
<b>OPERATING ASSETS</b>			<b>\$1,442</b>	<b>\$14.52</b>
Working Capital			\$50	\$0.50
LT Debt (corporate only)			\$0	\$0.00
<b>CORPORATE ASSETS</b>			<b>\$50</b>	<b>\$0.50</b>
<b>NET ASSET VALUE</b>			<b>1492</b>	<b>15.02</b>

Source: Beacon Securities

Moreover, the company encountered semi-massive to massive sulphide mineralization in holes 51A and 51B at depth (assay pending). The depth implication of these holes is now approaching 1,100m. This is in-line with historic holes K-8 and K-10A which encountered mineralization up to 1,000m core depth. The reported mineralization in this area continues to point to significant potential

to add substantial tonnage.

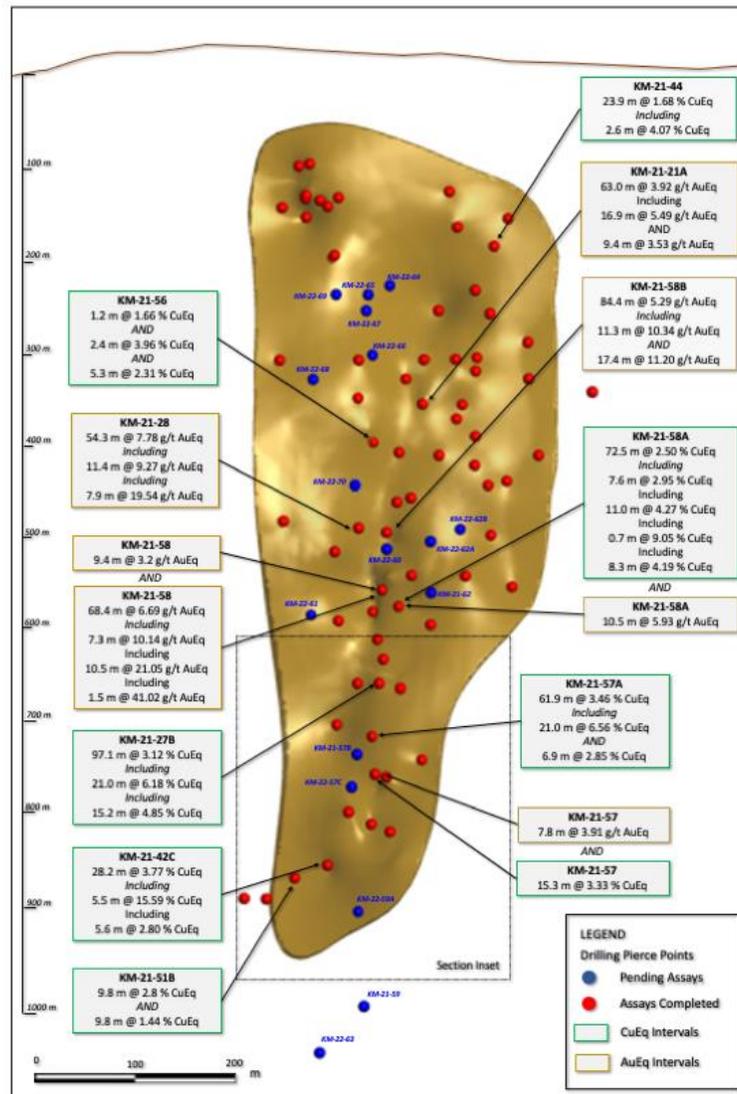
**Fig 4 Cross section view looking north**



Source: Company

AMC has completed a total of 53,000m of drilling at the Kay Mine project so far. It has 33,000m remaining to be completed in the current the Phase 2 program, as well as an additional 76,000m planned for the Phase 3 program. AMC is well financed and fully-funded to complete its planned exploration programs.

**Fig 5 Long section view looking east showing contoured drill intercept thickness**



Source: Company

We note that AMC still has two undrilled targets that are coincident structural, electromagnetic, geochemical, soil gas, and gravity anomalies on both the Central and Western geophysical anomalies. The Central target is located 500m and the Western 1,000m west of Kay Mine.

VMS deposits are known to occur as clusters of varying sizes and mineral zonation. The area around Kay Mine hosts several deposits and the Kay Mine property appears to likely host a number of VMS targets. The property, for a number of reasons, remained underexplored for a number of years. It is only now being drilled systematically and explored using modern methods.

### Sensitivity Analysis

Given AMC's exploration results and the number of geophysical anomalies that

are yet to be tested, the potential to outline a higher tonnage resource is relatively high. We reiterate that we use a discount rate of 7% and will remain doing so until AMC delivers a maiden resource estimate. The NPV that can be derived is much higher than our base case assumption if the discount rate is adjusted to the industry standard 5%.

**Fig 6 Project Sensitivity Tables**

		Discount Rate (%)						
		5%	6%	7%	8%	9%	10%	11%
Copper Price (\$/lb)	2.50	1,213	1,104	1,006	919	840	769	704
	3.00	1,433	1,306	1,193	1,091	1,000	917	842
	3.50	1,653	1,509	1,380	1,264	1,159	1,065	980
	4.00	1,873	1,711	1,567	1,437	1,319	1,213	1,117
	4.50	2,093	1,914	1,754	1,609	1,479	1,361	1,255
	5.00	2,313	2,117	1,940	1,782	1,639	1,510	1,393

		Discount Rate (%)						
		5%	6%	7%	8%	9%	10%	11%
Copper Grade (%)	1.5%	1,325	1,207	1,101	1,007	921	844	775
	1.8%	1,489	1,358	1,241	1,135	1,040	955	877
	2.0%	1,653	1,509	1,380	1,264	1,159	1,065	980
	2.3%	1,817	1,660	1,519	1,393	1,279	1,175	1,082
	2.5%	1,981	1,811	1,658	1,521	1,398	1,286	1,185
	2.8%	2,145	1,962	1,798	1,650	1,517	1,396	1,287

Source: Beacon estimate

## Catalysts

- Continuous drill results through FY22 from ~75,000m drilling program
- Resource update in potentially by year end
- General and continued exploration results through 2022
- Potential M&A at Sugarloaf Peak
- Metallurgical tests

## Appendix: Summary Financials

<b>Arizona Metals Corp.</b>	<b>Beacon Securities Limited</b>
Symbol <b>AMC-V</b> Stock Rating <b>BUY</b> Price Target <b>\$10.50</b>	Share Price <b>\$6.30</b> Shares O/S (MM) <b>103.0</b> Float (MM) <b>95.2</b> Mkt Cap (\$MM) <b>649</b>
<b>Bereket A. Berhe (416) 507-3978</b>	

INCOME STATEMENT	FY20	FY21e	FY22e
Revenues	C\$MM	-	-
Operating Costs	C\$MM	-	-
EBITDA	C\$MM	(8.0)	(18.5)
DD&A	C\$MM	-	-
EBIT	C\$MM	(8.0)	(18.5)
Interest Expense	C\$MM	-	-
EBT	C\$MM	(7.0)	(17.0)
Taxes/Recovery	C\$MM	-	-
Net Income (reported)	C\$MM	(8.0)	(18.5)
Non-Recurring Items/Other	C\$MM	-	-
Net Income (operating)	C\$MM	(7.0)	(17.0)
Shares o/s (wgt avg.)	MM	58.7	70.0
<b>EPS (operating)</b>	<b>\$/sh</b>	<b>(\$0.12)</b>	<b>(\$0.24)</b>
P/E Multiple	x	n.m.	n.m.
Cash Flow (operating)	C\$MM	(7.0)	(17.0)
<b>CFPS</b>	<b>\$/sh</b>	<b>(\$0.12)</b>	<b>(\$0.21)</b>
P/CF Multiple	x	n.m.	n.m.

Management		Other Directors	
<b>Paul Reid</b>	Chairman	Colin Sutherland	
<b>Marc Pais</b>	President/CEO/Director	Rick Vernon	
<b>Sung Min Myung</b>	CFO		
<b>David Smith</b>	VP-Exploration/Director		
<b>Conor Dooley</b>	Secretary/Director		
Options (MM)	Avg. Price	Warrants (MM)	Avg. Price
9.8	\$0.27	12.00	\$0.64

BALANCE SHEET				
Cash & Equivalents	C\$MM	8.2	14.1	15.1
Total Current Assets	C\$MM	8.2	14.1	15.1
PP&E & Mining Interests	C\$MM	1.7	3.7	5.7
Other	C\$MM	-	-	-
<b>Total Assets</b>	<b>C\$MM</b>	<b>9.9</b>	<b>17.9</b>	<b>20.8</b>
Current Liabilities	C\$MM	0.3	0.3	0.3
Long Term Debt	C\$MM	-	-	-
Other LT Liabilities	C\$MM	-	-	-
Total Liabilities	C\$MM	0.3	0.3	0.3
S/Holder Equity	C\$MM	9.6	17.6	20.5
<b>Total Liab. &amp; S/Holder Equity</b>	<b>C\$MM</b>	<b>9.9</b>	<b>17.9</b>	<b>20.8</b>
Working Capital	C\$MM	7.9	13.8	14.8

Recent Financings					
Date	Amount	Price	Type	Warrant	Expiry
Oct-2021	\$31.8	\$4.25	priv. placement	-	-
April-2021	\$21.0	\$2.10	priv. placement	-	-
Jan-2021	\$6.0	\$0.65	priv. placement	\$5.65	MAY 2023



Source: Company reports, Beacon estimates

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As of March 31, 2022	#Stocks	Distribution
BUY	72	78.3%
Speculative Buy	14	15.2%
Hold	2	2.2%
Sell	0	0.0%
Under Review	3	3.3%
Tender	1	1.1%
Total	92	100%

BUY Total 12-month return expected to be > 15%

Speculative Buy Potential 12-month return is high (>15%) but given elevated risk, investment could result in a material loss

Hold Total 12-month return is expected to be between 0% and 15%

Sell Total 12-month return is expected to be negative

Under Review

Tender Clients are advised to tender their shares to a takeover bid or similar offer

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