

Arizona Metals Corp. (AMC-T)

Central Target: A Potential New Zone of VMS Mineralization

This morning, **Arizona Metals** reported various exploration and step-out drilling results around the Kay mine deposit. Additionally, the company reported that drilling that tested the northern margins of the Central target intersected a potential new zone of VMS mineralization 600m north and along strike of the main Central target anomaly. Hole KM-22-95 intersected 2.7m of VMS style mineralization grading 0.5% eqCu, 432.8m downhole. AMC noted a relatively Zn-rich (0.22% Cu, 0.12 g/t Au, 0.61% Zn) interval containing clasts of massive sulphides. It lies about 10m to 20m downhole and is stratigraphically below the mafic-felsic contact, farther from other known mineralization. The intersection is significant in that its characteristics indicate that the area may be distal from a core of a primary massive sulphide mineralization, however close enough to incorporate the clasts. It may aid in vectoring into the target horizon.

The company is also completing its first hole at the Western target, and downhole geophysical work will follow shortly after.

Additionally, AMC continued to intersect mineralization at the margins of the Kay mine deposit. A step out hole extended mineralization some 100m northwest of the Kay deposit, albeit all in grades and width that are lighter than we are accustomed to seeing. Regardless, the continuation of mineralization and potential addition to the substantial body that AMC has already delineated is positive. KM-23-97, at the northern edge of the Kay Mine, intersected **8.8m of 4.8% eqCu**. It confirmed vertical continuity and extended mineralization by 100m north of proximal holes. Hole KM-22-91 extends mineralization about 150m north of KM-22-87, which is located along the northern edge of drilled mineralization returning 1.8m @ 1.1% eqCu.

Our Take: We are encouraged by the fact that initial drilling at the Central Target encountered VMS style mineralization. Additionally, exploration drilling continues to encounter new zones proximal to the Kay Mine. We continue to believe that a delineation of 20MMt to 30MMt is more than probable. The impact of expansion of the Kay Mine and a discovery at the Central target and/or Western target can potentially dwarf the scale and scope of what is currently contemplated by our Kay Mine valuation. Previously, AMC reported the discovery of a VMS mineralization in a 300m step out to the north along strike of the Kay Mine deposit, with follow up adding to that. This new zone is open in all directions. The overall result of recent works is positive as the company continues to discover new areas of VMS mineralization, albeit at lower tenors of copper grade relative to the core of the Kay Mine deposit. Regardless, any additional tonnages to that already discovered at the Kay Mine is positive to overall project economics. We only model ~20MMt at the Kay Mine for now. Given the Central and Western targets proximities to each other and Kay Mine, even a smaller discovery at either location is positive to NAV. There is significant upside potential here that is yet to be tested.

Valuation: AMC is trading at ~0.31x P/NAV. Our valuation is now based on the exploitation of a conceptual minable resource of 20MMt, through a milling 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. We maintain a BUY and a 12-month target price of \$10.50 per share.

Update

Buy (unch) **C\$10.50 (unch)**

Recent/Closing Price	C\$4.16
12-month Target Price	C\$10.50
Potential Return	152%
52 Week Price Range	C\$3.42 - C\$6.80

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	\$1,540
P/NAV	0.31x

Stock Data (C\$MM)

Shares O/S (MM)	136
Mgmt/Insiders	7%
Market Cap	\$567
LT Debt (Corporate)	\$0
Working Capital	\$80
Enterprise Value	\$487

Reserves & Resources

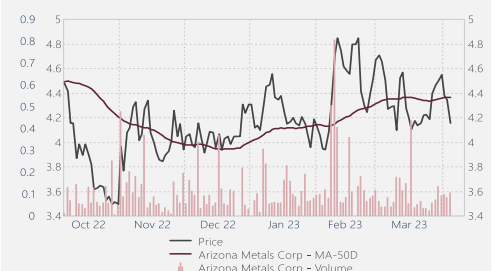
2P Reserves	-
M+I Resources	-
M+H Resources	-

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

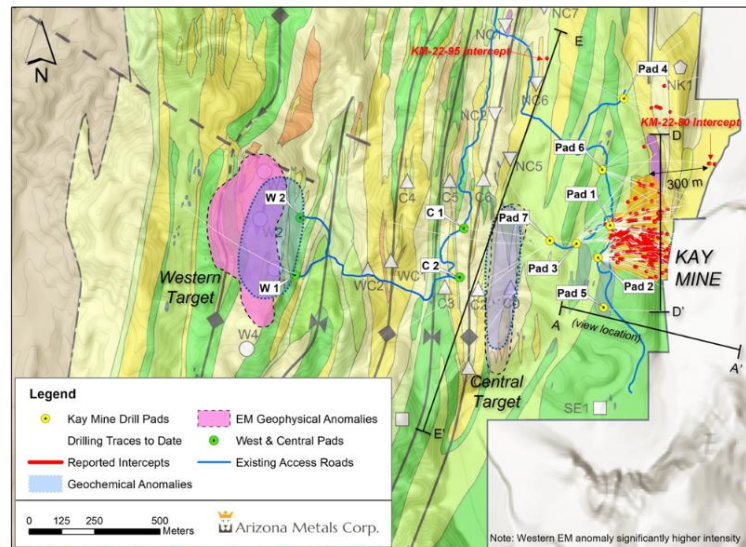


Other highlights for drilling at the margins of Kay Mine

- Hole KM-22-98: intersected 4.6m @ 0.8% eqCu and 4.3m @ 0.9% eqCu
- Hole KM-22-99: returned 9.6m @ 0.6% eqCu and 3.0m @ 0.9% eqCu
- Hole KM-22-63B: returned 1.5m @ 0.5% eqCu
- Hole KM-22-94: three intercepts: 17.7m @ 0.7% eqCu, 3.2m @ 1.1% eqCu, and 1.3m @ 0.8% eqCu.
- Hole KM-22-94A: including 10.4m @ 1.2% eqCu, and 3.4m @ 2.1% eqCu.
- Hole KM-22-80: two intervals: 5.6m @ 0.9% eqCu, 3.0m @ 0.5% eqCu

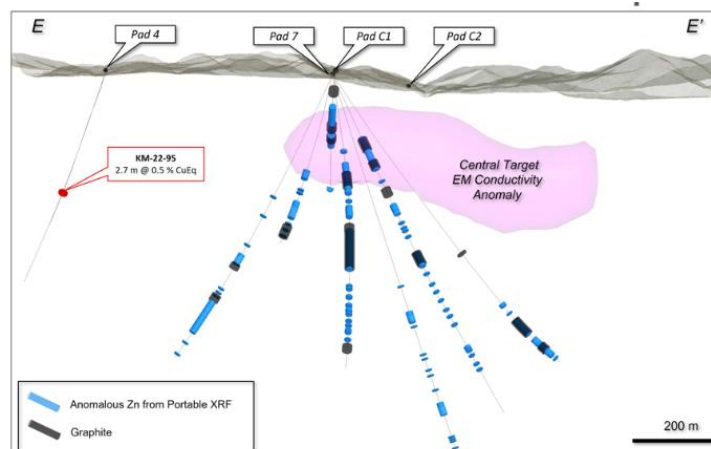
AMC has \$53MM as of Q3/2022 to fund the remaining 3.8km phase 2 program at Kay and 76km phase 3 program deposit.

Fig 1 Plan View of the Kay Project Exploration Targets

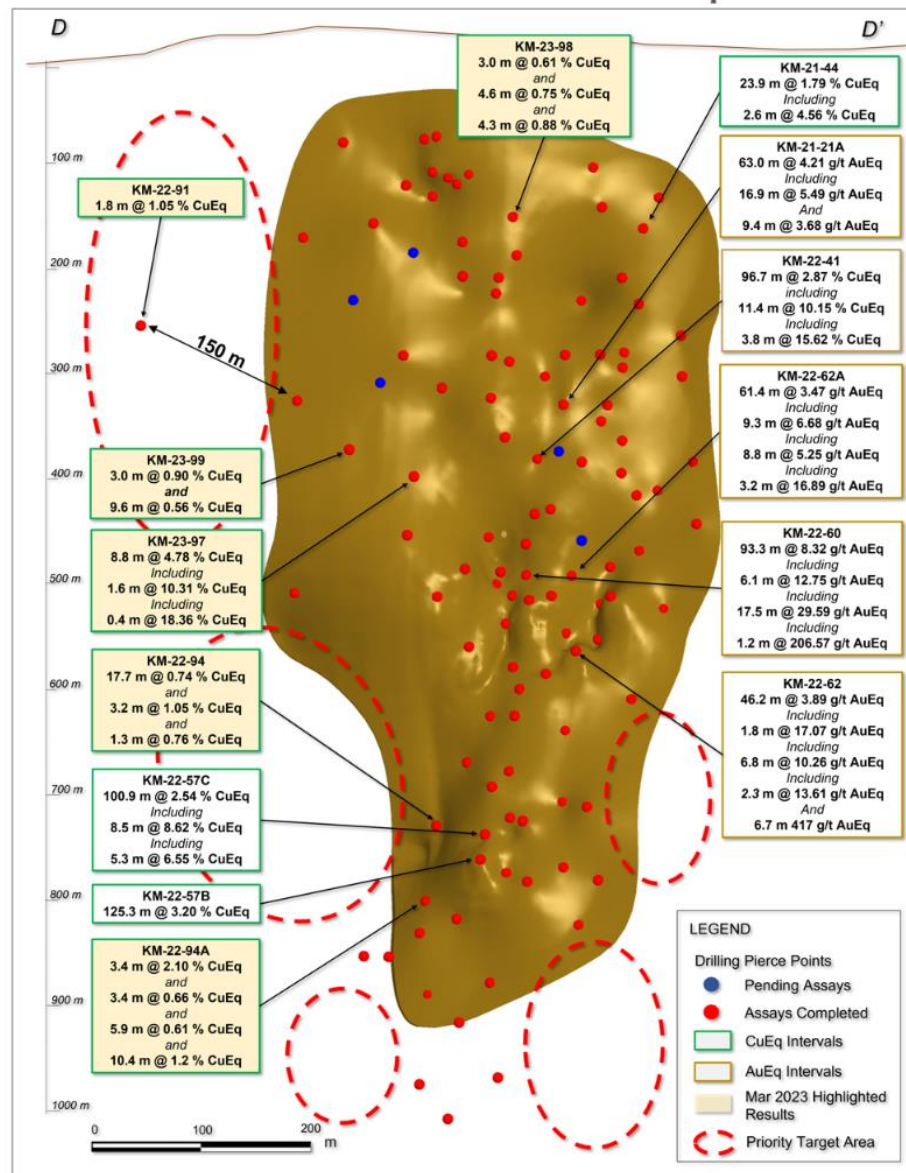


Source: Company

Fig 2 Central Target: Long Section View of Intercepts of VMS Mineralization



Source: Company

Fig 3 Long Section of VMS Mineralization Intercepts in the New Zone


Source: Company

Our View of The Work Completed So Far

AMC's drilling results to date indicate to us that exploration can result in the discovery of 20MMt to 30MMt. Our valuation is based on a conceptual mineable resource of 20MMt (lower end of our estimate). The impact of additional expansion of the Kay Mine and a discovery at the Central target (or Western target) on our valuation is significant. Our valuation does not yet factor in the recent depth and strike extension of the mineralization at Kay Mine. It also does not include the potential for the Central and Western geophysical targets to add tonnages.

Each of these targets can be just as large as Kay Mine. Success here can potentially dwarf the scale and scope of what is currently contemplated by our Kay Mine valuation.

Given their proximities, even a smaller discovery at either location is positive to NAV. There is significant upside potential here that is yet to be tested. Moreover, we believe there is currently limited project related technical downside risk. Metallurgical reviews by SRK to date are positive, indicating recoveries that can exceed 85% and that there are no fatal flaws in the anticipated mineral processing of Kay Mine. The current market capital of AMC is more than supportable by what is drill visible mineralization tested to date.

Valuation Summary

We maintain a BUY and a 12-month target price of \$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_{7%} of \$1.38B (NPV_{5%} \$1.65B).

Fig 4 Valuation Summary

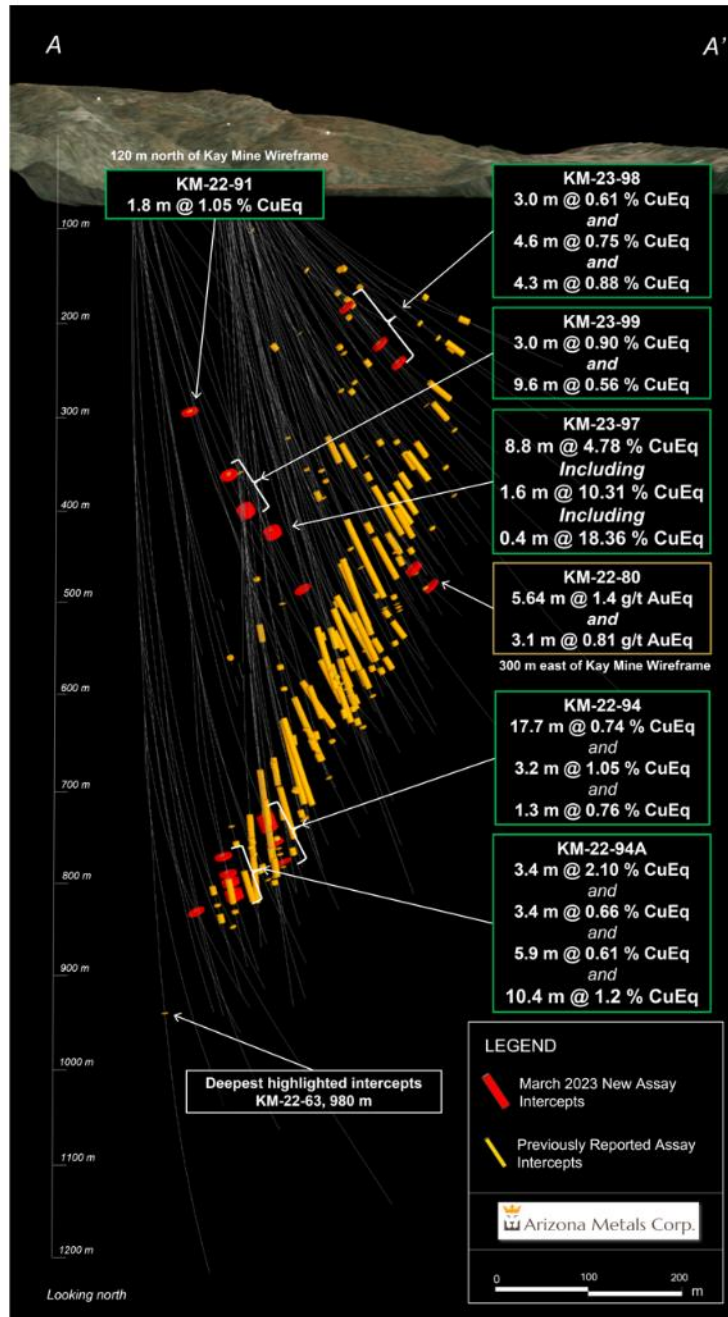
	Discount		Value (C\$M)	Per Share (C\$/sh)			
	Rate	Ownership		2022	2023	2024	
Kay Mine	7%	100%	\$1,380	\$12.39	\$12.39	\$12.39	
Sugarloaf Peak		100%	\$62	\$0.56	\$0.56	\$0.56	
OPERATING ASSETS			\$1,442	\$12.95	\$12.95	\$12.95	
Working Capital			\$50	\$0.45	\$0.45	\$0.45	
LT Debt (corporate only)			\$0	\$0.00	\$0.00	\$0.00	
CORPORATE ASSETS			\$50	\$0.45	\$0.45	\$0.45	
NET ASSET VALUE			1492	13.40	13.40	13.40	

Source: Beacon Securities

Catalysts

- Continuous drill results through FY23 from ~4,000m Phase 2 drilling program (12 holes pending) and Phase 3 76,000m drilling.
- Potentially more permitting Central and Western targets.
 - Expand permitting and start EPO.
- Resource modeling underway & MRE update potentially by year end.
- General and continued exploration results through 2023.
- Potential M&A at Sugarloaf Peak.
- Further metallurgical tests.

Fig 5 Kay Mine: Cross Section View Looking North of VMS Mineralization Intercepts in the New Zone




Source: Company

Fig 6 Assay Results from Phase 2 Drilling (April 05, 2023 NR)

Hole ID	Length			Analyzed Grade					Analyzed Metal Equivalent			Metal Equivalent		
	From m	To m	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-22-63A	no significant assays													
KM-22-63B	890.3	891.8	1.5	0.10	0.47	0.43	15.0	0.08	0.68	1.12	1.77	0.54	0.89	1.41
KM-22-63C	no significant assays													
KM-22-63D	no significant assays													
KM-22-78	no significant assays													
KM-22-80	672.8	678.5	5.6	0.35	0.59	0.68	4.9	0.02	1.02	1.67	2.65	0.85	1.40	2.22
KM-22-80	702.9	705.9	3.0	0.13	0.04	0.99	1.0	0.01	0.54	0.89	1.41	0.49	0.81	1.28
KM-22-85	no significant assays													
KM-22-90	no significant assays													
KM-22-91	399.3	401.1	1.8	0.72	0.66	0.20	3.5	0.02	1.23	2.02	3.21	1.05	1.72	2.73
KM-22-92	no significant assays													
KM-22-94	797.4	815.0	17.7	0.73	0.04	0.06	3.1	0.01	0.81	1.33	2.11	0.74	1.22	1.93
including	797.4	798.7	1.4	1.43	0.03	0.02	3.7	0.02	1.49	2.44	3.87	1.37	2.25	3.58
KM-22-94	829.4	832.6	3.2	0.54	0.75	0.48	6.9	0.06	1.25	2.05	3.26	1.05	1.71	2.72
KM-22-94	854.5	855.8	1.3	0.76	0.09	0.02	2.0	0.00	0.84	1.37	2.18	0.76	1.25	1.99
KM-22-94A	829.1	832.4	3.4	2.18	0.03	0.07	5.2	0.05	2.27	3.73	5.91	2.10	3.44	5.47
including	829.1	829.7	0.6	9.43	0.10	0.27	22.0	0.23	9.82	16.09	25.54	9.08	14.88	23.61
KM-22-94A	850.1	853.4	3.4	0.63	0.11	0.02	2.4	0.02	0.73	1.20	1.90	0.66	1.08	1.71
KM-22-94A	858.9	864.9	5.9	0.62	0.02	0.02	2.3	0.01	0.67	1.09	1.74	0.61	1.01	1.60
KM-22-94A	871.9	882.2	10.4	1.21	0.09	0.05	3.6	0.01	1.31	2.15	3.42	1.20	1.97	3.13
KM-22-95	432.8	435.6	2.7	0.22	0.12	0.61	4.1	0.02	0.57	0.94	1.48	0.50	0.83	1.31
KM-22-96	no significant assays													
KM-23-97	512.2	521.0	8.8	2.87	2.24	2.65	27.7	0.31	5.54	9.08	14.41	4.78	7.83	12.43
including	516.1	517.7	1.6	8.12	3.67	2.33	61.2	0.14	11.76	19.28	30.60	10.31	16.91	26.83
including	516.8	517.2	0.4	17.10	4.59	0.40	59.0	0.08	20.54	33.67	53.43	18.36	30.09	47.75
KM-23-97	595.3	596.8	1.5	0.95	0.80	0.03	9.0	0.01	1.52	2.50	3.97	1.29	2.11	3.36
KM-23-98	255.7	258.8	3.0	0.53	0.13	0.11	3.5	0.01	0.69	1.12	1.78	0.61	1.00	1.59
KM-23-98	312.4	317.0	4.6	0.70	0.06	0.13	4.1	0.02	0.82	1.35	2.14	0.75	1.23	1.95
KM-23-98	342.9	347.2	4.3	0.75	0.33	0.06	3.3	0.00	1.00	1.64	2.60	0.88	1.44	2.28
KM-23-99	459.8	462.8	3.0	0.61	0.28	0.44	7.0	0.09	1.02	1.67	2.65	0.90	1.47	2.33
KM-23-99	508.3	517.9	9.6	0.04	0.59	0.74	2.0	0.03	0.70	1.15	1.82	0.56	0.92	1.47

Source: Company

Appendix: Summary Financials

Arizona Metals Corp.					Beacon Securities Limited					
Symbol AMC-T Stock Rating BUY Price Target \$10.50					Share Price \$4.16 Shares O/S (MM) 115.0 Float (MM) 107.2 Mkt Cap (\$MM) 478					
INCOME STATEMENT					Management					
		FY20	FY21	FY22e		Other Directors				
Revenues	C\$MM	-	-	-	Paul Reid	Chairman			Colin Sutherland	
Operating Costs	C\$MM	-	-	-	Marc Pais	President/CEO/Director			Rick Vernon	
EBITDA	C\$MM	(8.0)	(18.5)	(18.5)	Sung Min Myung	CFO				
DD&A	C\$MM	-	-	-	David Smith	VP-Exploration/Director				
EBIT	C\$MM	(8.0)	(18.5)	(18.5)	Conor Dooley	Secretary/Director				
Interest Expense	C\$MM	-	-	-	Options (MM)		Avg. Price		Warrants (MM) Avg. Price	
EBT	C\$MM	(7.0)	(17.0)	(17.0)	9.8	\$0.27		12.00	\$0.64	
Taxes/Recovery	C\$MM	-	-	-	Recent Financings					
Net Income (reported)	C\$MM	(8.0)	(18.5)	(18.5)	Date	Amount	Price	Type	Warrant	Expiry
Non-Recurring Items/Other	C\$MM	-	-	-	Oct-2021	\$31.8	\$4.25	priv. placement	-	-
Net Income (operating)	C\$MM	(7.0)	(17.0)	(17.0)	April-2021	\$21.0	\$2.10	priv. placement	-	-
Shares o/s (wgt avg.)	MM	58.7	70.0	80.0	Jan-2021	\$6.0	\$0.65	priv. placement	\$5.65	MAY 2023
EPS (operating)	\$/sh	(\$0.12)	(\$0.24)	(\$0.21)	Map of Arizona					
P/E Multiple	x	n.m.	n.m.	n.m.						
Cash Flow (operating)	C\$MM	(7.0)	(17.0)	(17.0)						
CFPS	\$/sh	(\$0.12)	(\$0.24)	(\$0.21)						
P/CF Multiple	x	n.m.	n.m.	n.m.						
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	-	-	-						
Total Assets	C\$MM	9.9	17.9	20.8						
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						
Total Liab. & S/Holder Equity	C\$MM	9.9	17.9	20.8						
Working Capital	C\$MM	7.9	13.8	14.8						

Source: Company reports, Beacon estimates

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As of March 31, 2023	#Stocks	Distribution
BUY	76	83.5%
Speculative Buy	11	12.1%
Hold	1	1.1%
Sell	0	0.0%
Under Review	2	2.2%
Tender	1	1.1%
Total	91	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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