

## Arizona Metals Corp. (AMC-T)

### Intersects 3.0m at 3.2g/t eqAu at the Western Target

Arizona Metals reported drill results for seven holes completed at the Western Target, on its Kay Mine project in Arizona. Hole **KM-23-113 returned 3.0m grading 3.2g/t eqAu**, comprised of 3.0g/t Au, 1.3% Zn, and 17g/t Ag, incl. **0.9m grading 9.4g/t eqAu**, which comprised of 9.2g/t Au, 3.4% Zn, and 45g/t Ag. We find these first set of results highly encouraging as they conclusively show that there is a robust mineralized system at the Western Target that merits further exploration.

All 7 holes encountered mineralization over a strike length of 735m. However, only hole **KM-23-113 intersected high/economic grades, with the rest returning strongly anomalous mineralization**. Assay is pending from an eighth hole, KM-23-118. From portable XRF readings, this hole has returned highly anomalous values.

It is positive that AMC has now identified zones that include stringer to semi-massive sulphides. **AMC believes that the system at the Western Target has the potential to be similar or even larger than the Kay Mine**. The mineralization appears to strengthen to the north. This discovery is at a depth of 650m below a surface outcrop that strikes over 385m along the mineralized horizon at the northern parts of the property. The zone comprises sulphide minerals including pyrrhotite, sphalerite, and chalcopyrite, as well as wider zones albeit in anomalous grades of gold, copper, and zinc. The company plans to chase the mineralization to the north, where AMC infers better widths and copper grades, as sampling indicates that direction may be closer to a heat source.

**Our Take:** At Kay Mine, AMC continues to expand the deposit with excellent grades and width. AMC has shown the potential to define significant tonnages. We believe AMC can at least define 20MMt (with potential to exceed 25MMt). The results to date collectively reinforce our expectations that there is significantly higher resource upside to our estimate at Kay Mine alone. Additionally, the company has identified two major targets: Central and Western that are coincident, structural, geophysical, and geochemical anomalies. **We view the initial drill results from the Western Target as very encouraging as they confirm the potential to identify a new deposit**. Results from the Central Target so far have been less encouraging. The impact of additional discovery at the Western Target on our valuation is significant. Given its proximity to the Kay Mine, even a smaller discovery at the Western Target is positive to NAV. Our valuation does not yet factor in the recent depth and strike extension of the Kay Mine, let alone a potential additional discovery at West or Central. Success here can have an outsized impact on the Kay Mine project economics as well as mine planning.

There is significant upside potential here that is yet to be fully 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.

AMC has now completed 93,000m of drilling at the Kay Mine property. The company is fully funded (C\$43MM reported end Q2/23) to complete the remaining 66,000m phase 3 drill program. **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\$2.66		
12-month Target Price	C\$10.50		
Potential Return	295%		
52 Week Price Range	C\$2.43 - C\$4.92		
<b>Estimates</b>			
<b>YE: Dec 31</b>	<b>FY21A</b>	<b>FY22A</b>	<b>FY23E</b>
Revenue (\$MM)	\$0.0	\$0.0	\$0.0
Cash Flow ((\$MM)	(\$7.0)	(\$22.0)	(\$27.0)
<b>Valuation</b>			
P/GF			n.m.
NAV			\$1,592
P/NAV			0.21x

#### Stock Data (C\$MM)

Shares O/S (MM)	124
Mgmt/Insiders	7%
Market Cap	\$329
LT Debt (Corporate)	\$0
Working Capital	\$44
Enterprise Value	\$285

#### Reserves & Resources

2P Reserves	-
M+I Resources	-
M+I+I 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 VM S deposit.

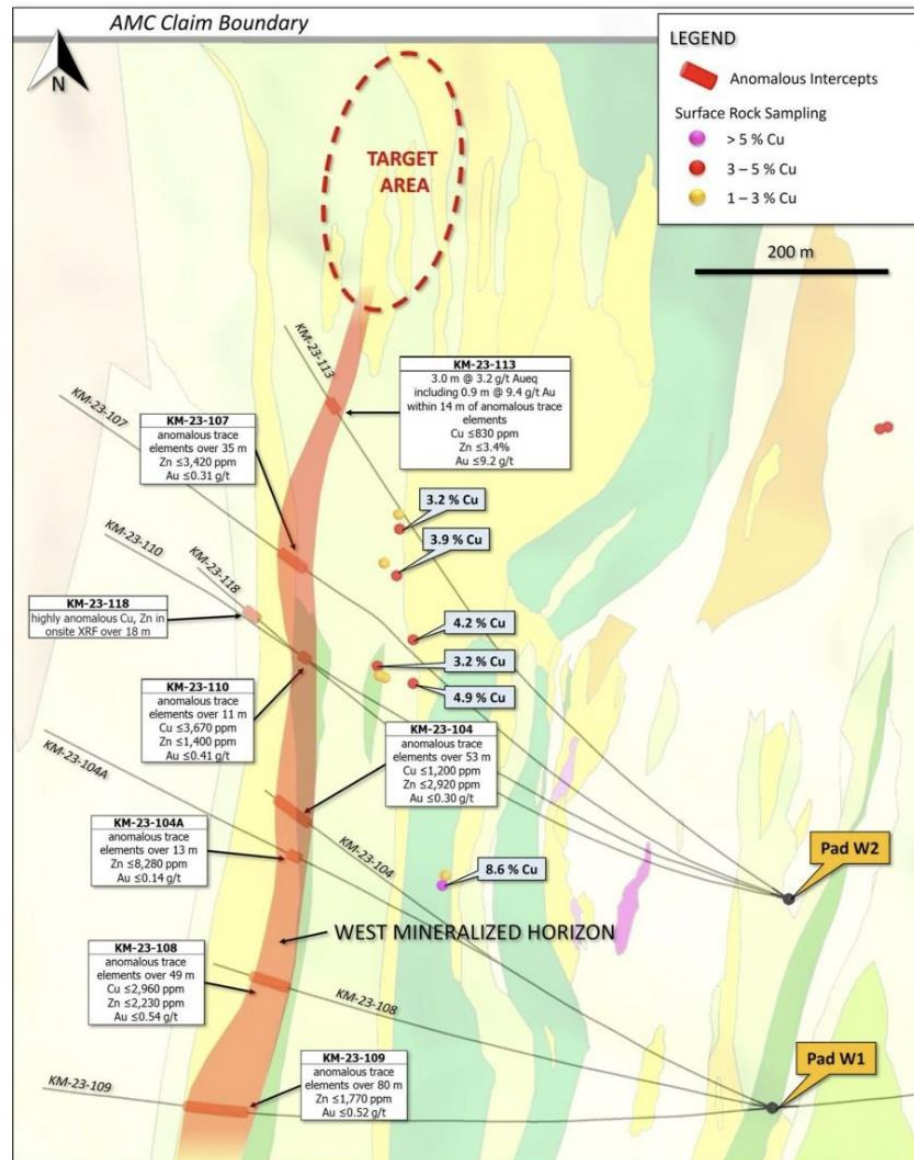
All prices in C\$ unless otherwise stated

#### Stock Performance

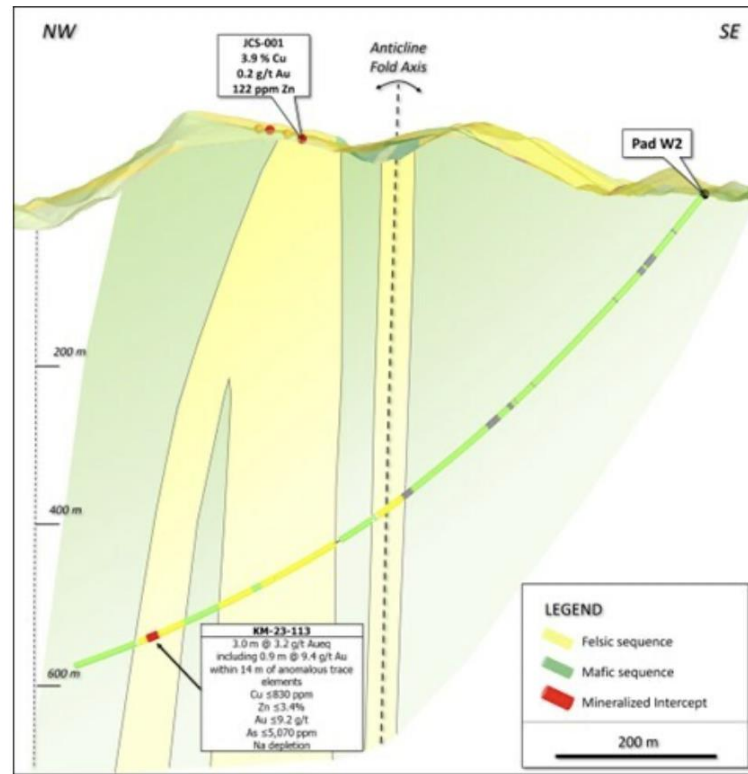


**Valuation Summary:** AMC is trading at ~0.21x P/NAV. Our valuation is now based on the exploitation of a conceptual minable resource of 20MMt, through a milling rate of 1.6MMtpa and 80% base metal recovery and 60% for precious metals. We use a 0.70x NAV multiple, a discount rate of 7% and corporate 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.**

**Fig 1 Plan View Western Target**



Source: Company

**Fig 2 Western Target Section and Surface Anomalies**


Source: Company

### Catalysts

- Continuous drill results through FY23 from ~76,000m Phase 3 76,000m drilling.
- Potentially more permitting Central and Western targets.
  - Expand permitting and start EPO.
- Resource modeling underway
- General and continued exploration results through 2023.
- Potential M&A at Sugarloaf Peak.
- Further metallurgical tests.

**Fig 3 Western Target Drill Results**

Hole ID	From m	To m	Length m	Analyzed Grade					Analyzed Metal Equivalent			Metal Equivalent			
				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-23-104	anomalous Cu, Zn, Au, As, Na														
KM-23-104A	anomalous Zn, Au, As, Na														
KM-23-107	anomalous Zn, Au, As, Na														
KM-23-108	anomalous Cu, Zn, Au, As, Na														
KM-23-109	anomalous Zn, Au, As, Na														
KM-23-110	anomalous Cu, Zn, Au, As, Na														
KM-23-112	no significant assays														
KM-23-113	885.4	888.5	3.0	0.04	2.98	1.34	17.3	0.49	2.61	4.29	6.80	1.98	3.24	5.14	
including	887.6	888.5	0.9	0.08	9.21	3.39	45.0	1.39	7.67	12.57	19.94	5.74	9.41	14.93	

Source: Company

## Appendix: Summary Financials

<b>Arizona Metals Corp.</b>					Beacon Securities Limited					
Symbol <b>AMC-T</b> Stock Rating <b>BUY</b> Price Target <b>\$10.50</b>					Share Price <b>\$2.66</b> Shares O/S (MM) <b>116.0</b> Float (MM) <b>108.2</b> Mkt Cap (\$MM) <b>309</b>					
					Bereket A. Berhe (416) 507-3978					
INCOME STATEMENT		FY21	FY22	FY23e	Management	Other Directors				
Revenues	C\$MM	-	-	-	<b>Paul Reid</b>	Chairman	Colin Sutherland			
Operating Costs	C\$MM	-	-	-	<b>Marc Pais</b>	President/CEO/Director	Rick Vernon			
EBITDA	C\$MM	(18.5)	(24.5)	(26.5)	<b>Sung Min Myung</b>	CFO	Mike Pilmer			
DD&A	C\$MM	-	-	-	<b>David Smith</b>	VP-Exploration/Director	Katherine Arnold			
EBIT	C\$MM	(18.5)	(24.5)	(26.5)	<b>Conor Dooley</b>	Secretary/Director				
					Options (MM)	Avg. Price	Warrants (MM)	Avg. Price		
Interest Expense	C\$MM	-	-	-	9.8	\$0.27	0.00	\$0.64		
EBT	C\$MM	(17.0)	(23.0)	(25.0)						
Taxes/Recovery	C\$MM	-	-	-						
Net Income (reported)	C\$MM	(18.5)	(24.5)	(26.5)	<b>Recent Financings</b>					
Non-Recurring Items/Other	C\$MM	-	-	-	<b>Date</b>	<b>Amount</b>	<b>Price</b>	<b>Type</b>	<b>Warrant</b>	<b>Expiry</b>
Net Income (operating)	C\$MM	(17.0)	(23.0)	(25.0)	Oct-2021	\$31.8	\$4.25	priv. placement	-	-
Shares o/s (wgt avg.)	MM	70.0	116.0	126.0	April-2021	\$21.0	\$2.10	priv. placement	-	-
<b>EPS (operating)</b>	<b>\$/sh</b>	<b>(\$0.24)</b>	<b>(\$0.20)</b>	<b>(\$0.20)</b>	Jan-2021	\$6.0	\$0.65	priv. placement	\$5.65	MAY 2023
P/E Multiple	x	n.m.	n.m.	n.m.						
Cash Flow (operating)	C\$MM	(17.0)	(23.0)	(25.0)						
<b>CFPS</b>	<b>\$/sh</b>	<b>(\$0.24)</b>	<b>(\$0.20)</b>	<b>(\$0.20)</b>						
P/CF Multiple	x	n.m.	n.m.	n.m.						
BALANCE SHEET										
Cash & Equivalents	C\$MM	56.1	53.1	58.0						
Total Current Assets	C\$MM	56.1	53.1	58.0						
PP&E & Mining Interests	C\$MM	3.7	5.7	7.7						
Other	C\$MM	-	-	-						
<b>Total Assets</b>	<b>C\$MM</b>	<b>59.9</b>	<b>58.8</b>	<b>65.8</b>						
Current Liabilities	C\$MM	0.3	0.3	1.3						
Long Term Debt	C\$MM	-	-	1.0						
Other LT Liabilities	C\$MM	-	-	-						
Total Liabilities	C\$MM	0.3	0.3	2.3						
S/Holder Equity	C\$MM	59.6	58.5	63.4						
<b>Total Liab. &amp; S/Holder Equity</b>	<b>C\$MM</b>	<b>59.9</b>	<b>58.8</b>	<b>65.7</b>						
Working Capital	C\$MM	55.8	52.8	56.7						



Source: Company reports, Beacon estimates

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As of September 30, 2023	#Stocks	Distribution
BUY	73	77.7%
Speculative Buy	16	17.0%
Hold	1	1.1%
Sell	0	0.0%
Under Review	4	4.3%
Tender	0	0.0%
<b>Total</b>	<b>94</b>	<b>100%</b>

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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