

Arizona Metals Corp.

AMC-TSX: \$1.81 (Mid-market)

Rating: Speculative Buy

Target: \$10.00

Arizona Metals Corp, AMC-TSX.V

Stock Data (source: Refinitiv Eikon)

Previous Close (C\$)	\$1.81
52-Week High-Low	\$3.21 / \$1.63
Avg. Daily Volume (3M)	171,775
Basic SO (MM)	119
Fully Diluted SO (MM)	124
Market Cap. (C\$ MM)	\$215
Cash (C\$ MM)	\$26
Debt (C\$ MM)	\$0
Enterprise Value (C\$ MM)	\$189

Company Information

Flagship Project	Kay Mine
Project Location	Arizona

Clarus Estimates

Implied return to target price	452%
Modelled Global Resources (MM lbs CuEq)	2,749
EV/lb Valuation (global, C\$/lb CuEq)	\$0.07
P/NAV (Clarus est.)	0.11x

Management

CEO	Duncan Middlemiss
VP Exploration	David Smith

Ownership

Management & Insiders	12%
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Company Description

AMC owns 100% of two projects in Arizona with no outstanding future payments - (1) Kay Mine project located in Yavapai county, ~70 km north of Phoenix - NO royalties; (2) Sugarloaf Peak project located in La Paz county, west of Phoenix. Both projects have significant historic exploration, drilling and historic resources. Flagship Kay Mine project hosts the past producing mine (intermittently from 1916-1956 at 5.7% - 9.1% Cu and 2.0 g/t - 2.5 g/t Au) with \$75 MM worth of exploration and underground infrastructure. Exploration by Exxon (1972 - 1982) at Kay Mine resulted in a historic resource of 5.8 Mt at ~4% CuEq (at historic price, ~6.0% CuEq at spot). Management is advancing exploration of Kay with the goal of validating and further expanding the historic resource.

High Grade, Massive Sulphide Intercept At North Central Reignites Exploration Sizzle

September 16, 2024

Last week, AMC announced results from 15 additional holes completed at Kay, comprising 7 infill holes at Kay Mine target and 8 holes at the North Central exploration target. Mgmt. also noted that the maiden resource at Kay is expected in H1/2025.

New discovery at North Central highlights potential for significant upside at Kay: Drilling from pad 10 at North Central returned high grade intercept of massive sulfide mineralization in a newly discovered mineralized horizon (named "Pad 10" horizon), with KM-24-153 returning **11.3% CuEq over 0.5 m** from 92.7 m down hole. The new horizon is folded with a potential strike length of ~1.8 km and has high grade showings of up to 10.9% Cu in surface assays. Mgmt. believes there could be a strong mineralizing system locally based on the extremely high grades and plans to continue exploration of the new horizon that could also demonstrate greater widths. Overall, we think this intercept highlights the significant exploration upside remaining to be unlocked at the Kay property. There are 4 additional holes pending assays from the new horizon.

Infill drilling continues to highlight world-class deposit potential at Kay Mine target: Infill drilling in the central and deeper portions of the Kay Mine target continued to demonstrate strong continuity with significant intercepts incl. KM-24-159 returning 41.3 m at 1.5 g/t AuEq, incl. 2.9 m at 10.4 g/t AuEq. Also, KM-24-155A which returned multiple intercepts, incl. 12.3 m at 1.3% CuEq & 11.3 m at 2.5% CuEq, incl. 3.7 m at 4.8% CuEq. Overall, the drill results continue to confirm world-class underground mine potential at Kay Mine, given its exceptional widths and grades.

Kay Mine maiden resource in H1/25: AMC has completed 117,000 m of drilling at Kay property, of which majority has been drilled the Kay Mine target (~80,000 m). Mgmt. expects to complete the remaining resource definition drilling at Kay Mine in Q4/24. In addition, metallurgical testing is ongoing. With C\$20 MM in cash, AMC is well funded for advancing the project on this key de-risking catalyst. Our estimate for the resource at Kay Mine is ~24 Mt at ~3%-4% CuEq based on ~850 m of vertical extent x 320 m strike x ~20 m avg widths. We note that our estimate does not include the impact of AMC's recent shallow drilling program that has pulled up the mineralized envelope closer to surface (within ~50 m of surface) and may have added another 70 - 100 m of vertical extent. Overall, the shallow drilling gives us greater confidence that our resource estimate is achievable in the maiden resource in H1/25.

Attractive valuation highlights strong re-rate potential: On our resource est., AMC is trading at a ~65% discount to the average for peers. We think the maiden resource in H1/25 will be an important de-risking catalyst that should demonstrate a high floor for the valuation and drive a strong re-rating.

Conclusion

We continue to believe that the Kay Mine deposit will be a world-class underground mine, given its exceptional widths and grades. We currently estimate ~24 Mt at ~3% - 4% CuEq resource potential at Kay and expect this to be confirmed in a maiden resource in H1/2025. We think Kay Mine alone provides a high floor for valuation as well as significant re-rate potential and the upside from a meaningful discovery regionally is essentially available for free at current valuations. AMC trades at only C\$0.12/lb on EV/Resource basis, a ~65% discount to the average for peers, based on our estimated resource for the Kay Mine deposit alone. We note that Kay is in a part of Arizona that has several historic VMS mines as well as development projects owned by majors. The area is essentially a VMS camp which gives us confidence in the exploration upside potential at AMC's property. We think the potential for regional exploration success at Kay offers tremendous optionality with potential to drive a step-change in AMC's valuation upon success. In addition, the recent positive development on the mine permitting for Hudbay's Copper World project and South32's Hermosa project, both located in Arizona, bodes well for advancement of AMC's Kay Mine project.

Catalysts

1. Completion of resource definition drilling at Kay Mine - Q4/24;
2. Property wide exploration and drilling - ongoing;
3. Kay Mine maiden resource - H1/25;
4. Metallurgical test work at Kay Mine - ongoing;
5. Full evaluation of Sugarloaf with exploration plan and budget.

Figure 1: AMC Comps

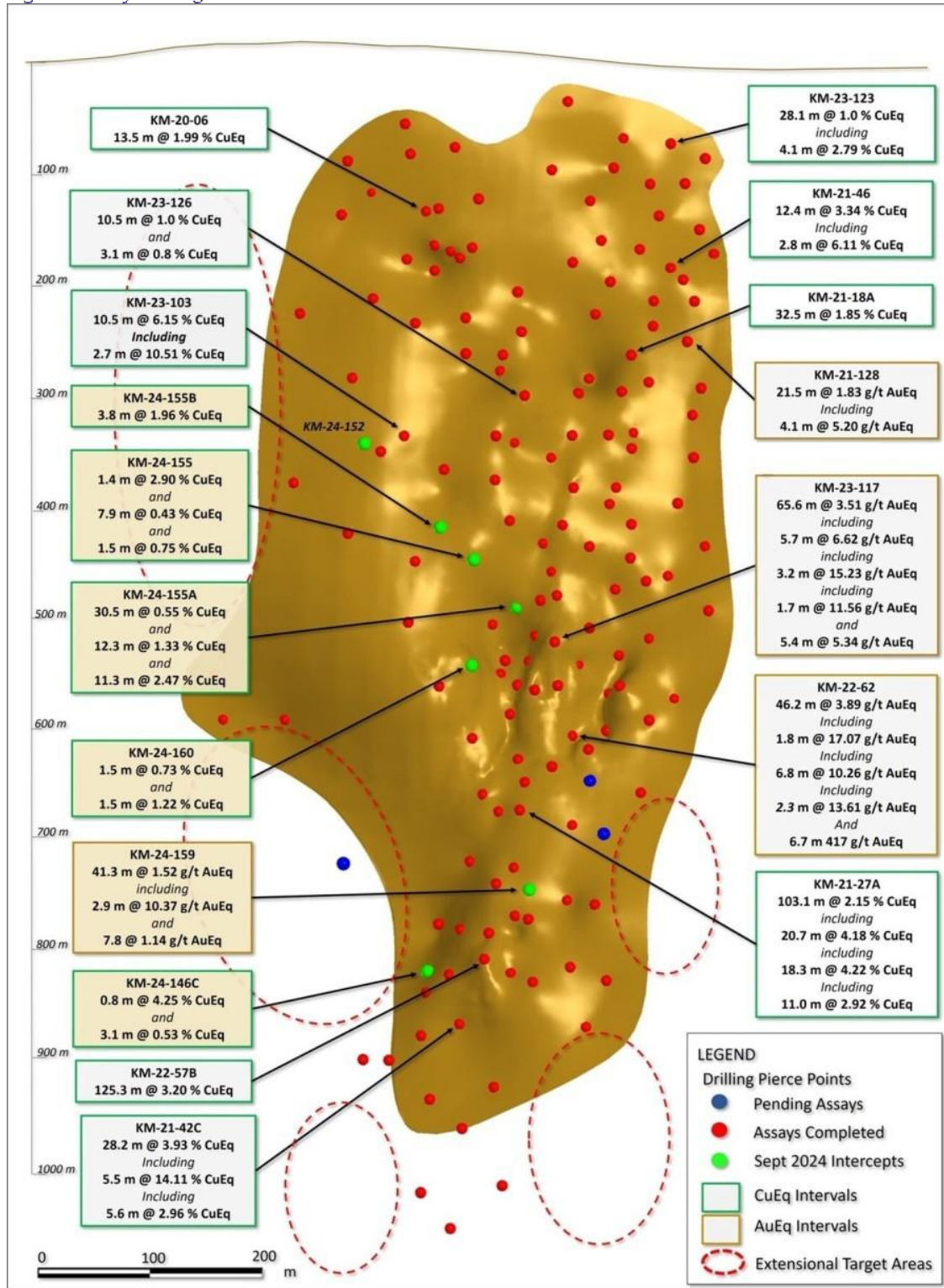
Cu-Au Explorers / Developers	Ticker	Price Per Share (Local)	S/O (MM)	Mkt. Cap. (C\$MM)	EV (C\$MM)	CuEq Mlbs	EV/lb (C\$/lb)	P/NAV
Company								
Adriatic Metals PLC	ADT-ASX	3.32	324	\$981	\$1,059	844	\$1.25	1.51x
Ascendant Resources Inc	ASND-TSX	0.04	187	\$7	\$6	889	\$0.01	0.14x
Atico Mining Corp	ATY-TSX.V	0.15	121	\$18	\$19	212	\$0.09	0.26x
Foran Mining Corp	FOM-TSX	3.89	374	\$1,457	\$1,345	1,793	\$0.75	0.97x
Kutcho Copper Corp	KC-TSX.V	0.10	155	\$15	\$15	1,521	\$0.01	NA
New World Resources Ltd	NWC-ASX	0.02	2,840	\$44	\$36	1,033	\$0.04	0.19x
Sandfire Resources America Inc	SFR-TSX.V	0.31	1,023	\$312	\$312	1,680	\$0.19	NA
Group Average				\$405	\$399	1,139	\$0.33	0.61x
Arizona Metals Corp (Clarus 'Base Case' Resource)	AMC-TSX	1.81	119	\$215	\$189	1,579	\$0.12	0.11x

Source: Refinitiv Eikon, Clarus Securities Inc.

Price Target Calculator: Our 12-month target price is based on a 0.5x multiple to our estimated fully-funded project NAV (5%) for Kay. We also account for in-situ valuation for ~5 Mt at ~5.2% CuEq valued at C\$0.30/lb at Kay and in-situ valuation of C\$30 MM for AMC's 19.9% ownership of Sugarloaf Peak. In addition, we account for corporate adjustments, including our long-term debt assumption and ITM options and warrants.

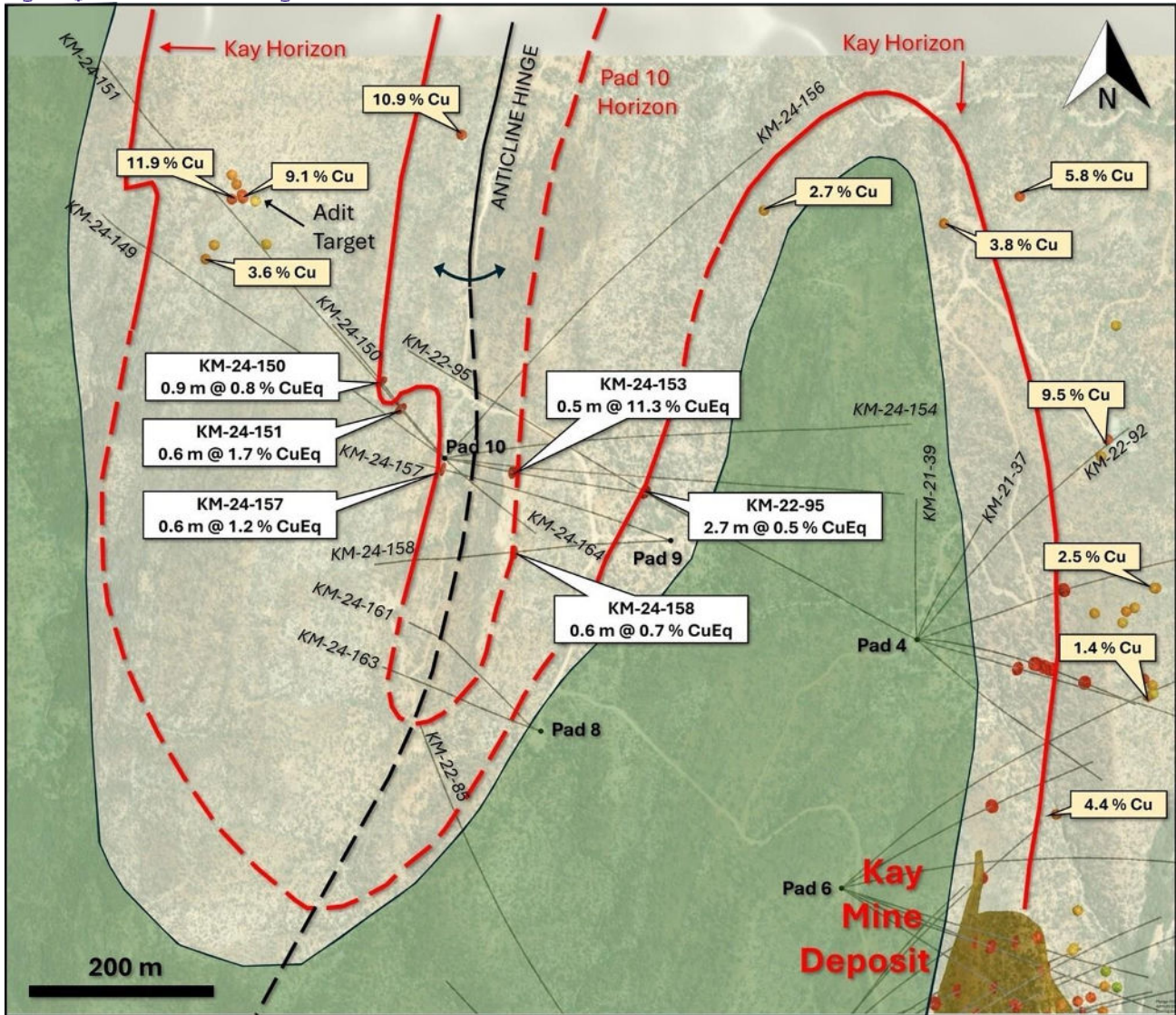
Key Risks to Target Price: Please refer to the risks disclosed in the initiating report dated March 26, 2021.

Figure 2: Kay Drilling



Source: Company Reports

Figure 3: North Central Target



Source: Company Reports

Clarus Securities Equity Research Disclosures

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Buy: Attractively valued and expected to appreciate significantly from the current price over the next 12-18 months.

Speculative Buy: Expected to appreciate significantly from the current price over the next 12-18 months. Financial and/or operational risk is high in the analyst's view.

Accumulate: Attractively valued, but given the current market price, is expected to appreciate moderately over the next 12-18 months.

Hold: Fairly valued and expected to trade in line with the current price over the next 12-18 months.

Sell: Overvalued and expected to decline from the current price over the next 12-18 months.

Under review: Pending additional review and/or information. No rating presently assigned.

Tender: Company subject to an acquisition bid: accept offer.

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