

Arizona Metals Corp. (AMC-T)

Intersects VMS Mineralization 300m North of Kay Mine Deposit

This morning, **Arizona Metals** reported the discovery of a VMS mineralization in a 300m step out to the north along strike of the Kay Mine deposit, and at depth between 150m and 600m. This new zone is open in all directions. The result 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. AMC also reported infill drilling from the Kay Mine deposit. The company expects to continue its infill and expansion drilling at the Kay Mine deposit in order to improve the confidence in the potential of the project.

North strike extension hole KM-22-93 intercepted 4 intervals of VMS mineralization from 470m to 610m vertical depth:

- 4.5m grading 1.8% eqCu,
- 2.0m grading 1.5% eqCu,
- 4.6m grading 0.8% eqCu, and
- 1.2m grading 2.7% eqCu.

This hole is located ~300m below hole KM-22-30 where the company intersected 3.0m grading 1.1% eqCu, and 400m below KM-22-33 (1.2m grading 4.2% eqCu).

Other north strike extension holes include:

- KM-22-87: **8.2m grading 0.5% eqCu** including 0.60m grading 1.8% eqCu, extending the mineralization ~100m north of hole KM-20-03 at the northern edge of the Kay Mine deposit.
- KM-22-88: **0.90m grading 2.7% eqCu**, continuing the mineralization in 100m step out north of the hole 87.
- KM-22-89: **1.4m grading 1.2% eqCu**, 100m north of hole 19 and showing depth potential to ~390m.

Kay Mine Deposit:

- Step out hole **KM-22-081B** intercepted **3.8m grading 10.7% eqCu** from 750m, extending the mineralization ~50m south of hole KM-21-52A along the southern edge.
- **KM-22-081C** returned 4 intervals including **3.2m grading 1.6% eqCu** and 8.1m grading 0.8% eqCu, within 49.5m grading 0.35% eqCu, extending the mineralization 30m south of the hole 52.
- **KM-22-086A** returned 3 intervals including **1.1m grading 0.67% eqCu**, extending the mineralization 40m south of hole 10C.

Central Target: Holes drilled at suboptimal angle at the central target returned anomalous results. AMC's illustration (Figure 2) of the results indicates anomalous zinc mineralization. Assays results thus far from this zone have been below AMC's cut-off. Drilling from a better angle has started.

Western Target Drilling: To start in Q1/23 (1.2km west of Kay Mine deposit). Road construction is well underway.

AMC is fully funded for the phase 2 and phase 3 program with total budget of \$35.6MM and a cash balance of \$58MM as of Q3/2022. 90% of the budget over the next 18 months will be spent on exploration in the south, north, and west of the Kay Mine deposit.

Update

Buy (unch)

C\$10.50 (unch)

Recent/Closing Price	C\$4.22
12-month Target Price	C\$10.50
Potential Return	149%
52 Week Price Range	C\$3.42 - 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	0.33x

Stock Data (C\$MM)

Shares O/S (MM)	140
Mgmt/Insiders	7%
Market Cap	\$590
LT Debt (Corporate)	\$0
Working Capital	\$50
Enterprise Value	\$540

Reserves & Resources

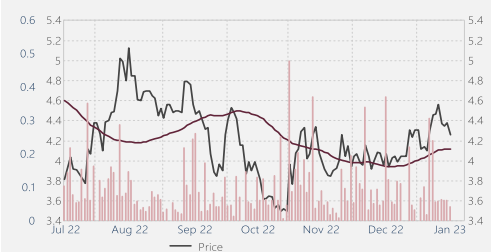
2P Reserves	-
M+I Resources	-
M+H Resources	-

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.

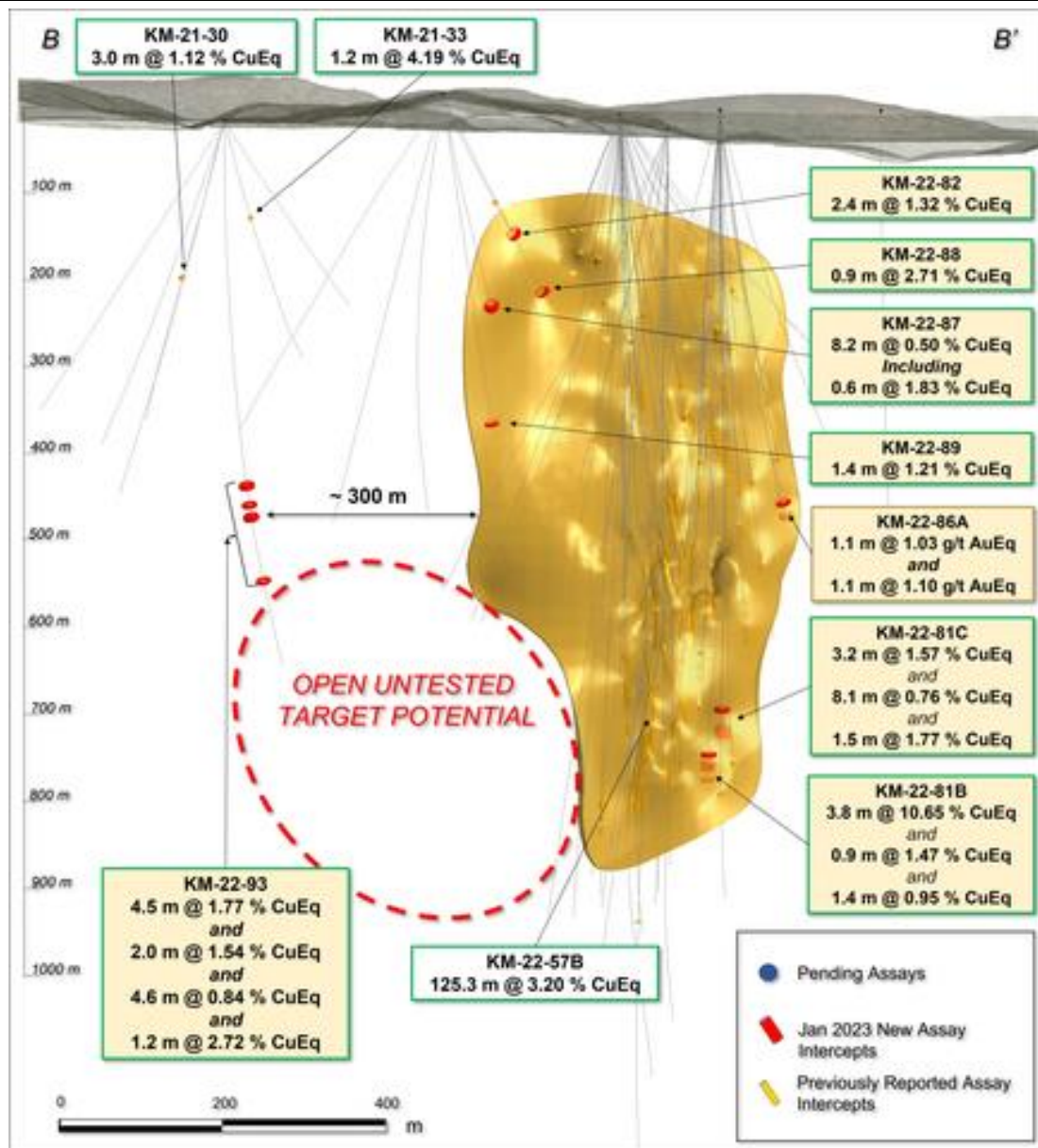
All prices in C\$ unless otherwise stated

Stock Performance

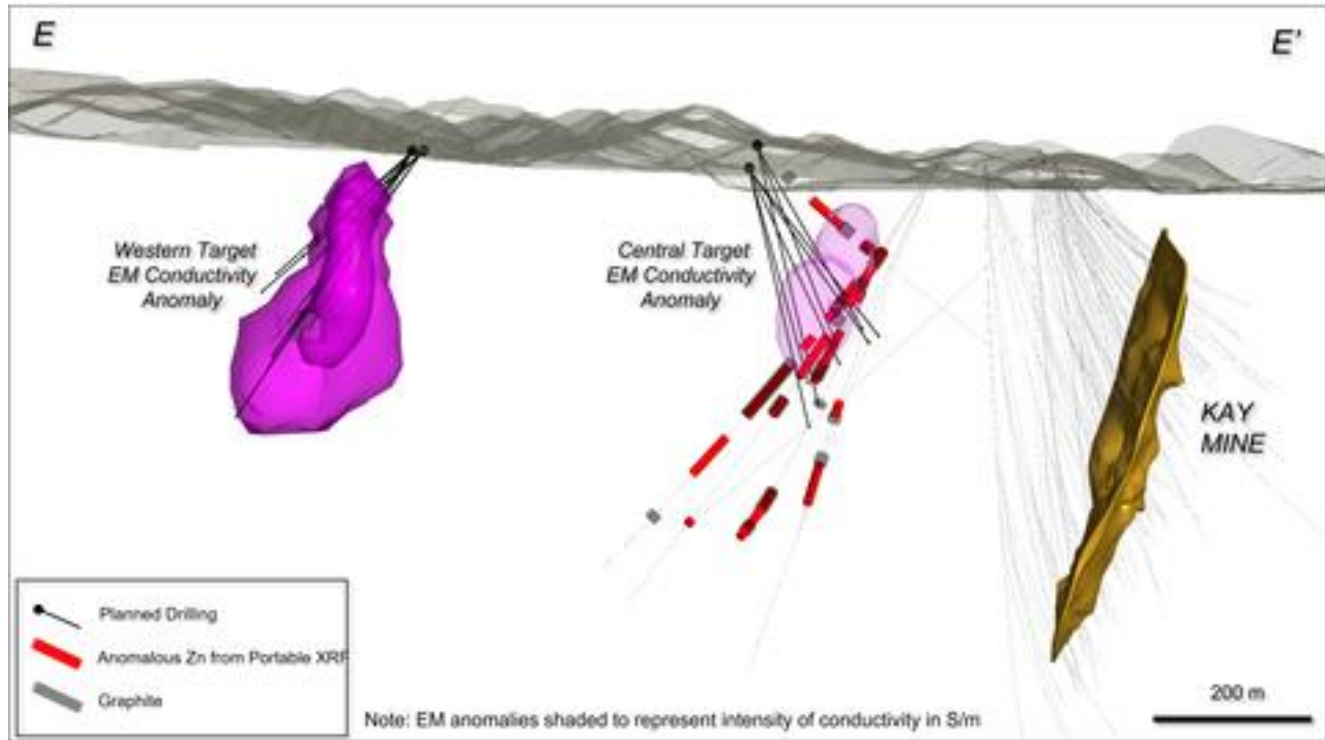


Valuation: AMC is trading at ~0.34x P/NAV. Our valuation is now based on the exploitation of a conceptual minable resource of 20MMt, through a milling rate of 1.6MMtpa and 80% base metal recovery and 60% for precious metals. We use a 0.70x NAV multiple, a discount rate of 7% and corporate adjustments 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 Long Section of VMS Mineralization Intercepts in the New Zone



Source: Company

Fig 2 Long Section Displaying Graphite and Anomalous Zinc Intercepts


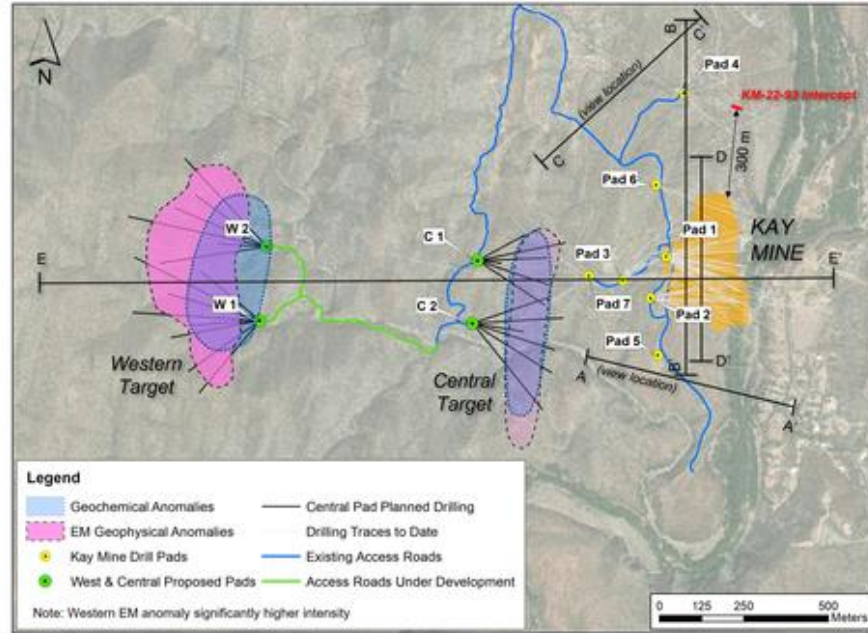
Source: Company

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 flows 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.

Fig 3 Plan View of the Project


Source: Company

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

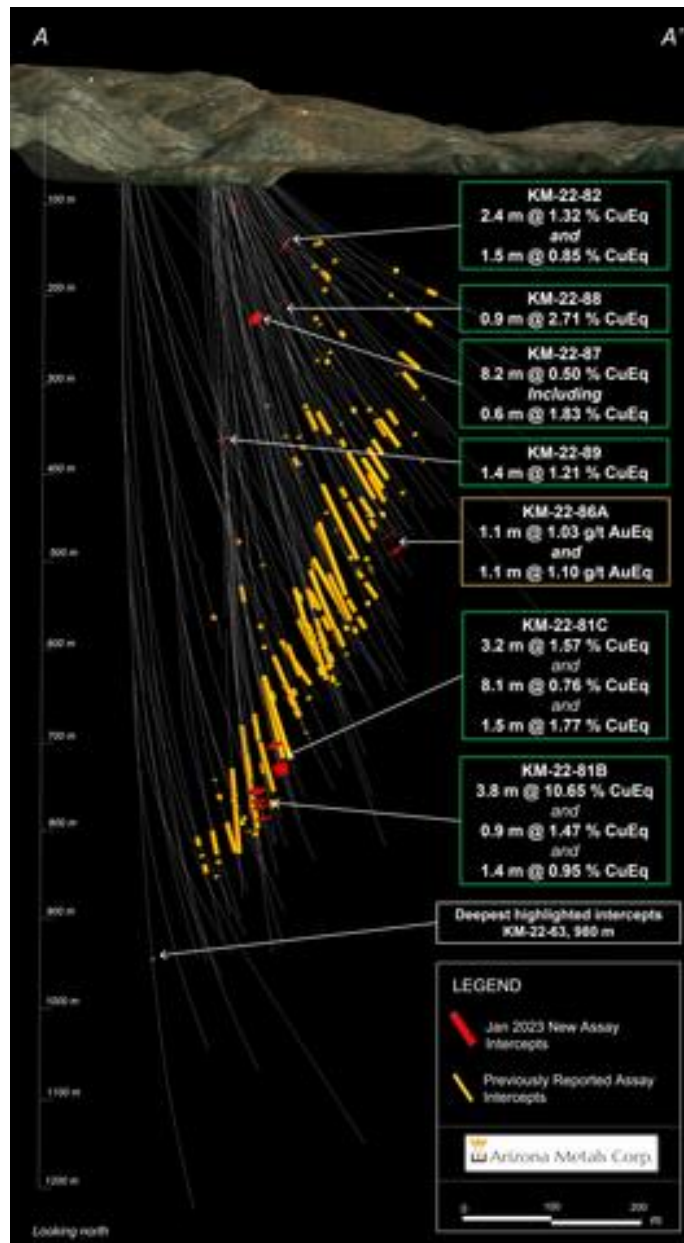
	Discount Rate	Ownership	Value (C\$M)	Per Share (C\$/sh)		
				2022	2023	2024
Kay Mine	7%	100%	\$1,380	\$12.39	\$12.39	\$12.39
Sugarloaf Peak		100%	\$62	\$0.56	\$0.56	\$0.56
OPERATING ASSETS			\$1,442	\$12.95	\$12.95	\$12.95
Working Capital			\$50	\$0.45	\$0.45	\$0.45
LT Debt (corporate only)			\$0	\$0.00	\$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 ~75,000m Phase 2 drilling program and Phase 3 76,000m drilling.
- Potentially more permitting at 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 Drill Outline View



Source: Company

Fig 6 Assay Results from Phase 2 Drilling

Hole ID	Length			Analyzed Grade			Analyzed Metal Equivalent			Metal Equivalent				
				Zn	Pb		Cu eq	Au eq	Zn	Cu eq	Au eq	Zn		
	From m	To m	m	Cu %	Au g/t	Ag g/t	%	g/t	eq%	%	g/t	eq%		
KM-22-73	no significant assays													
KM-22-76	no significant assays													
KM-22-77	no significant assays													
KM-22-81B	801.88	805.6	3.8	9.60	1.81	1.83	44.6	0.23	11.81	19.36	30.72	10.65	17.45	27.70
including	802.78	804.2	1.5	14.80	2.75	2.06	53.0	0.28	17.75	29.10	46.18	16.03	26.27	41.69
KM-22-81B	815.0	816.0	0.9	0.93	0.56	0.49	28.0	0.21	1.72	2.82	4.48	1.47	2.41	3.83
KM-22-81B	821.6	823.0	1.4	0.02	0.03	1.92	28.0	0.40	1.09	1.78	2.83	0.95	1.56	2.47
KM-22-81B	836.5	837.3	0.8	0.05	0.74	0.69	15.0	0.46	0.99	1.62	2.57	0.79	1.29	2.04
KM-22-81C	751.5	754.7	3.2	1.14	0.43	0.56	19.6	0.07	1.79	2.94	4.66	1.57	2.57	4.08
KM-22-81C	775.9	784.0	8.1	0.21	0.13	1.01	18.8	0.22	0.88	1.44	2.29	0.76	1.25	1.99
KM-22-81C	787.0	788.5	1.5	0.03	2.02	1.80	30.0	0.39	2.27	3.73	5.92	1.77	2.91	4.61
KM-22-82	301.8	304.2	2.4	1.18	0.37	0.13	2.6	0.02	1.48	2.42	3.84	1.32	2.16	3.42
KM-22-83	no significant assays													
KM-22-84	no significant assays													
KM-22-86	lost hole													
KM-22-86A	545.9	546.6	0.7	0.14	0.51	0.14	16.0	0.26	0.69	1.14	1.80	0.54	0.89	1.41
KM-22-86A	563.7	564.8	1.1	0.04	1.11	0.05	13.0	0.11	0.86	1.42	2.25	0.63	1.03	1.63
KM-22-86A	565.6	566.7	1.1	0.05	0.15	0.92	25.9	0.43	0.80	1.30	2.07	0.67	1.10	1.74
KM-22-87	339.9	348.1	8.2	0.29	0.31	0.23	2.0	0.01	0.59	0.96	1.53	0.50	0.82	1.30
including	339.9	340.5	0.6	1.89	0.09	0.04	4.0	0.02	1.99	3.26	5.17	1.83	3.00	4.76
KM-22-88	344.7	345.6	0.9	2.84	0.07	0.06	2.0	0.02	2.93	4.80	7.61	2.71	4.44	7.04
KM-22-89	447.1	448.5	1.4	1.09	0.29	0.06	5.8	0.11	1.36	2.23	3.53	1.21	1.99	3.15
KM-22-93	478.7	483.3	4.5	1.85	0.03	0.02	4.60	0.00	1.91	3.13	4.97	1.77	2.90	4.60
KM-22-93	506.6	508.6	2.0	1.63	0.01	0.01	2.20	0.00	1.66	2.72	4.32	1.54	2.52	4.01
KM-22-93	522.4	527.0	4.6	0.85	0.07	0.02	2.60	0.00	0.92	1.51	2.39	0.84	1.38	2.18
KM-22-93	615.1	616.3	1.2	2.85	0.04	0.06	5.00	0.00	2.94	4.81	7.64	2.72	4.45	7.07

Source: Company

Appendix: Summary Financials

Arizona Metals Corp.				Beacon Securities Limited			
Symbol AMC-T		Share Price \$4.22		Shares O/S (MM) 118.4		Float (MM) 110.6	
Stock Rating BUY		Price Target \$10.50		Mkt Cap (\$MM) 500			
				Bereket A. Berhe (416) 507-3978			
INCOME STATEMENT	FY20	FY21	FY22e	Management		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)
EBT	C\$MM (7.0)	(17.0)	(17.0)	9.8	\$0.27	12.00	Avg. Price
Taxes/Recovery	C\$MM -	-	-	Recent Financings			
Net Income (reported)	C\$MM (8.0)	(18.5)	(18.5)	Date	Amount	Price	Type
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
EPS (operating)	\$/sh (\$0.12)	(\$0.24)	(\$0.21)				\$5.65
P/E Multiple	x n.m.	n.m.	n.m.				MAY 2023
Cash Flow (operating)	C\$MM (7.0)	(17.0)	(17.0)	Recent Financings			
CFPS	\$/sh (\$0.12)	(\$0.24)	(\$0.21)	Date	Amount	Price	Type
P/CF Multiple	x n.m.	n.m.	n.m.	Oct-2021	\$31.8	\$4.25	priv. placement
BALANCE SHEET				April-2021	\$21.0	\$2.10	priv. placement
Cash & Equivalents	C\$MM 8.2	14.1	15.1	Jan-2021	\$6.0	\$0.65	priv. placement
Total Current Assets	C\$MM 8.2	14.1	15.1	Recent Financings			
PP&E & Mining Interests	C\$MM 1.7	3.7	5.7	Date	Amount	Price	Type
Other	C\$MM -	-	-	Oct-2021	\$31.8	\$4.25	priv. placement
Total Assets	C\$MM 9.9	17.9	20.8	April-2021	\$21.0	\$2.10	priv. placement
Current Liabilities	C\$MM 0.3	0.3	0.3	Jan-2021	\$6.0	\$0.65	priv. placement
Long Term Debt	C\$MM -	-	-	Recent Financings			
Other LT Liabilities	C\$MM -	-	-	Date	Amount	Price	Type
Total Liabilities	C\$MM 0.3	0.3	0.3	Oct-2021	\$31.8	\$4.25	priv. placement
S/Holder Equity	C\$MM 9.6	17.6	20.5	April-2021	\$21.0	\$2.10	priv. placement
Total Liab. & S/Holder Equity	C\$MM 9.9	17.9	20.8	Jan-2021	\$6.0	\$0.65	priv. placement
Working Capital	C\$MM 7.9	13.8	14.8	Recent Financings			



Source: Company reports, Beacon estimates

Disclosure Requirements

Does Beacon, or its affiliates or analysts collectively, beneficially own 1% or more of any class of the issuer's equity securities? Yes No

Does the analyst who prepared this research report have a position, either long or short, in any of the issuer's securities? Yes No

Has any director, partner, or officer of Beacon Securities, or the analyst involved in the preparation of the research report, received remuneration for any services provided to the securities issuer during the preceding 12 months? Yes No

Has Beacon Securities performed investment banking services in the past 12 months and received compensation for investment banking services for this issuer in the past 12 months? Yes No

Was the analyst who prepared this research report compensated from revenues generated solely by the Beacon Securities Investment Banking Department? Yes No

Does any director, officer, or employee of Beacon Securities serve as a director, officer, or in any advisory capacity to the issuer? Yes No

Are there any material conflicts of interest with Beacon Securities or the analyst who prepared the report and the issuer? Yes No

Is Beacon Securities a market maker in the equity of the issuer? Yes No

Has the analyst visited the issuer's material operation(s)? Yes No

Did the issuer pay for or reimburse the analyst for the travel expenses? Yes No

All information contained herein has been collected and compiled by Beacon Securities Limited, an independently owned and operated member of the Investment Industry Regulatory Organization of Canada (IIROC). All facts and statistical data have been obtained or ascertained from sources, which we believe to be reliable, but are not warranted as accurate or complete.

All projections and estimates are the expressed opinion of Beacon Securities Limited, and are subject to change without notice. Beacon Securities Limited takes no responsibility for any errors or omissions contained herein, and accepts no legal responsibility from any losses resulting from investment decisions based on the content of this report.

This report is provided for informational purposes only and does not constitute an offer or solicitation to buy or sell securities discussed herein. Based on their volatility, income structure, or eligibility for sale, the securities mentioned herein may not be suitable or available for all investors in all countries.

As of December 31, 2022	#Stocks	Distribution
BUY	71	83.5%
Speculative Buy	11	12.9%
Hold	1	1.2%
Sell	0	0.0%
Under Review	1	1.2%
Tender	1	1.2%
Total	85	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

Dissemination

Beacon Securities distributes its research products simultaneously, via email, to its authorized client base. All research is then available on www.beaconsecurities.ca via login and password.

Analyst Certification

The Beacon Securities Analyst named on the report hereby certifies that the recommendations and/or opinions expressed herein accurately reflect such research analyst's personal views about the company and securities that are the subject of the report; or any other companies mentioned in the report that are also covered by the named analyst. In addition, no part of the research analyst's compensation is, or will be, directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.