
ARIZONA METALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(EXPRESSED IN CANADIAN DOLLARS)

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Arizona Metals Corp.

Opinion

We have audited the consolidated financial statements of Arizona Metals Corp. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Soheil Talebi.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 29, 2021

Arizona Metals Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31,	2020	2019
ASSETS		
Current assets		
Cash	\$ 3,885,930	\$ 1,611,891
Sales tax recoverable	31,971	87,283
Prepaid expenses (note 10)	717,418	569,577
Total current assets	4,635,319	2,268,751
Non-current assets		
Reclamation bond (note 10)	149,884	57,344
Total assets	\$ 4,785,203	\$ 2,326,095
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 4 and 12)	\$ 188,449	\$ 117,916
Total liabilities	188,449	117,916
Shareholders' equity		
Share capital (note 7)	15,256,986	7,622,591
Reserves (notes 8 and 9)	5,038,780	3,104,608
Deficit	(15,699,012)	(8,519,020)
Total shareholders' equity	4,596,754	2,208,179
Total liabilities and shareholders' equity	\$ 4,785,203	\$ 2,326,095

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Nature of operations and going concern (note 1)
 Commitments and contingencies (note 14)
 Subsequent events (note 15)

Approved on behalf of the Board:

(Signed) "Paul Reid" _____ Director

(Signed) "Marc Pais" _____ Director

Arizona Metals Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

Year ended December 31,	2020	2019
Operating expenses		
Salaries and benefits (note 12)	\$ 335,451	\$ 240,509
Exploration and evaluation expenditures (note 10)	5,146,748	2,139,984
Office and general	308,387	183,068
Professional fees (note 12)	187,892	184,392
Business development	180,998	-
Share-based payments (notes 8 and 12)	973,520	736,446
Filing fees	48,221	41,685
Listing expenses (note 6)	-	734,525
Net loss and comprehensive loss for the year	\$ (7,181,217)	\$ (4,260,609)
Basic and diluted net loss per share	\$ (0.12)	\$ (0.10)
Weighted average number of common shares outstanding	59,960,884	41,224,750

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Arizona Metals Corp.

Consolidated Statements of Changes in Equity (Expressed in Canadian Dollars)

	Share capital				
	Shares	Amount	Reserves	Deficit	Total
Balance, December 31, 2018	32,050,000	\$ 3,431,482	\$ 1,202,295	\$ (4,258,411)	\$ 375,366
Private placement (note 7(b))	10,413,400	3,799,520	-	-	3,799,520
Share issuance costs	-	(571,380)	89,443	-	(481,937)
Warrant valuation	-	(1,032,547)	1,032,547	-	-
Issuance of shares, options and warrants pursuant to RTO (note 6)	5,080,008	1,270,002	91,401	-	1,361,403
Exploration share-based payments (note 10)	2,000,000	600,000	-	-	600,000
Warrants exercised	311,960	125,514	(47,524)	-	77,990
Share-based payments	-	-	736,446	-	736,446
Net loss for the year	-	-	-	(4,260,609)	(4,260,609)
Balance, December 31, 2019	49,855,368	\$ 7,622,591	\$ 3,104,608	\$ (8,519,020)	\$ 2,208,179
Private placements (note 7(b))	14,041,000	8,415,500	-	-	8,415,500
Share issuance costs	-	(770,365)	155,400	-	(614,965)
Warrant valuation	-	(1,078,553)	1,078,553	-	-
Stock options exercised (note 8)	368,000	131,240	(39,240)	-	92,000
Warrants exercised (note 9)	1,489,342	936,573	(232,836)	-	703,737
Warrants expired	-	-	(1,225)	1,225	-
Share-based payments	-	-	973,520	-	973,520
Net loss for the year	-	-	-	(7,181,217)	(7,181,217)
Balance, December 31, 2020	\$ 65,753,710	\$ 15,256,986	\$ 5,038,780	\$ (15,699,012)	\$ 4,596,754

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Arizona Metals Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

Year ended December 31,	2020	2019
Operating activities		
Net loss for the year	\$ (7,181,217)	\$ (4,260,609)
Adjustments for:		
Exploration share-based payment (note 10)	-	600,000
Share-based payments (note 8)	973,520	736,446
Listing expense (note 6)	-	532,457
Changes in non-cash working capital items:		
Accounts receivable	55,312	(67,622)
Prepaid expenses	(147,841)	(534,019)
Accounts payable and accrued liabilities	70,533	35,146
Net cash used in operating activities	(6,229,693)	(2,958,201)
Investing activities		
Cash acquired on RTO (note 6)	-	825,530
Reclamation bond	(92,540)	(57,344)
Net cash (used in) provided by investing activities	(92,540)	768,186
Financing activities		
Proceeds from private placements share issuance (note 7)	8,415,500	3,799,520
Share issuance costs (note 7)	(614,965)	(481,937)
Proceeds from exercise of stock options (note 8)	92,000	-
Proceeds from exercise of warrants (note 9)	703,737	77,990
Net cash provided by financing activities	8,596,272	3,395,573
Net change in cash	2,274,039	1,205,558
Cash, beginning of year	1,611,891	406,333
Cash, end of year	\$ 3,885,930	\$ 1,611,891

The accompanying notes to the consolidated financial statements are an integral part of these statements.

Arizona Metals Corp.

Notes to the Consolidated Financial Statements Years Ended December 31, 2020 and 2019 (Expressed in Canadian Dollars)

1. Nature of operations and going concern

Arizona Metals Corp. ("AMC" or the "Company") was incorporated under the Canada Business Corporations Act on June 28, 2017. The Company's head office, principal address and registered and records office is located at 66 Wellington Street West, Suite 4100, Toronto, Ontario, Canada, M5K 1B7. The Company completed its Initial Public Offering on March 6, 2018 and was classified as a Capital Pool Company ("CPC") as defined by the TSX Venture Exchange ("TSX-V").

On August 1, 2019, the Company completed a reverse take-over transaction ("RTO") with Croesus Gold Corp. ("Croesus") wherein the Company acquired 100% of the issued and outstanding common shares of Croesus. As a result of the share exchange, Croesus is considered to have control. While the Company is the legal acquirer, the accounting acquirer is Croesus and these financial statements are consolidated and presented with Croesus as the continuing entity. Concurrent with the RTO, the Company changed its name to Arizona Metals Corp. and began trading on the TSX-V under the symbol "AMC". On August 6, 2020, the Company began trading on the OTCQB under the ticker "AZMCF" and moved to OTCQX in January 2021..

AMC is a Canadian exploration company focused on precious metal exploration in the United States. At the date of these consolidated financial statements, the Company has not yet discovered any deposits, nor has it earned any income.

Although the Company has taken customary steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

AMC is at an early stage of exploration and as is common with many exploration companies, it raises financing for its exploration and acquisition activities in discrete tranches. The Company has current assets in excess of current liabilities of \$4,446,870 at December 31, 2020 (December 31, 2019 - \$2,150,835). For the year ended December 31, 2020, the Company had a net loss of \$7,181,217 (year ended December 31, 2019 - \$4,260,609), and had cash outflows from operations of \$6,229,693 (year ended December 31, 2019 - \$2,958,201).

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company believes that it will have sufficient capital to operate over the next twelve months.

Longer term, the Company may pursue opportunities to raise additional capital through equity markets; however, there can be no assurance it will be able to raise funds in the future. The ultimate ability of the Company to remain a going concern and complete exploration and development of properties, if properties are proven successful, is dependent upon successfully raising additional capital. See note 15.

In March 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy, capital markets and the Company's financial position cannot be reasonably estimated at this time. The Company is monitoring developments and will adapt its business plans accordingly. The actual and threatened spread of COVID-19 globally could adversely impact the Company's ability to carry out its plans and raise capital. While it has not had a significant impact on operations so far, the continuing extent of the effect of COVID-19 on the Company is uncertain.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2020.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 29, 2021.

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified at fair value through profit or loss. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional and presentation currency

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency. The functional currency of its subsidiaries is the Canadian dollar.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries.

The following companies have been consolidated within the consolidated financial statements:

Company	Registered	Principal activity
Arizona Metals Corp.	Canada	Parent company
Arizona Metals Holdings Corp. (i)	Canada	Holding company
Croesus Gold USA Corp. (i)	Arizona, USA	Exploration company
Kay Mine USA Corp. (i)	Arizona, USA	Exploration company

(i) 100% owned, directly or indirectly, by Arizona Metals Corp.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date that such control ceases. Control is achieved when an investor has power over an investee to direct its activities, exposure to variable returns from an investee, and the ability to use the power to affect the investor's returns.

The results of subsidiaries acquired or disposed of during the years presented are included in the consolidated statements of comprehensive loss from the effective date of control and up to the effective date of disposal or loss of control, as appropriate. All intercompany transactions, balances, income and expenses are eliminated upon consolidation.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Financial instruments

Recognition and initial measurement

The Company recognizes a financial asset or financial liability on the consolidated statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets are classified according to the following measurement categories:

- i) amortized cost; or
- ii) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI").

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- i) amortized cost; or
- ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial assets consist of cash, sales tax recoverable, and reclamation bond which are classified and subsequently measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash

Cash includes cash on hand and cash held with a Canadian chartered bank.

Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years. Deferred tax is recognized in respect of taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to taxable temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Exploration and evaluation expenditures

The Company expenses exploration and evaluation expenditures as incurred on mineral properties not commercially viable and financially feasible. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and evaluation activities. Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit. Exploration and evaluation expenditures are capitalized if the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible or tangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

Mineral property assets are amortized upon commencement of commercial production either on a unit-of-production basis over measured and indicated resources included in the mine plan or the life of the mine.

Share-based payments

The fair value of stock options granted to employees and non-employees is recognized as an expense over the vesting period with a corresponding increase in reserves within shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The grant date fair values of share-based payments that are unexercised upon expiry is removed from reserves and transferred to accumulated deficit.

Decommissioning provision

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the Company's exploration and evaluation activities. Discount rates using a pretax rate that reflects the risk and the time value of money are used to calculate the net present value. These costs are charged against profit or loss as exploration and evaluation expenditures and the related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no restoration, rehabilitation and environment costs as the disturbance to date has been minimal.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are recognised in consolidated statement of loss and comprehensive loss.

Critical accounting estimates and judgments

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. The preparation of the consolidated financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

(a) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are estimated at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

(b) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(c) Decommissioning provision

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at fair value.

(d) Commitments and contingencies

See note 14.

Critical judgments in applying accounting policies

Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its operations and working capital requirements as discussed in note 1.

Loss per share

Basic loss per share is computed by dividing the loss for the period available to common shareholders by the weighted average number of shares outstanding during the years. Diluted loss per share is computed similarly to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the years. Options and warrants are anti-dilutive and, therefore, have not been taken into account in the loss per share calculations.

Change in accounting policies

During the year ended December 31, 2020, the Company adopted a number of amendments and improvements of existing standards. These included IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is assessing the impact of the below of the below pronouncements on its financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

3. Capital risk management

The Company includes equity, comprising issued share capital, reserves and deficit, in the definition of capital, which as at December 31, 2020, totaled \$4,596,754 (December 31, 2019 - \$2,208,179).

The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its exploration commitments. To secure the additional capital necessary to continue with the exploration of mineral properties, the Company may attempt to raise additional funds through the issuance of debt or equity. The Company is not subject to any capital requirements imposed by a lending institution.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares and adjusting spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

There were no changes in the Company’s process, policies and approach to capital management during the years ended December 31, 2020 and 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2020, the Company believes it is compliant with the policies of the TSX-V.

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4. Financial instruments

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, sales tax recoverable and reclamation bond. Cash is held with a Canadian chartered bank, from which management believes the risk of loss to be minimal.

Sales tax recoverable are receivable from government authorities in Canada. Reclamation bond is held with relevant government authorities in United States. Management believes that the credit risk with respect to these amounts receivable is minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2020, the Company had cash of \$3,885,930 (December 31, 2019 - \$1,611,891) to settle current liabilities of \$188,449 (December 31, 2019 - \$117,916). All of the Company's financial liabilities have contractual maturities of less than 90 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company obtained its financing through private placements. Negative trends in the general equity market and the fall in commodity prices can adversely impact the Company's ability to obtain financing at favourable terms. If the Company cannot obtain the necessary financing to fund its operating and exploration activities, the Company might not be able to continue as a going concern entity.

There can be no assurance that additional financing, if and when required, will be available or on terms acceptable to the Company. See note 15.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash balances. The Company's current policy is to invest surplus cash in high yield savings accounts with a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk

The Company's functional and presentation currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company is not exposed to foreign currency risk.

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5. Fair value measurements

The carrying value of the Company's financial instruments approximates fair value due to their short-term maturity.

6. Reverse take-over

On August 1, 2019, the Company acquired all the issued and outstanding shares of Croesus. The transaction is intended to serve as the Company's Qualifying Transaction pursuant to the policies of the TSX-V. Prior to closing, Croesus had 37,708,400 common shares and 7,100,000 options outstanding. Immediately before closing, the Company effected a 2.5-to-1 stock consolidation. The Company's shares were then exchanged for the shares of Croesus on a 1:1 basis.

The acquisition constitutes an asset acquisition as the Company did not meet the definition of a business, as defined in IFRS 3 - Business Combinations. Additionally, as a result of the RTO, the statement of financial position has been adjusted for the elimination of the Company's share capital, reserves and deficit within shareholders' equity.

As a result of this asset acquisition, a listing expense of \$532,457 has been recorded. This reflects the difference between the estimated fair value of consideration given less the fair value of the net assets acquired.

The allocation of estimated fair value of consideration given is as follows:

Fair value of net assets acquired

Cash	\$ 825,530
Accounts receivable	3,416
Listing expenses	532,457
	\$ 1,361,403

Consideration given

5,080,008 common shares	\$ 1,270,002
400,000 stock options	42,652
320,000 compensation warrants	48,749
	\$ 1,361,403

During the year ended December 31, 2019, the Company also incurred cash listing expenses of \$202,068 for aggregate listing expenses of \$734,525.

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7. Share capital

a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

	Number of common shares	Amount
Balance, December 31, 2018	32,050,000	\$ 3,431,482
Private placements (i)(ii)	10,413,400	3,799,520
Share issuance costs (i)(ii)	-	(571,380)
Warrant valuation	-	(1,032,547)
Exploration share-based payments (note 10)	2,000,000	600,000
Shares issued on RTO (note 6)	5,080,008	1,270,002
Warrants exercised	311,960	125,514
Balance, December 31, 2019	49,855,368	\$ 7,622,591
Private placements (iii)(iv)	14,041,000	8,415,500
Share issuance costs (iii)(iv)	-	(770,365)
Warrant valuation (iv)	-	(1,078,553)
Warrants exercised	1,489,342	936,573
Stock options exercised	368,000	131,240
Balance, December 31, 2020	65,753,710	\$ 15,256,986

(i) During January-March 2019, the Company closed private placements whereby the Company issued a total of 3,658,400 common shares at \$0.30 per share for aggregate proceeds of \$1,097,520. Cash issuance cost was \$69,627.

(ii) On June 27, 2019, the Company completed a private placement of aggregate 6,755,000 subscription receipts ("Subscription Receipts") at a price of \$0.40 per Subscription Receipt for aggregate gross proceeds of \$2,702,000 (the "Financing"). Canaccord Genuity Corporation (the "Agent") was engaged to act as lead agent in connection with the Financing.

The gross proceeds of the Financing, less certain fees and expenses of the Agent, was placed in escrow on behalf of the purchasers of Subscription Receipts, and was released to the Company upon satisfaction of certain escrow release conditions, including completion of the RTO.

Immediately prior to closing of the RTO each Subscription Receipt, without payment of any additional consideration or taking of any action, was converted into one (1) unit (the "Unit"). Each Unit is comprised of one common share of the Company and one common share purchase warrant of the Company (the "Warrants"). Each Warrant will entitle the holder thereof to purchase one common share of the Company at a price of \$0.60 for a period of 3 years following August 1, 2019. The Company incurred cash issuance cost of \$250,190.

The 6,755,000 Warrants were assigned a grant date value of \$1,032,547 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.25, expected dividend yield of 0%, expected volatility of 130%, risk-free rate of return of 1.43%, and an expected maturity of 3 years.

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7. Share capital (continued)

b) Common shares issued (continued)

(ii) (continued) The Company also paid the Agent a cash commission (the "Agent's Commission") of \$162,120, equal to 6% of the aggregate gross proceeds of the Financing, half of which was paid upon closing of the RTO and conversion of the Subscription Receipts. The Company also issued warrants to the Agent (the "Compensation Warrants") to purchase such number of common shares of the Company as is equal to 8% of the total number of Subscription Receipts issued pursuant to the Financing. Each Compensation Warrant will be exercisable into one common share of the Company at an exercise price of \$0.40 for a period of 24 months following the Closing Date.

The 540,400 Compensation Warrants were assigned a grant date value of \$89,443 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.30, expected dividend yield of 0%, expected volatility of 120%, risk-free rate of return of 1.47%, and an expected maturity of 2 years.

Closing of the Transaction took place on August 1, 2019.

(iii) On February 12, 2020, the Company announced that it has closed a non-brokered private placement offering of 4,741,000 common shares of the Company at a price of \$0.50 per common share, for aggregate gross proceeds of \$2,370,500. Certain directors of the Company purchased an aggregate of 200,000 common shares under the offering. An insider of the Company at the time beneficially purchased an aggregate of 500,000 common shares under the offering. In connection with the offering, the Company paid cash finders' fees of an aggregate of \$93,900 and other share issuance cost of \$69,999.

(iv) On May 29, 2020, the Company completed a bought deal private placement offering of 9,300,000 units at a price of \$0.65 per unit for aggregate gross proceeds of \$6,045,000. Each unit consists of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.85 for a period of 18 months. In connection with the offering, the Company paid a cash commission of \$451,066 and issued 427,654 broker warrants. Each broker warrant is exercisable into one common share at a price of \$0.65 per share for a period of 18 months.

The 4,650,000 warrants and 427,654 broker warrants issued assigned a grant date value of \$1,078,553 and \$155,400, respectively, as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.53, expected dividend yield of 0%, expected volatility of 121%, risk-free rate of return of 0.28%, and an expected maturity of 18 months.

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8. Stock options

The Company's stock options outstanding are as follows:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2018	5,300,000	\$ 0.14
Issued (i)(ii)	2,600,000	0.32
Issued on RTO	400,000	0.25
Balance, December 31, 2019	8,300,000	\$ 0.21
Issued (iii)(iv)(v)(vi)	2,150,000	0.66
Exercised	(368,000)	0.25
Balance, December 31, 2020	10,082,000	\$ 0.30

(i) On March 27, 2019, the Company granted 1,800,000 stock options to directors of the Company with exercise price of \$0.30 per share, expiring in 5 years. The stock options were assigned a grant date value of \$467,071 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.30, expected dividend yield of 0%, expected volatility of 132%, risk-free rate of return of 1.43%, and an expected maturity of 5 years.

(ii) On November 15, 2019, the Company granted 800,000 stock options to directors of the Company with exercise price of \$0.40 per share, expiring in 5 years. The stock options were assigned a grant date value of \$269,375 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.39, expected dividend yield of 0%, expected volatility of 132%, risk-free rate of return of 1.48%, and an expected maturity of 5 years.

(iii) On May 7, 2020, the Company granted 100,000 stock options to a consultant of the Company with exercise price of \$0.50 per share, expiring in 5 years. The stock options vest immediately. The stock options were assigned a grant date value of \$59,732 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.68, expected dividend yield of 0%, expected volatility of 121%, risk-free rate of return of 0.37%, and an expected maturity of 5 years.

(iv) On June 4, 2020, the Company granted 1,450,000 stock options to directors and consultants of the Company with exercise price of \$0.66 per share, expiring in 5 years. The stock options vest immediately. The stock options were assigned a grant date value of \$790,475 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.66, expected dividend yield of 0%, expected volatility of 121%, risk-free rate of return of 0.48%, and an expected maturity of 5 years.

(iv) On August 4, 2020, the Company granted 100,000 stock options to a consultant of the Company with exercise price of \$0.80 per share, expiring in 2 years. The stock options vest monthly in equal installments over one year. The stock options were assigned a grant date value of \$56,020 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.89, expected dividend yield of 0%, expected volatility of 121%, risk-free rate of return of 0.25%, and an expected maturity of 2 years.

(vi) On December 2, 2020, the Company granted 500,000 stock options to a consultant of the Company with exercise price of \$0.68 per share, expiring in 3 years. 150,000 stock options vested immediately, 150,000 stock options vest on April 30, 2021 and 200,000 stock options vest on November 30, 2021. All unvested options vest immediately upon the occurrence of a change of control of the Company. The stock options were assigned a grant date value of \$236,033 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$0.75, expected dividend yield of 0%, expected volatility of 99%, risk-free rate of return of 0.29%, and an expected maturity of 3 years.

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8. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of December 31, 2020:

Fair value (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Exercisable options	Weighted average exercise price (\$)	Expiry date
56,020	1.59	100,000	33,333	0.80	August 4, 2022
3,412	2.18	32,000	32,000	0.25	March 6, 2023
236,033	2.92	500,000	150,000	0.68	November 30, 2023
467,071	3.24	1,800,000	1,800,000	0.30	March 27, 2024
269,375	3.88	800,000	800,000	0.40	November 15, 2024
59,732	4.35	100,000	100,000	0.50	May 7, 2025
790,475	4.43	1,450,000	1,450,000	0.66	June 4, 2025
324,573	4.97	2,000,000	2,000,000	0.10	December 18, 2025
250,336	5.30	1,000,000	1,000,000	0.10	April 18, 2026
627,386	5.38	2,300,000	2,300,000	0.20	May 19, 2026
3,084,413	4.47	10,082,000	9,665,333	0.30	

9. Warrants

The Company's warrants outstanding are as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2018	-	\$ -
Issued	7,295,400	0.59
Issued on RTO	320,000	0.25
Exercised	(311,960)	0.25
Balance, December 31, 2019	7,303,440	\$ 0.58
Issued	5,077,654	0.83
Warrants repriced (i)	(6,117,999)	0.60
Warrants repriced (i)	6,117,999	0.50
Exercised	(1,489,342)	0.47
Expired	(8,040)	0.25
Balance, December 31, 2020	10,883,712	\$ 0.66

(i) On February 24, 2020, the Company repriced 6,117,999 of the Company's outstanding warrants expiring on August 1, 2022 from an exercise price of \$0.60 per warrant to an exercise price of \$0.50 per warrant.

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9. Warrants (continued)

The following table reflects the actual warrants issued and outstanding as of December 31, 2020:

Fair value (\$)	Number of warrants	Weighted average exercise price (\$)	Expiry date
21,692	131,058	0.40	August 7, 2021
97,370	637,001	0.60	August 1, 2022
770,091	5,037,999	0.50	August 1, 2022
1,078,553	4,650,000	0.85	November 29, 2021
155,400	427,654	0.65	November 29, 2021
2,123,106	10,883,712	0.66	

10. Exploration and evaluation expenditures

Year ended December 31,	2020	2019
Sugarloaf Peak Gold Project		
Acquisition cost	\$ -	\$ 600,000
Concession fees	49,840	26,831
Drilling	545,613	-
Consulting	134,016	-
Assays	89,821	-
	819,290	626,831
Kay Mine		
Acquisition cost	-	1,002,245
Concession fees	14,304	26,501
Legal fees	32,032	74,527
Consulting	364,721	390,065
Camp costs	64,599	-
Drilling	3,749,641	18,000
Assays	90,101	-
Storage	12,060	1,815
	4,327,458	1,513,153
Total exploration and evaluation expenditures	\$ 5,146,748	\$ 2,139,984

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10. Exploration and evaluation expenditures (continued)

Sugarloaf Peak Gold Project

On December 16, 2014, Croesus entered into an option agreement with Riverside Resources Inc. ("Riverside") effective December 16, 2014, as amended December 18, 2015 and March 21, 2016 (the "Sugarloaf Option Agreement") whereby Riverside granted to Croesus the irrevocable and exclusive right and option (the "Option") to purchase and acquire 100% of Riverside's right, title and interest (of any nature or kind whatsoever) in and to the Sugarloaf Peak Gold Project. Croesus exercised the option in full by making aggregate cash payments to Riverside of \$700,000 (December 31, 2019 - aggregate cash payments of \$700,000) and issuing an aggregate of 10,300,000 common shares (December 31, 2019 - aggregate common shares issued of 10,300,000) to Riverside.

Arizona Metals has the right to purchase one-half of the 1% of net smelter return royalty (the "Royalty") granted to Riverside on exercise of the Option for \$5,500,000, exercisable at any time on or before the fourth anniversary of the date of the date of the royalty agreement, exercisable by written notice to the holder of the Royalty with payment of cash in immediately available funds to follow, to or as directed by the Royalty holder, no more than 10 business days following receipt of such notice by the Royalty holder (unless otherwise mutually agreed by the parties).

At December 31, 2020, the Company has provided aggregate of \$54,652 (December 31, 2019 - \$nil) in deposits as security against potential future reclamation work related to the Sugarloaf Peak Gold Project.

Kay Mine

On November 15, 2018, Croesus entered into an acquisition agreement ("Acquisition Agreement") with Silver Spruce Resources Inc. ("Silver Spruce") to acquire 100% interest in certain patented and unpatented mining claims in Yavapai County, Arizona, USA, known collectively as the "Kay Mine Claims". The purchase price includes:

- (a) Cash consideration of \$50,000 (paid); and
- (b) the assumption by the Company of a loan on the closing date with a principal amount of US\$450,000, accruing interest at a rate of 12% per annum. The Company repaid the full amount of the loan and the accrued interest on March 12, 2019 in the amount of \$652,165.

In May 2019, the Company entered into an agreement with Silver Spruce to amend the ongoing terms of the Acquisition Agreement ("Extension Agreement"). Under the Extension Agreement, Croesus made additional payments to Silver Spruce of \$200,000 on May 9, 2019 and \$150,000 on June 27, 2019, satisfying all of the Company's obligations under the Acquisition Agreement and Extension Agreement.

At December 31, 2020, the Company has provided aggregate of \$95,232 (December 31, 2019 - \$57,344) in deposits as security against potential future reclamation work related to the Kay Mine.

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11. Income tax

A reconciliation between tax expense and the product of accounting loss multiplied by the Company's domestic tax rate is as follows:

Year ended December 31,	2020	2019
Loss before income tax	\$ (7,181,217)	\$ (4,260,609)
Statutory tax rate	26.50 %	26.50 %
Tax benefit of statutory rate	(1,903,000)	(1,129,000)
Permanent differences	258,000	362,000
Tax benefits not recognized	1,645,000	767,000
Total tax recovery	\$ -	\$ -

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the consolidated financial statements as they are not probable to be recovered.

Unrecognized deferred tax assets	December 31, 2020	December 31, 2019
Tax loss carry-forwards	\$ 989,000	\$ 283,000
Exploration and development	2,522,000	1,158,000
Share issue costs	226,000	108,000
Total	\$ 3,737,000	\$ 1,549,000

As at December 31, 2020, the Company has unclaimed non-capital losses that expire as follows:

Expires:	2031	\$ 500
	2032	500
	2033	500
	2034	8,000
	2035	21,000
	2036	239,000
	2037	299,000
	2038	360,000
	2039	1,494,000
	2040	1,310,000
		<u>\$ 3,732,500</u>

As at December 31, 2020, the Company has unclaimed exploration and development expenses of \$9,518,000 (2019 - \$4,371,000).

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12. Related party transactions

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

(a) Remuneration of directors and key management personnel of the Company was as follows:

Year ended December 31,	2020	2019
Salaries and benefits	\$ 335,451	\$ 240,509
Share-based payments	708,702	736,446
Professional fees	51,085	18,332
Legal fees	186,609	396,075
	\$ 1,281,847	\$ 1,391,362

(b) Included in professional fees is \$51,085 (year ended December 31, 2019 - \$18,332) paid to Marrelli Support Services Inc. ("MSSI") for Eric Myung, an employee of MSSI, to act as the Chief Financial Officer ("CFO") of the Company and bookkeeping services. As at December 31, 2020, \$2,318 (December 31, 2019 - \$2,321) was owed to MSSI and this amount was included in accounts payable and accrued liabilities. The amount owing is unsecured, non-interest bearing with no fixed terms of repayment.

(c) A director of the Company is a partner in a law firm that provides services on a recurrent basis to the Company. During the year ended December 31, 2020, the Company incurred legal fees of \$72,478 (year ended December 31, 2019 - \$94,007) included in professional fees, share issuance costs of \$114,131 (year ended December 31, 2019 - \$100,000), and listing expense of \$nil (year ended December 31, 2019 - \$202,068) to this law firm. As of December 31, 2020, included in accounts payable and accrued liabilities is an amount of \$11,966 (December 31, 2019 - \$5,649) owing to this law firm. The amount owing is unsecured, non-interest bearing with no fixed terms of repayment.

(d) During the year ended December 31, 2020, related parties have subscribed for a total of 700,000 common shares for aggregate gross proceeds of \$350,000 (year ended December 31, 2019 - a total of 2,062,500 common shares and 1,862,500 warrants for aggregate gross proceeds of \$805,000).

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13. Segmented information

Operating segments

At December 31, 2020, the Company's operations comprise a single reporting operating segment engaged in mineral exploration in the United States. As the operations comprise a single reporting segment, amounts disclosed in these consolidated financial statements also represent operating segment amounts.

Geographic segments

The Company is in the business of mineral exploration in the United States. As such, management has organized the Company's reportable segments by geographic area. The Company's operations in the United States are responsible for mineral exploration activities while the Canadian segment manages corporate head office activities. Information concerning the Company's reportable segments is as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net loss and comprehensive net loss		
Canada	\$ (2,034,469)	\$ (2,120,625)
United States	(5,146,748)	(2,139,984)
Total	\$ (7,181,217)	\$ (4,260,609)

14. Commitments and contingencies

Environmental contingencies

The Company's mineral exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Management contract

The Company is party to certain employment contracts. These contracts require that additional payments of approximately \$900,000 be made upon the occurrence of a change of control or termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.

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15. Subsequent events

In January 2021, the Company entered into a purchase option and sale agreement to acquire 100% of six parcels of patented land totaling 107 acres, located 900 metres northeast of its Kay Mine VMS Project. The purchase price was US\$2,250,000 to be paid as follows:

- (a) Cash consideration of US\$200,000 upon entering into the purchase agreement (paid);
- (b) Cash consideration of greater of US\$500,000 and 20% of any financing done within the due diligence period on or before March 31, 2021 (US\$1,700,000 paid); and
- (c) The balance of cash consideration on or before December 31, 2021.

The terms of the purchase agreement included a due diligence period ended on March 31, 2021.

On January 26, 2021, the Company closed a non-brokered private placement of 10,526,315 common shares of the Company at \$0.95 per common share for gross proceeds of \$10,000,000. In connection with the offering, the Company paid cash finders' fees totaling \$210,000.

On February 8, 2021, the Company granted 200,000 stock options to directors of the Company with an exercise price of \$1.00 per share, expiring five years from the date of issuance. The stock options vested immediately upon issuance.

On April 22, 2021, the Company completed a bought-deal private placement offering of 10,000,000 special warrants of the Company at a price of \$2.10 per special warrant for aggregate gross proceeds of \$21,000,000.

Each special warrant shall entitle the holder to receive, without payment of additional consideration, 1 unit of the Company, on the date which is the earlier of:

- (i) the second business day following the date on which a final receipt is obtained from the Ontario Securities Commission for a (final) short form prospectus qualifying for distribution of the units (the "Qualification Date"); and
- (ii) August 23, 2021.

Each unit shall consist of 1 common share of the Company and one-half of 1 common share purchase warrant. Each whole warrant will entitle the holder to purchase one common share of the Company at \$3.00 per warrant until April 22, 2022. In the event the Qualification Date has not occurred on or before July 2, 2021, the exercise price of each warrant shall be reduced to \$2.47 per share. In connection with the offering, the Company paid (i) a cash commission of 6% of the gross proceeds of the offering, excluding gross proceeds from the issuance of units on a president's list agreed upon by the Company and the underwriters, for which a commission of 3% of such gross proceeds was paid; and (ii) 525,442 compensation warrants. Each compensation warrant is exercisable into one (1) unit of the Company at a price of \$2.10 per unit until April 22, 2022.

Subsequent to December 31, 2020, 1,846,967 warrants with exercise prices ranging from \$0.40 to \$0.85 per share were exercised for gross proceeds of \$1,288,921.

Subsequent to December 31, 2020, 350,000 options with exercise prices ranging from \$0.40 to \$0.66 per share were exercised for gross proceeds of \$163,000.