
ARIZONA METALS CORP.
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(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, 2022 and 2021, 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, 2022 and 2021, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there were no key audit matters to communicate in our report.

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.

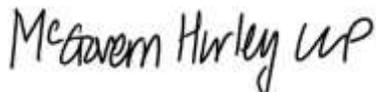
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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
March 31, 2023

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

As at December 31,	2022	2021
ASSETS		
Current assets		
Cash	\$ 6,958,183	\$ 55,774,455
Investments	45,227,200	-
Sales tax recoverable	79,647	572,721
Prepaid expenses	671,866	695,748
Total current assets	52,936,896	57,042,924
Non-current assets		
Property and equipment (note 5)	50,596	-
Reclamation bond (note 9)	295,028	234,579
Total assets	\$ 53,282,520	\$ 57,277,503
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 4)	\$ 607,757	\$ 1,069,779
Total liabilities	607,757	1,069,779
Shareholders' equity		
Share capital (note 6)	107,274,620	86,332,796
Reserves (notes 7 and 8)	4,928,679	5,191,031
Deficit	(59,528,536)	(35,316,103)
Total shareholders' equity	52,674,763	56,207,724
Total liabilities and shareholders' equity	\$ 53,282,520	\$ 57,277,503

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 (notes 9 and 12)

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,	2022	2021
Operating expenses		
Salaries and benefits (note 11)	\$ 1,878,174	\$ 1,158,979
Exploration and evaluation expenditures (note 9)	18,111,186	17,079,584
Office and general	555,519	380,583
Professional fees (note 11)	327,745	320,830
Business development	458,027	267,132
Share-based payments (notes 7 and 11)	2,933,827	323,708
Filing fees	457,155	86,275
Depreciation (note 5)	20,315	-
Operating loss before the following item	(24,741,948)	(19,617,091)
Interest income	227,200	-
Net loss and comprehensive loss for the year	\$ (24,514,748)	\$ (19,617,091)
Basic and diluted net loss per share	\$ (0.22)	\$ (0.23)
Weighted average number of common shares outstanding	111,646,785	85,142,505

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, 2020	65,753,710	\$ 15,256,986	\$ 5,038,780	\$ (15,699,012)	\$ 4,596,754
Private placements and public offering (note 6(b))	19,151,316	46,656,250	-	-	46,656,250
Special warrants (note 6(b))	10,000,000	21,000,000	-	-	21,000,000
Share issuance costs	-	(4,955,769)	769,845	-	(4,185,924)
Warrant valuation	-	(1,501,600)	1,501,600	-	-
Stock options exercised (note 7)	3,430,000	1,301,059	(774,059)	-	527,000
Warrants exercised	6,641,934	8,575,870	(1,668,843)	-	6,907,027
Share-based payments	-	-	323,708	-	323,708
Net loss for the year	-	-	-	(19,617,091)	(19,617,091)
Balance, December 31, 2021	104,976,960	\$ 86,332,796	\$ 5,191,031	\$ (35,316,103)	\$ 56,207,724
Stock options exercised (note 7)	970,000	1,097,470	(470,470)	-	627,000
Warrants exercised (note 8)	10,062,844	19,844,354	(2,423,394)	-	17,420,960
Warrants expired	-	-	(302,315)	302,315	-
Share-based payments	-	-	2,933,827	-	2,933,827
Net loss for the year	-	-	-	(24,514,748)	(24,514,748)
Balance, December 31, 2022	116,009,804	\$107,274,620	\$ 4,928,679	\$ (59,528,536)	\$ 52,674,763

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,	2022	2021
Operating activities		
Net loss for the year	\$ (24,514,748)	\$ (19,617,091)
Adjustments for:		
Share-based payments (note 7)	2,933,827	323,708
Depreciation	20,315	-
Changes in non-cash working capital items:		
Sales tax recoverable	493,074	(540,750)
Prepaid expenses	23,882	21,670
Accounts payable and accrued liabilities	(462,022)	881,330
Net cash used in operating activities	(21,505,672)	(18,931,133)
Investing activities		
Reclamation bond	(60,449)	(84,695)
Purchase of property and equipment	(70,911)	-
Purchase of investments	(75,350,049)	-
Redemption of investments	30,122,849	-
Net cash used in investing activities	(45,358,560)	(84,695)
Financing activities		
Proceeds from private placements and public offering	-	67,656,250
Share issuance costs	-	(4,185,924)
Proceeds from exercise of stock options	627,000	527,000
Proceeds from exercise of warrants	17,420,960	6,907,027
Net cash provided by financing activities	18,047,960	70,904,353
Net change in cash	(48,816,272)	51,888,525
Cash, beginning of year	55,774,455	3,885,930
Cash, end of year	\$ 6,958,183	\$ 55,774,455
Supplemental information		
Interest income	\$ 227,200	\$ -
Broker warrants	\$ -	\$ 769,845

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, 2022 and 2021 (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"), which changed to Arizona Metals Holdings Corp. subsequent to RTO, 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 the OTCQX in January 2021. On October 13, 2022, the Company's common shares were delisted from the TSX-V upon graduation to the TSX.

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 does not have any operating mines, nor has it earned any income from production.

Although the Company has taken steps to verify title to the properties on which it is conducting its exploration activities, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, social licensing requirements, aboriginal land claims and non-compliance with regulatory and environmental requirements. The Company's property interests may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions, and political uncertainty.

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 \$52,329,139 at December 31, 2022 (December 31, 2021 - \$55,973,145). For the year ended December 31, 2022, the Company had a net loss of \$24,514,748 (year ended December 31, 2021 - \$19,617,091), and had cash outflows from operations of \$21,505,672 (year ended December 31, 2021 - \$18,931,133).

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.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2022 and 2021
(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, 2022.

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on March 31, 2023.

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, 2022 and 2021
(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:

- iii) amortized cost; or
- iv) 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, investments, 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, 2022 and 2021
(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).

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

Cash

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

Investments

Investments are guaranteed investment certificates with maturity dates of less than a year.

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.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

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.

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.

Arizona Metals Corp.

Notes to the Consolidated Financial Statements
Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

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.

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.

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.

Arizona Metals Corp.

Notes to the Consolidated Financial Statements
Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

Critical accounting estimates and judgments (continued)

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.

(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 12.

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.

Arizona Metals Corp.
Notes to the Consolidated Financial Statements
Years Ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

2. Significant accounting policies (continued)

New accounting policies

Property and equipment

Property and equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Amortization is provided at rates calculated to write off the cost, less their estimated residual value, using the declining balance method at the following various rates:

Vehicles	- 30%, declining balance basis
Equipment	- 30%, declining balance basis

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item consists of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Residual values, estimated useful lives and amortization methods are reviewed at least annually.

Change in accounting policies

During the year ended December 31, 2022, the Company adopted a number of amendments and improvements of existing standards. These included IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

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, 2023. 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 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") was amended in February 2021 to introduce 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

Arizona Metals Corp.

Notes to the Consolidated Financial Statements Years Ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

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, 2022, totaled \$52,674,763 (December 31, 2021 - \$56,207,724).

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, 2022 and 2021.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX which requires adequate working capital or financial resources such that, in the opinion of TSX, the listed issuer will be able to continue as a going concern. TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountants' or auditors' disclosures in the consolidated financial statements regarding the listed issuer's ability to continue as a going concern.

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, investments, 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, 2022, the Company had cash of \$6,958,183 (December 31, 2021 - \$55,774,455) to settle current liabilities of \$607,757 (December 31, 2021 - \$1,069,779). 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.

Arizona Metals Corp.
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4. Financial instruments (continued)

The Company obtained its financing through private placements and public offerings. 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.

(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.

5. Property and equipment

Cost	Equipment	Vehicles	Total
Balance, December 31, 2020 and December 31, 2021	\$ -	\$ -	\$ -
Additions	12,766	58,145	70,911
Balance, December 31, 2022	\$ 12,766	\$ 58,145	\$ 70,911

Accumulated Depreciation	Equipment	Vehicles	Total
Balance, December 31, 2020 and December 31, 2021	\$ -	\$ -	\$ -
Depreciation for the year	2,871	17,444	20,315
Balance, December 31, 2022	\$ 2,871	\$ 17,444	\$ 20,315

Carrying Value	Equipment	Vehicles	Total
Balance, December 31, 2021	\$ -	\$ -	\$ -
Balance, December 31, 2022	\$ 9,895	\$ 40,701	\$ 50,596

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6. 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, 2020	65,753,710	\$ 15,256,986
Private placement and public offering (i)(iii)	19,151,316	46,656,250
Special warrants converted (ii)	10,000,000	21,000,000
Share issuance costs (i)(ii)(iii)	-	(4,955,769)
Warrant valuation (ii)	-	(1,501,600)
Stock options exercised	3,430,000	1,301,059
Warrants exercised	6,641,934	8,575,870
Balance, December 31, 2021	104,976,960	\$ 86,332,796
Stock options exercised	970,000	1,097,470
Warrants exercised	10,062,844	19,844,354
Balance, December 31, 2022	116,009,804	\$107,274,620

(i) On January 26, 2021, the Company closed a non-brokered private placement of 10,526,316 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 \$211,787 and other share issuance cost of \$59,693.

(ii) 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 entitled the holder to receive, without payment of additional consideration, 1 unit of the Company, on June 30, 2021.

Each unit consisted of 1 common share of the Company and one-half of 1 common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at \$3.00 per warrant until April 22, 2022. In connection with the offering, the Company paid commissions and other issue costs totaling \$1,534,360 and 525,442 broker warrants. Each broker warrant was exercisable into one (1) unit of the Company at a price of \$2.10 per unit until April 22, 2022.

The 5,000,000 warrants were assigned a grant date value of \$1,501,600, as estimated by using the Black-Scholes valuation model with the following assumptions: unit price of \$1.95, expected dividend yield of 0%, expected volatility of 82%, risk-free rate of return of 0.45%, and an expected maturity of 10 months.

The 525,442 broker warrants issued was assigned a grant date value of \$376,364, as estimated by using the Black-Scholes valuation model with the following assumptions: unit price of \$2.10, expected dividend yield of 0%, expected volatility of 88%, risk-free rate of return of 0.31%, and an expected maturity of 1 year.

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Notes to the Consolidated Financial Statements
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6. Share capital (continued)

b) Common shares issued (continued)

(iii) On November 12, 2021, the Company completed a bought-deal public offering of 11,725,000 common shares of the Company at a price of \$4.25 per common share, consisting of 8,625,000 common shares issued from treasury for gross proceeds to the Company of \$36,656,250, and 3,100,000 common shares sold by certain existing shareholders for gross proceeds of \$13,175,000. In connection with the offering, the Company paid cash commissions and other issue costs totaling \$2,380,084, and 258,750 broker warrants. Each broker warrant is exercisable into one common share of the Company at a price of \$4.25 per common share until November 12, 2022.

The 258,750 broker warrants issued was assigned a grant date value of \$529,000, as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$5.34, expected dividend yield of 0%, expected volatility of 76%, risk-free rate of return of 0.98%, and an expected maturity of 1 year.

7. Stock options

The Company's stock options outstanding are as follows:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2020	10,082,000	\$ 0.30
Issued (i)	200,000	1.00
Exercised	(3,430,000)	0.15
Balance, December 31, 2021	6,852,000	\$ 0.40
Issued (ii)(iii)	775,000	5.95
Exercised	(970,000)	0.64
Balance, December 31, 2022	6,657,000	\$ 1.01

(i) 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. The stock options were assigned a grant date value of \$169,076 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$1.09, expected dividend yield of 0%, expected volatility of 107%, risk-free rate of return of 0.50%, and an expected maturity of 5 years.

(ii) On January 31, 2022, the Company granted 450,000 stock options to a consultant and an employee of the Company with exercise price of \$5.38 per share, expiring in 5 years. The options vest 1/3 on grant date, 1/3 on the one year anniversary of the grant date, and 1/3 on the two year anniversary of the grant date. The stock options were assigned a grant date value of \$1,775,575 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$5.60, expected dividend yield of 0%, expected volatility of 90%, risk-free rate of return of 1.64%, and an expected maturity of 5 years.

(iii) On March 28, 2022, the Company granted 325,000 stock options to directors of the Company with exercise price of \$6.75 per share, expiring in 5 years. The options vested immediately. The stock options were assigned a grant date value of \$1,484,966 as estimated by using the Black-Scholes valuation model with the following assumptions: share price of \$6.57, expected dividend yield of 0%, expected volatility of 89%, risk-free rate of return of 2.46%, and an expected maturity of 5 years.

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7. Stock options (continued)

The following table reflects the stock options issued and outstanding as of December 31, 2022:

Fair value on grant date (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Exercisable options	Weighted average exercise price (\$)	Expiry date
3,412	0.18	32,000	32,000	0.25	March 6, 2023
467,071	1.24	1,800,000	1,800,000	0.30	March 27, 2024
117,852	1.88	350,000	350,000	0.40	November 15, 2024
708,702	2.43	1,300,000	1,300,000	0.66	June 4, 2025
84,538	3.11	100,000	100,000	1.00	February 8, 2026
627,386	3.38	2,300,000	2,300,000	0.20	May 19, 2026
1,775,575	4.09	450,000	150,000	5.38	January 31, 2027
1,484,966	4.24	325,000	325,000	6.75	March 28, 2027
5,269,502	2.61	6,657,000	6,357,000	1.01	

8. Warrants

The Company's warrants outstanding are as follows:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2020	10,883,711	\$ 0.66
Issued	5,784,192	2.97
Exercised	(6,641,934)	1.04
Balance, December 31, 2021	10,025,969	\$ 1.74
Issued	262,720	3.00
Exercised	(10,062,844)	1.73
Expired	(225,845)	3.75
Balance, December 31, 2022	-	\$ -

As at December 31, 2022, there were no warrants issued and outstanding.

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9. Exploration and evaluation expenditures

Year ended December 31,	2022	2021
Sugarloaf Peak Gold Project		
Concession fees	\$ 46,357	\$ 48,592
Consulting	46,520	248,362
	92,877	296,954
Kay Mine		
Acquisition cost	-	2,853,057
Concession fees	13,304	13,946
Legal fees	141,930	84,574
Consulting	2,460,764	643,841
Camp costs	214,915	167,338
Drilling	14,658,885	12,714,745
Assays	528,511	285,640
Storage	-	19,489
	18,018,309	16,782,630
Total exploration and evaluation expenditures	\$ 18,111,186	\$ 17,079,584

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, which was fully exercised.

The Sugarloaf Gold Peak Project is subject to a 2% net smelter return royalty due to Riverside and a 1.5% royalty to Arizona Gold Holdings, LLC. AMC has the right to repurchase 0.5% of the royalty granted to Riverside for \$2,000,000 until the commencement of production on the Sugarloaf Peak Gold Project. In addition, AMC retains the right to require Riverside to repurchase 1% of the 1.5% royalty held by Arizona Gold Holdings, LLC for US\$1,000,000, which repurchase amount would be funded by AMC.

At December 31, 2022, the Company has provided aggregate of \$54,652 (December 31, 2021 - \$54,652) 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:

- Cash consideration of \$50,000 (paid); and
- 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.

Arizona Metals Corp.

Notes to the Consolidated Financial Statements

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9. Exploration and evaluation expenditures (continued)

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.

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 \$2,853,057 (US\$2,250,000) and the purchase was completed in May 2021.

At December 31, 2022, the Company has provided aggregate of \$240,376 (December 31, 2021 - \$179,927) in deposits as security against potential future reclamation work related to the Kay Mine.

10. Income tax

Provision for income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

Year ended December 31,	2022	2021
Loss before income tax	\$(24,514,748)	\$(19,617,091)
Expected income tax recovery based on statutory rate	(6,496,000)	(5,199,000)
Adjustment to expected income tax recovery:		
Share-based payments	777,000	86,000
Change in benefit of tax assets not recognized	5,719,000	5,113,000
Deferred income tax provision (recovery)	\$ -	\$ -

Deferred income tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

Unrecognized deferred tax assets as at December 31,	2022	2021
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:		
Non-capital loss carry-forwards	\$ 10,469,000	\$ 7,205,000
Share issue costs	3,394,000	4,685,000
Mineral property costs	44,743,000	26,598,000
Other temporary differences	20,000	-
Total	\$ 58,626,000	\$ 38,488,000

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10. Income tax (continued)

As at December 31, 2022, the Company has unclaimed non-capital losses that expire as follows:

Expires:	2039	\$ 1,004,000
	2040	1,322,000
	2041	3,473,000
	2042	4,670,000
		<u>\$ 10,469,000</u>

As at December 31, 2022, the Company has unclaimed exploration and development expenses of \$44,743,000 (2021 - \$26,598,000).

11. 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,	2022	2021
Salaries and benefits	\$ 1,549,846	\$ 1,138,808
Share-based payments	1,484,966	169,076
Professional fees	51,329	48,754
Legal fees	166,139	432,690
	<u>\$ 3,252,280</u>	<u>\$ 1,789,328</u>

(b) Included in professional fees is \$51,329 (year ended December 31, 2021 - \$48,754) 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.

(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, 2022, the Company incurred legal fees of \$166,139 (year ended December 31, 2021 - \$116,791) included in professional fees and share issuance costs of \$nil (year ended December 31, 2021 - \$315,899) to this law firm.

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12. 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 contracts

The Company is party to certain employment contracts. These contracts require that additional payments of approximately \$2,800,000 be made upon the occurrence of a change of control or \$1,400,000 upon termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements.