



On January 22nd 2024 Arizona Metals announced that it intends to create two new companies (the “Spinco’s”) through the spin-out of the Sugarloaf Peak Gold Project and two newly-created royalties on its Kay Mine Project. The first Spinco, Sugarloaf Gold Corp., will consist of the Sugarloaf Peak gold project, that contains a historic estimate of 1.5M Au ozs. Arizona Royalties Corp. will hold a newly-created 2% net smelter royalty on any potential future mineral production at Arizona Metals’ Kay Mine Deposit, as well as a newly-created 2% NSR royalty on all future potential mineral production from any new deposits discovered through Arizona Metals’ ongoing exploration activities at the Kay Mine Project.

Full details of the spin-outs, to be conducted by way of a plan of arrangement under the Canada Business Corporations Act) and certain other matters will be set out in a management information circular (the “Circular”) of Arizona Metals to be delivered to shareholders prior to a meeting of AMC shareholders to be held in the spring to consider and approve the spin-outs. All that follows is subject to and qualified entirely by the information to be disclosed in the Circular. Additionally, the Circular will include further details concerning the risks and uncertainties associated with the spin-outs and holding shares of either Spinco.

1. How will the Spinco’s be structured?

It is expected that Arizona Metals will retain a 19.9% ownership in shares of Sugarloaf Gold Corp. and Arizona Royalties Corp. with the remaining shares being distributed to the Company’s shareholders on a pro rata basis. The spin-outs will be completed by way of a plan of arrangement under AMC’s corporate statute, and will be subject to shareholder, court and TSX approval.

2. How will the Spinco’s be funded?

Arizona Metals intends to make a modest cash injection into both Sugarloaf Gold Corp. and Arizona Royalties Corp. in connection with the spin-outs in order to provide 12-18 months of working capital for the Spin-Outs. These funds will be used by the Spinco’s to pay ongoing regulatory, legal and accounting fees needed maintain operations and the companies’ reporting obligations as public companies, with none going to salaries or consulting fees.

If additional funding is required, the Spinco’s would likely undertake a right’s offering or other form of financing in order to allow shareholders who received their holdings through the spin-out (i.e. current Arizona Metal’s shareholders) to have an opportunity to participate in future funding of the new companies. If either of the Spinco’s decides to pursue a listing on a recognized stock exchange in Canada, a financing would also possible be completed as part of that process. There is currently no immediate plan on timing to pursue a listing or to raise additional funds in either company, and any decision remains subject to future market conditions and other factors which will be assessed by the Spinco’s respective management teams.



3. What is the expected timing for Arizona Metals shareholders to receive shares of the two new companies?

We anticipate that an information circular will be mailed to Arizona Metals' shareholder in early April (after filing of the AMC's annual audited financial statements). The shareholder meeting to vote to approve the spin-outs will likely be held in mid-May, and assuming approved, the arrangement could be completed shortly thereafter, once all required regulatory and court approvals are received.

Arizona Metals will issue further disclosure to the market once timing is more definitively determined.

Note that the ultimate decision to implement either spin-out, following receipt of shareholder approval, remains at the discretion of the board of directors of Arizona Metals.

4. What is a 'reporting issuer'?

A "reporting issuer" is essentially a "public" company in Canada, meaning, among other things, it has disclosure and reporting obligations pursuant to applicable Canadian securities laws.

A reporting issuer does *not* have to be listed on a stock exchange (although every company that is listed on a stock exchange is also a reporting issuer).

A reporting issuer must, for example, file quarterly unaudited and annual audited financial statements, and is subject to continuous disclosure rules, whether or not it is listed on a stock exchange.

5. How many shares of each Spinco can I expect to receive as an AMC shareholder?

Arizona Metals will retain 19.9% of the shares of each newly created company. The remaining 80.1% of newco shares will be distributed to AMC shareholders on a pro rata basis. The final exchange ratio (ie. the proportion of the spin-co shares you receive relative to your AMC holdings) will be decided closer to the listing time and will be based on market conditions at the time.

6. Why will the SpinCos be 'reporting issuers' but not be listed immediately?

Spinning-out the Spinco's by way of a plan of arrangement will result in each company automatically becoming a reporting issuer once the spin-outs are complete. This means that shareholders will have the benefit of continuous disclosure and reporting to understand what is happening in each Spin-Co.

Not electing to apply for listing of either Spinco at this time Spinco will avoid undertaking the listing process (including a concurrent financing) in an unfavourable market. By providing the SpinCos with 12 to 18 months of working capital, AMC believes that they



each Spinco can be ready to seek a listing list as soon as market conditions allow and their respective boards of directors determine that they meet all the conditions required to be eligible for listing and it is in the best interest of Spinco shareholders.

The goal is to minimize dilution by financing at depressed valuations in the new companies, but rather finance their respective development and look at pursuing a listing when the market conditions improve.

7. Why spin-out the Kay Mine royalties now rather than wait to do it in connection with an acquisition of AMC?

The Kay Mine Project is in a unique position of carrying no royalties or encumbrances. It is common for historic deposits such as the Kay Mine Deposit to have legacy royalties ranging from 2% to 5%. Rather than selling a 2% royalty to a third-party now, or see it sold at some point in the future, AMC's intention is to spin-out a 2% royalty to our shareholders in the near-term. We believe a royalty of this size is small enough to not have any material negative impact on the economics of the Kay Mine Project, but large enough to have the potential to create significant value in a new royalty platform, of which, initially, approximately 20% would be held by Arizona Metals and the remainder by current shareholders. Importantly, in management's experience royalties typically trade at a higher multiple than the underlying asset; because of this we believe spinning out a royalty now has the potential to generate the most value for our shareholders.

8. Why spin-out Sugarloaf now rather than first drilling it?

While the Sugarloaf Project unquestionably deserves further work and drilling, the funding that Arizona Metals has raised since completing its going-public transaction in August 2019 have been for the advancement of the Kay Mine Project. Part of the reason for this allocation is that Sugarloaf is a prospective gold project, while many investors own Arizona Metals for its exposure to copper, zinc and silver through the Kay Mine Project.

We believe creating a new vehicle for the Sugarloaf Project is the best avenue to advance the project and surface its value for our shareholders, without diluting their holdings of Arizona Metals.

Sugarloaf is still at the very early stages of its development and carries significant risk. When Sugarloaf Spinco reaches the stage of requiring additional financing in the future, investors wishing to participate in any such financing will understand that their investment is in a pure gold exploration project.

9. Will the shares of Arizona Metals Corp be 'split' to create the new Spinco's?

No. Ultimately your share position in Arizona Metals will not change as a result of the spin-out. Shareholders of AMC as at the record date will receive pro rata shares in the two new companies. The number of AMC shares you hold and the total number of AMC shares outstanding will not change as a result of the Spin-Outs.



10. Will the management of AMC also be the management of the two new companies?

AMC management will likely act as interim management of each of the Spin-Cos until new management teams are identified, which may be in connection with the exploration of any potential listing process, or at another point in the future. Interim management will not receive any cash compensation or fees.

Disclaimer – Forward Looking Information

The information in this document has been prepared as at February 1, 2024. Certain statements contained in this document constitute forward looking information under the provisions of Canadian provincial securities laws and are referred to herein as forward-looking statements. When used in this document, the words “anticipate”, “believe”, “expect”, “estimate”, “forecast”, “intend”, “will”, “planned”, and similar expressions are intended to identify forward-looking statements or information. Such statements include without limitation: statements regarding the timing, closing and approval of the spin-outs and the satisfaction of all conditions necessary in order to complete the spin-outs; statements regarding the calling and holding of a shareholder meeting to consider and approve the spin-outs; statements regarding the mailing of the Circular in connection with this shareholder meeting; statements regarding the realization of all anticipated benefits of the spin-outs to both Arizona Metals and the prospective Spinco’s; statements regarding the percentage of shares of Spinco to be retained by AMC; statements regarding any change in market conditions or favorable conditions for any future listing on an exchange; statements regarding the impact of the Spinco’s on the value of AMC shares and the Kay Mine Project; statements regarding the potential and value of the Spinco’s and the Spinco shares; and statements regarding anticipated future capital raising activities in either Spinco. Such statements and information reflect Arizona Metals’ view as at the date of this document and are subject to certain risks, uncertainties and assumptions, and undue reliance should not be placed on such statements and information. Many factors, known and unknown could cause the actual results to be materially different from those expressed or implied by such forward looking statements. Such risks include, but are not limited to: the volatility of prices of gold and copper and other metals; uncertainty of mineral reserves, mineral resources, mineral grades and mineral recovery estimates; uncertainty of future exploration, development or production, uncertainty concerning capital and budgeted expenditures and contingent liabilities and AMC’s and each Spinco’s ability to raise money and continue to fund operations; currency fluctuations; financing of additional capital requirements; cost of exploration and development programs; mining risks; community protests; risks associated with foreign operations; governmental and environmental regulation; the volatility of stock prices; and risks associated with by-product metal derivative strategies. AMC does not intend, nor does it assume any obligation, to update these forward-looking statements and information, other than as required by applicable law.



Arizona Metals Corp.