March 31, 2021

Arizona Silver Exploration (AZS:V)

Gold and silver exploration in Arizona, Nevada

Operates four early stage gold and silver projects in Arizona and Nevada

While Philadelphia remains the focus, other projects could see activity in 2021

Arizona Silver Exploration is an early-stage exploration company focussing on silver and gold, with three projects in Arizona, and one in Nevada, the two strongest mining districts in the world. Philadelphia, a silver-gold project, has been the main focus of activity over the past year, with results pending from an ongoing drill program. The focus on Philadelphia may continue depending on these results, but there is also potential to see expenditure especially at Silverton, acquired in August 2020, with major programs at Sycamore or Ramsey less likely.

Fully funded through 2021, tight share structure

Has around $1.0mn cash after $350k spent on current drill program

Tight share structure, low valuation following share price underperformance

The company will have around $1.0mn cash after the $350k spent on the current program, suggesting capacity for three more similarly-sized programs this year, whether at Philadelphia, or split between projects. The company intends to maintain its very tight share structure, with management having a large holding, and one institution having bought in. AZS's share price has underperformed its peer group and its valuation on Price/NAV remains low versus comparables.

Upside surprise potential from Philadelphia

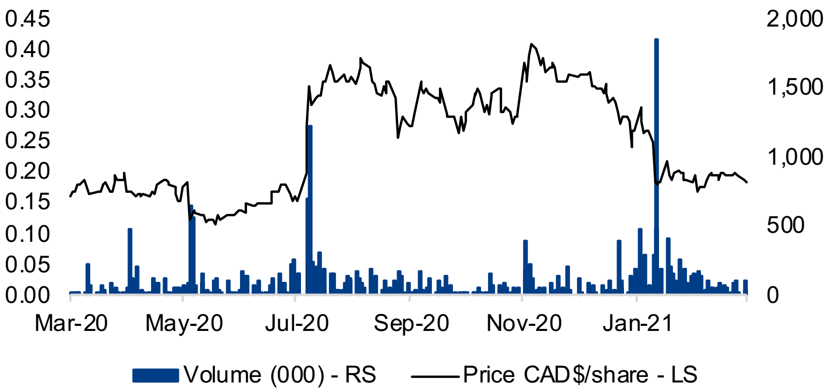
Rating 3.75, drill results could surprise to upside, and clarify 2021 strategic direction

Could see boost from rise in either gold or silver, and operates in top mining districts

We rate Arizona Silver a 3.75 (out of 5) as upcoming drill results could; 1) surprise to the upside, with the shares appearing to be pricing in relatively low expectations, and 2) provide strategic clarity for 2021 on whether Philadelphia remains the entire focus, or Silverton and other projects come materially into play. A rise in either gold or silver could offer a further boost, while the company also benefits from strong districts and a particularly low share number and expected dilution.

Arizona Silver Exploration

Ticker	AZS.V
Price (CAD$)	0.19
Mkt Cap (CAD$ mn)	10.7
Avg value CAD$	25,412
12-mth low	0.12
12-mth high	0.41
Price chg 3-mth	-47.9%
Price chg 12-mth	16%



Source: Yahoo Finance, Pricing as of Mar 30, 2021

GMN Research

Arizona Silver Exploration: Overview

Exploring gold and silver projects in Arizona and Nevada

Arizona Silver Exploration has four projects, focussing on silver and gold exploration, with three in Arizona and one in Nevada. Philadelphia, a silver-gold project in Arizona, has been the focus of exploration over the past year, with three drill programs, one of which is ongoing, with results pending over the next few weeks (Figure 1). Philadelphia is expected to see the largest proportion of expenditure this year, and could remain almost the entire focus of exploration in 2021 if results continue to be encouraging. However, management also sees the potential for exploration at its gold project Silverton in Nevada, which was acquired in August 2020. The two other projects are less likely to be the focus of major exploration programs this year. The silver project Ramsey in Arizona was explored in 2017-2018, before the market's rising in interest in gold saw the shift to Philadelphia. For gold-silver project Sycamore, the company indicates that a joint-venture could be the most viable path to development, while permitting could take some time with part of the project on government land.

Figure 1: Arizona Silver Exploration projects

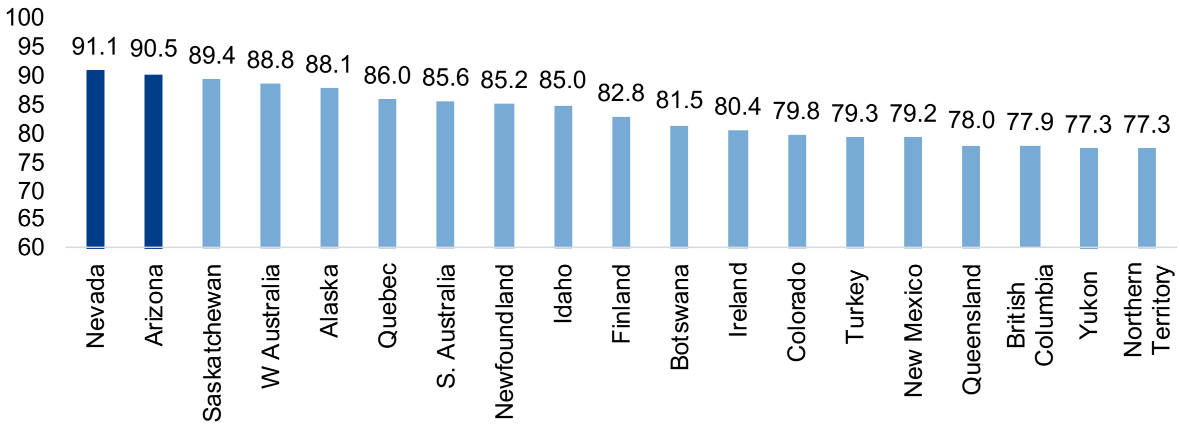
Projects	Detail
Philadelphia *Arizona*	**Focus of exploration over past year, with drill program started in February 2021** A 100%-owned silver-gold project in Mohave Country, consisting of 20 claims, six miles from Northern Vertex's open pit heap leach Moss Mine, and 10 miles from Aura Resources' underground mine and agitation leach project, Gold Road. A drilling program began in February 2021, and the project will be the main focus of expenditure this year
Silverton *Nevada*	**Plans for further exploration in 2021** The company has a Lease with Option to Purchase Agreement for this Carlin-type gold project in Nye county, with 77 unpatented lode mining claims over 1,540 acres, 100 km northeast of Tonopah, Nevada, which has some limited exploration since the 1980s, and the company may undertake further exploration of the property this year
Ramsey *Arizona*	**Was focus of exploration for 2017-2018** A 100%-owned silver project with royalty buy-outs, west of Phoenix, with historic production of 1,370 g/t Ag, and 41 existing underground drill holes from the 1960s, with intercepts of 304 g/t Ag over 46 m, and lead and zinc present, but not assayed, which was the focus of an exploration program by the company in 2017-2018
Sycamore Canyon *Arizona*	**Most recent sampling work from 2018** The company has a Lease with Option to Purchase Agreement with a 2% NSR royalty on this gold-silver property in Graham County, 20 miles northeast of Wilcox, consisting of 10 unpatented lode mining claims on US Forest Service land, where the most recent work in 2018 returned up to 15.45 g/t Au and 396 g/t Ag from 42 samples

Source: Company

Operating in the two most attractive mining districts globally

The company operates in the two highest ranked mining districts in the world in terms of the Investment Attractiveness Index of the Fraser Institute's 2020 Mining Survey (Figure 2). Nevada has risen from the number three spot in the 2019 survey, and Arizona from ninth place out of a total 77 districts ranked. Both rank near the top of the survey's Policy Perception Index and have taken the two top spots in the survey's Best Practices Mineral Potential Index in 2020. This ranking indicates a substantial reduction in macro level risks related to regulatory or permitting issues, which are as low as they can get globally for the two districts in which Arizona Silver operates.

Figure 2: Mining District Investment Attractiveness Index 2020



Source: Fraser Institute

Figure 3: Arizona Silver Exploration Management

President, CEO & Director	
Mike Stark	Mr. Stark has over 35 years of experience in both the private and public sectors covering corporate finance and strategic development and investor relations including at Exeter Resources and Extoree Resources, and is currently Chairman of Canamex Gold Corp
VP Exploration & Director	
Greg Hahn, CPG	Mr. Hahn has over 35 years of experience in exploration and mine development including senior level management position with public mining companies taking projects through the entire cycle from development through to production
CFO	
Dong H. Shim, CPA	Mr. Shim was previously an audit partner at a firm focusing on several sectors of publicly traded companies including junior mining, has assisted companies in their IPOs on the TSVX and CSE, and is currently president of Golden Tree Capital and Shim Accounting
Director	
Eugene Spiering	Mr. Spiering is an Exploration Geologist with over 30 years of experience in the Americas and Europe, including the discovery and development of the El Valle and Carles gold and Aguablanca nickel mines in Spain, uranium deposits in Arizona, and copper in Nevada
Director	
David Vincent	Mr. Vincent has experience in consulting and investment banking, corporate advisory, public relations and capital raising in the resources sector, in Europe, the Middle East, Africa and Asia, including as a senior executive with BAE Systems
Director	
Brady Stiles	Mr. Stiles is an investor and entrepreneur, Including operating a contracting corporation, developing an oil spill system following the Deepwater incident, was a key participant in multiple General Motors Motorsport programs, and has 20 years of real-estate experience

Source: Company

Management team have been in the industry for decades

The management team of Arizona Silver Exploration has been in the industry for decades (Figure 3). Both CEO Mike Stark and VP or Exploration Greg Hahn have over 35 years experience, in corporate finance and strategic development with a focus on resources companies, and exploration and mine development, respectively, and CFO Dong Shim has extensive experience as an audit partner, and currently runs a capital markets and an accounting firm. The Directors of the company include Eugene Spiering, an exploration geologist with over 30 years of mining experience in the Americas and Europe, David Vincent, with experience in consulting and investment banking, and Brady Stiles, an investor and entrepreneur.

ii) Operational Progress

Philadelphia has been main focus, with Silverton relatively new

Figure 4 highlights the operational progress of Arizona Silver over most of the past year through a summary of its press releases. The Philadelphia project has clearly been the operational focus, with drill results reported in June 2020, metallurgical test results released in July 2020, a rig moved to the project in August 2020, and further drill results reported in September 2020, October 2020 and most recently in February 2021. The company also announced the buy-out of the existing 1% NSR on Philadelphia in November 2020, and a lease on Perry, which is adjacent to Philadelphia. Press releases in the upcoming months are also likely to be Philadelphia drill results or other exploration-related updates from the project.

The other project which has been the subject of press releases is Silverton, which was acquired in August 2020, with a notice of intent for exploration approved in September 2020. Additional press releases were related to financing, with an acceleration of warrants and stock option expiry announced in August 2020, and then exercised, entirely by management, in October 2020, and then a private placement for $1.7mn closed in December 2020. Upcoming financing press releases would most likely be related to warrant or option exercise, as the company will have sufficient cash through 2021 as the balance will stand at about $1.0mn after the current drilling program.

Figure 4: Arizona Silver Exploration news flow

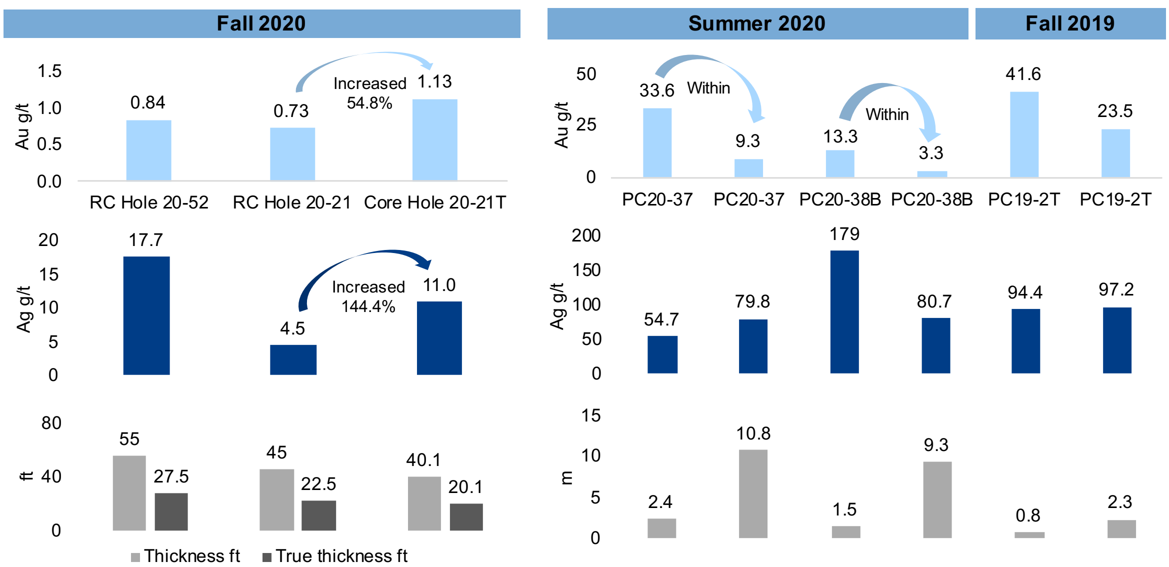
Property Acquisition	16-Feb-21	**Lease signed on Perry** A lease agreement was signed and paid on the Perry Patented Claim adjacent to the company's Philadelphia project with unrestricted access to test, sample and drill
Drill Program	09-Feb-21	**Results of Q4/20 drilling at Philadelphia** Fall 2020 drilling results were reporte, with a core rig completing six holes and an RC rig completing 6 pre-collars for the core holes and 2 RC holes
Private Placement	23-Dec-20	**Oversubscribed private placement closed** A private placemtent for $1,714,783 was completed, upsized from the $1,650,000 originally announced on December 10, 2020
Property Acquisition	12-Nov-20	**Buy-out of Philadelphia NSR** The company bought out the existing 1% NSR on its 100% owned Philadelphia Property, leaving no future lease or NSR payments on the property
Drill Program	14-Oct-20	**Drilling resumes at Philadelphia** Ten holes are planned, with an RC rig to drill pre-collar holes within 100 ft of target, then a core rig will re-enter pre-collar hole through to target projection
Drill Program	05-Oct-20	**Drilling results from Philadelphia** The company intersected 33.56 g/t Au and 54.7 g/t Ag over 2.35 m at Philadelphia, within 10.76 m of 9.26m g/t Au and 79.8 g/t Ag over 10.76 m
Private Placement	01-Oct-20	**Warrants 100% exercised** All of the 3,418,809 warrants from the Jan 2020 private placement at C$0.15 subject to early expiration on September 30, 2020 were exercised, for $512,071
Drill Program	29-Sep-20	**Approval of notice of intent for Silverton exploration** The notice of intent was approved covering 5,000 gt of road access construction, two drill pads and eight holes to 500 ft depth
Drill Program	02-Sep-20	**High-grade intercept at Philadelphia** The first core cole returned 23.35 g/t Au, 82.3 g/t Ag and 340 ppm Be over 1.5 m, within 18.45 m of 3.81 g/t Au, 49.21 g/t Ag, and 113 ppm Be
Warrants, Options	31-Aug-20	**Acceleration of expiry of warrant, stock option grants** The expiry date of warrants issued with the Dec 2020 private placement was accelerated to Sep 30, 2020 from Jan 3, 2022
Property Acquisition	19-Aug-20	**Acquisition of Silverton project** The company acquired a lease on the Carlin-type Silverton gold property, including an option to acquire 100% of the property for US$1.25mn
Drill Program	12-Aug-20	**Core rig moved to Philadelphia** The company has moved a core rig to the Philadelphia property to drill four holes to test the RC and core drilling from the fall 2019 program
Drill Program	29-Jul-20	**Results from metallurgical tests on Philadelphia** The company reported metallurgical results ranging from 94.40% to 99.50% recovery from eight bulk samples from recent RC drilling
Drill Program	02-Jun-20	**Results from drilling at Philadelphia** The company had completed 21 RC drill holes to date in 2020, with 15 intersecting the target vein, containing isolate visible grain up to 1.25mn across

Source: Company

Results from Philadelphia will be strategic catalyst for 2021

Upcoming results from Philadelphia will be a major strategic catalyst for the company this year, with management clear that it could focus its exploration almost entirely on this project in 2021 if the results are strong. Highlights from Arizona Silver's recent drill programs at Philadelphia are shown in Figure 5. The Fall 2019 program saw 41.6 g/t Au and 94.4 g/t Ag over 0.8m, and the Summer 2019 program 33.6 g/t Au and 54.7 g/t Ag over 2.4 mn within a 10.8 m interval of 9.3 g/t Au and 79.8 g/t Ag. The most recent Fall 2020 program returned 0.84 Au g/t and 17.7 g/t Ag over 55 ft from one hole, and another hole over 40 ft saw the gold grade increased 54.8% to 1.13 g/t Au and the silver grade increased 144.4% to 11.0 g/t. The company highlights that Philadelphia was a past producer of 44,000 oz from 1900-1928, but that production and related exploration was only on a small part of the area owned by AZS, and there is considerable useful data from this time to assist in present development. The project benefits from a road drop off directly to the property, nearby power, and drilling has uncovered water resources at the site. AZS management has also been encouraged by increasing activity in areas near the mine, including at the Gold Road mine by Aura minerals, ten miles away, and Northern Vertex's Moss Mine, six miles away.

Figure 5: Philadelphia Project exploration highlights



Source: Company

Potential for further Silverton, Sycamore and Ramsey development

While exploration at the company's other three projects for 2021 will depend on the results of Philadelphia, the company has already outlined a potential $180-$250k expenditure program this year for Silverton which is in Tonopah, Nevada, which has seen a strong rise in recent exploration activity, which makes it the most likely potential second target. The company has not outlined expenditure targets for Ramsey, a past producer which had been the focus of exploration in 2017-2018 before the shift to Philadelphia, or Sycamore, which has seen virtually no historical drilling, and where an application for permitting has been made on a property partially on government land. The company does not have work commitments on any properties, with 100% ownership of Philadelphia and Ramsey, and lease payments for Silverton and Ramsey, which means it can pause activity on any property as it deems appropriate.

iii) Finances and Share Structure

Philadelphia, Silverton could rise as proportion of exploration asset

The company capitalizes its exploration expenses, with Ramsey comprising the largest proportion, given significant exploration during 2017-2018, although it will see limited focus this year (Figure 6). The value of Philadelphia rose substantially in 2020, and this will continue in 2021 with $350k in expenditure from recent drilling, and more to come (Figure 7). The value of Silverton could also rise, with expenditure up to $250k possible while exploration expenses from Sycamore will likely remain limited.

Figure 6: Exploration Assets

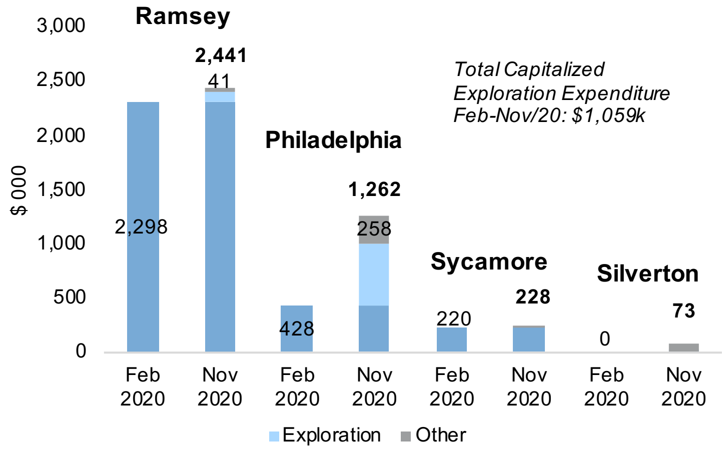
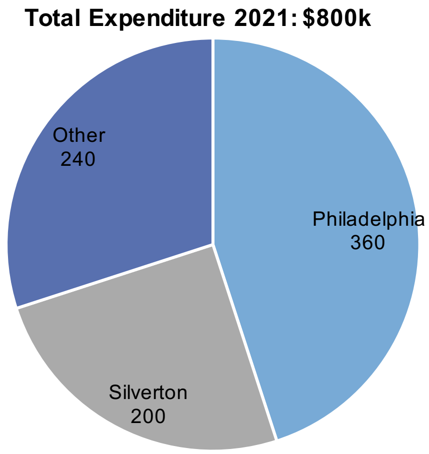


Figure 7: 2021 Expenditure



Source: Company

Fully funded for 2021 with a tight share structure

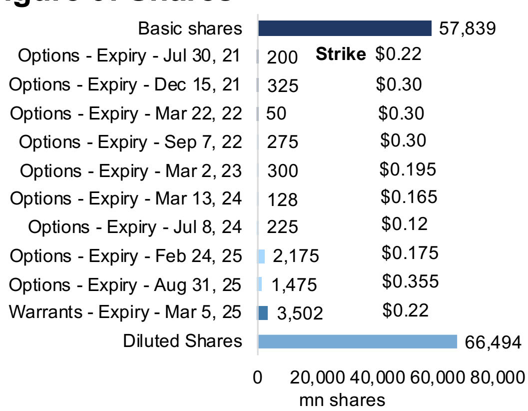
The company's cash at November 2020 was just $510.1k, which increased to $2.2mn from the private placement, and following the subsequent two drill programs, cash stands at about $1.0mn, leaving the company fully funded through 2021 (Figure 8). The company does have lease payments for Ramsey and Sycamore, but these are under $50k/year for 2021-2022, and decline to below $30k from 2023, and it has very low general and administrative expenses. The company also intends to continue to maintain its very tight share structure, with only 57.8mn shares (Figure 9), with the shareholding 30% insiders, 4% from one institution that newly participated in the most recent private placement, 42% family and friends and 24% retail.

Figure 8: Financials

Arizona Silver Financials	Feb/20	May/20	Aug/20	Nov/20
Income Statement				
Operating expenses	421.6	72.5	311.9	73.5
Share based payments	0.1	0.0	831.1	0.0
Financial, other items	42.5	-46.5	9.5	-3.5
Total expenses	**464.2**	**26.0**	**1,152.5**	**70.0**
Balance Sheet				
Cash	278	872	824	448
Exploration assets	2,946	3,240	3,521	4,005
Other assets	99	92	100	122
Total assets	**3,323**	**4,204**	**4,445**	**4,575**
Current Liabilities	47	42	140	103
Equity	**3,276**	**4,162**	**4,305**	**4,472**
Total Liabilities, Equity	**3,323**	**4,204**	**4,445**	**4,575**
Cash Flow Statement				
Operating cash flow	-301	-23	-111	-116
Investing cash flow	-286	-294	-206	-498
Financing cash flow	834	911	270	237
Net cash flow	**247**	**594**	**-48**	**-376**

Source: Company

Figure 9: Shares



iv) Macroeconomic Overview

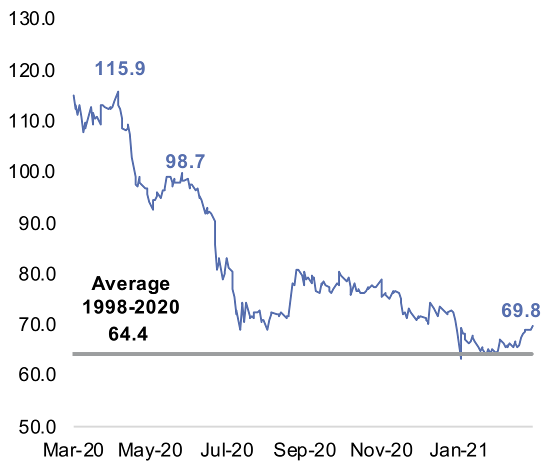
Arizona Silver has both silver and gold exposure

Arizona Silver expects to have material exposure to both silver and gold across its projects, and therefore its share price will be driven by the performance of both metals. As shown in Figure 10, over the past year, silver is up 71.4%, while gold has risen just 3.8%. This is mainly because gold tends to be driven more by monetary factors and is also a risk hedge, which explains its spike especially in mid-2020 to over US$2,000/oz, with a combination of a major ramp up the global money supply and peak panic related to the global health crisis. However, the gold price has eased over H2/20 to just above the US$1,700/oz, as global health crisis fears have faded, but there is still support from a continued massive growth in the global money supply.

While silver is also considered a monetary substitute, like gold, this is much less of a driver than for gold, which forms a critical component of the monetary base of most nations. So while silver also benefited from the monetary and general rising risk in mid-2020, its strong performance was sustained over H2/20, even as gold declined. This is because silver is much more driven by general economic growth given a much wider use, in relation to the total supply, directly in industry, compared to gold. This meant that the dramatic rebound in the global economy over mid-2020 lows has driven up demand for silver for industrial uses, and therefore its price relative to gold.

Figure 10: Silver and gold prices

Figure 11: Gold to silver ratio



Source: Yahoo Finance

We expect that both silver and gold should gain this year

We expect that both silver and gold will gain this year in absolute terms, with silver propelled by the continued global economic rebound, and gold by the huge ongoing monetary global expansion. In terms of the relative gains between the two, however, we can consider the gold to silver ratio (Figure 11). The ratio had clearly moved out of balance in March 2020, and either a gain in silver or fall in gold was likely; it turned out to be the former. While the relative direction is less clear now, with the ratio having come inline with the medium-term average from 1998-2000 over 64.4, we expect we could see similar gains between the two, leaving the ratio roughly flat this year. How these prices in turn will affect Arizona Silver will depend on the drill results released from upcoming programs, and the finds of which metal looks relatively more promising.

v) Comparables and Rating

Arizona has tight share structure versus comps

There are a group of comparables for Arizona Silver Exploration, in terms of market cap and either metal target or geography, including Brixton Metals, exploring for gold-silver-copper in Montana, B.C. and Ontario, Bayhorse Silver, concentrating on silver and gold in Oregon and B.C, Viscount Mining, focussing on silver and gold in Nevada and Colorado, and CMC Metals, exploring mainly for silver in the Yukon (Figure 12) Arizona Silver is the smallest of the group in terms of the market cap, and has a very tight share structure versus the comps, and has stated that it plans to maintain this, with upcoming dilution limited, as shown above (Figure 13).

Figures 12: Market Cap

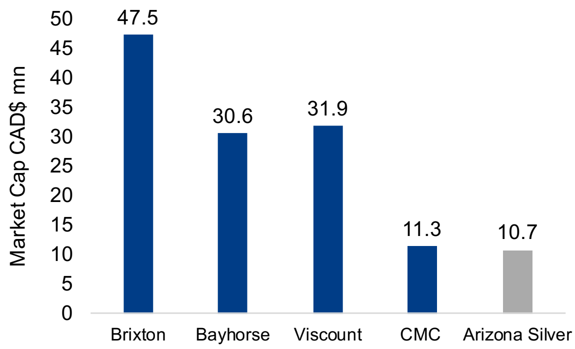
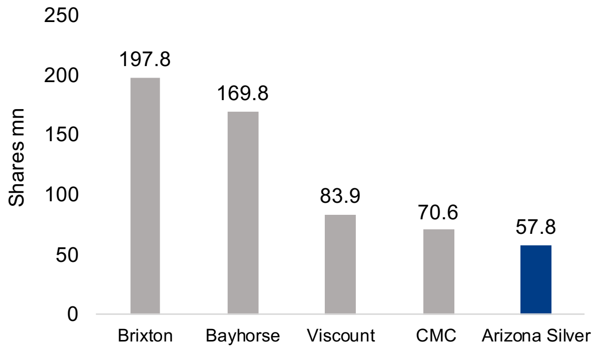


Figure 13: Number of shares



Source: Companies, Yahoo Finance

Figures 14: NAV

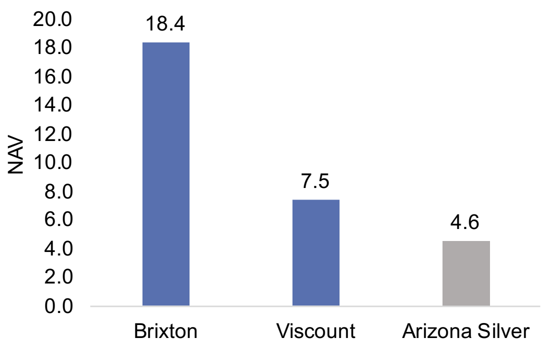
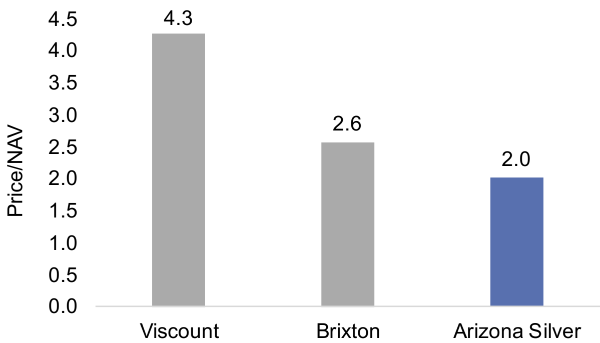


Figure 15: Price/NAV



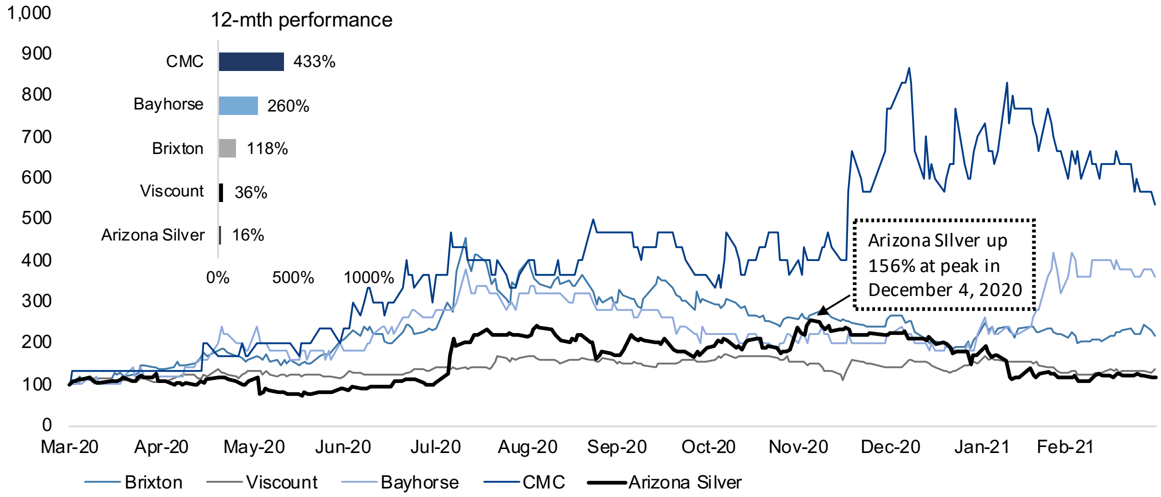
Source: Companies, Yahoo Finance

Trading on low Price/NAV multiple on muted share price gains

However, while similar in terms of their early exploration stage, type of metal and general geography, these firms differ in terms of accounting, with only two of the comparables capitalizing their expenses into exploration assets, similar to Arizona Silver. This means that a valuation metric like Price/NAV is not wholly comparable for Viscount and CMC, which have a much lower NAV, because historical exploration expenses are not incorporated into this figure. Arizona Silver has a lower NAV, at $4.6mn, compared to $7.5mn for Viscount, and $18.4mn for Brixton (Figure 14), and the lowest Price/NAV of 2.0x, with Brixton trading at 2.6x, and Viscount at over double this multiple, at 4.3x (Figure 15).

Partly this low valuation has been because of Arizona Silver's relatively weak share price performance versus the group, up just 16% over the past year, especially compared to the major 433% and 260% gains for CMC Metals and Bayhorse, respectively (Figure 16), while Brixton is up 118% and Viscount up 36%. However, Arizona Silver had reached gains of 158% as of December 2020, which outlines the potential upside of a short-term rebound driven by either a silver or gold pick up or the release of strong drill results.

Figure 16: Arizona Silver comparables share price performance



Source: Yahoo Finance

Potential for upcoming results to surprise to the upside

<u>We rate Arizona Silver Exploration Resources 3.75 out of 5.0.</u> This scale; 1) is relative to junior miners based on potential risk and reward and 2) considers the macro outlook for the specific metal being explored. Upcoming drill results from the company's core Philadelphia project have the potential to surprise to the upside, with the market appearing to be baking in relatively low expectations, given the underperformance of the share price and a low valuation on a Price/NAV basis versus the comps group. There is also the potential upside from Silverton, which could see exploration this year, while Sycamore Ramsey won't likely be much in focus until 2022. The company has a very tight share structure versus its comparables and management has a large stake, and an institution has taken part in the most recent round. It also operates in the two most attractive mining districts in the world, and could see upside from either a rise in the gold or silver price. *The main immediate drivers will be Philadelphia drill results over the coming weeks, the announcements of further programs at Philadelphia or Silverton, and a rise in the gold or silver price.*