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January 22, 2024

Dear Shareholder,

This morning Arizona Metals Corp. (“Arizona Metals”, or the “Company”) announced our intention to create two new companies through the spin-out of our Sugarloaf Peak Project, as well as two royalties on the Kay Mine Project (see attached press release).

The first company, to be named “Sugarloaf Gold Corp.”, will be transferred shares of the Company’s wholly-owned subsidiary, which holds Arizona Metals’ Sugarloaf Peak Gold Project.

The second company, to be named “Arizona Royalties Corp.”, will hold a newly-created 2% NSR on any potential future mineral production at Arizona Metals’ Kay Mine Deposit, as well as a newly-created 2% NSR on all future potential mineral production from any new deposits discovered through Arizona Metals’ ongoing exploration activities at the Kay Mine Project.

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 with their shareholdings in Arizona Metals. Arizona Metals remains focused on rapidly growing and advancing its Kay Mine Project in Arizona, while the Arizona Royalties Corp. and Sugarloaf Gold Corp. will allow shareholders to capture additional long-term value with the shares received from the spin-outs.

Sugarloaf Gold Corp – Creating a New Pure Gold Vehicle

We believe our Sugarloaf Project has the potential to be a multi-million ounce deposit (the starting point is 1982 historic estimate of 1,500,000 ounces gold) and can stand alone as a public asset. Additionally, recent preliminary metallurgical work has shown good recoveries for the oxide and sulfide portions of the deposit.

While the Sugarloaf Project unquestionably deserves further work and drilling, the investor funds Arizona Metals has raised to date have been primarily for the advancement of the Kay Mine Project. Part of the reason for this allocation is that Sugarloaf is a 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.



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Arizona Royalties Corp – Launching a World-Class Royalty Platform

The Kay Mine Project is in a unique position of carrying no royalties or encumbrances. It is quite typical for historic deposits such as the Kay Mine Deposit to have legacy royalties ranging from 2% to 5%. Rather than selling a 2% royalty, or see it sold at some point in the future, our 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 20% would be held by Arizona Metals and the remainder by current shareholders.

Completion of the spin-outs is expected to occur prior to the end of Q2, 2024, and will be subject to shareholder, court, stock exchange and regulatory approvals, as well as, at the board of directors of Arizona Metals' continued discretion. Arizona Metals' shareholders will vote on the spin-outs at a meeting of shareholders to be held on a date to be announced.

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