



ANNUAL INFORMATION FORM

For the Year Ended December 31, 2016

Dated: March 30, 2017

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PRELIMINARY NOTES

This Annual Information Form (“AIF”) takes into account information available up to and including December 31, 2016 unless otherwise indicated. Throughout this document the terms we, us, our, the Company and Arizona Mining refer to Arizona Mining Inc. (the “Company” or “Arizona Mining”).

All financial information in this AIF is prepared in accordance with International Financial Reporting Standards (“IFRS”). Additional financial information may be found in the Company’s audited consolidated financial statements and management’s discussion and analysis for the year ended December 31, 2016.

Currency

All dollar amounts are expressed in US dollars unless otherwise indicated.

Cautionary Note Regarding Forward-Looking Information

Certain information contained in this document constitutes forward-looking statements. All statements, other than statements of historical facts, are forward looking statements, including without limitation, statements with respect to the Company’s expectations for completing a resource update, preliminary economic assessment and further exploration drilling on the Taylor Deposit and the statements under “Outlook” later in this document. Forward-looking statements are often, but not always, identified by the use of words such as *may, will, seek, anticipate, believe, plan, estimate, budget, schedule, forecast, project, expect, intend*, or similar expressions.

The forward-looking statements are based on a number of assumptions which, while considered reasonable by the Company, are subject to risks and uncertainties. The Company cautions readers that forward-looking statements involve and are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from those expressed in or implied by such forward-looking statements and forward-looking statements are not guarantees of future results, performance or achievement. These risks, uncertainties and factors include general business, economic, competitive, political, regulatory and social uncertainties; actual results of exploration activities and economic evaluations; fluctuations in currency exchange rates; changes in project parameters; changes in costs, including labour, infrastructure, operating and production costs; future prices of silver and other minerals; variations of mineral grade or recovery rates; operating or technical difficulties in connection with exploration, development or mining activities, including the failure of plant, equipment or processes to operate as anticipated; delays in completion of exploration, development or construction activities; changes in government legislation and regulation; the ability to maintain and renew existing licenses and permits or obtain required licenses and permits in a timely manner; the ability to obtain financing on acceptable terms in a timely manner; contests over title to properties; employee relations and shortages of skilled personnel and contractors; the speculative nature of, and the risks involved in, the exploration, development and mining business; and the factors discussed in the section entitled "Risks and Uncertainties" in this AIF.

Although the Company has attempted to identify important risks, uncertainties and other factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those expressed in or implied by the forward-looking information, there may be other risks, uncertainties and other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended. Unless otherwise indicated, forward-looking statements contained herein are as of the date hereof and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by applicable law.

National Instrument 43-101 Check against prospectus

Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 (“NI 43-101”). The definitions given in NI 43-101 are adopted from those given by the Canadian Institute of Mining Metallurgy and Petroleum.

Definitions

Mineral Reserve

The term “mineral reserve” refers to the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that might occur when the material is mined.

Mineral Resource

The term “mineral resource” refers to a concentration or occurrence of diamonds, natural, solid, inorganic or fossilized organic material including base and precious metals, coal and industrial minerals in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

Measured Mineral Resource

The term “measured mineral resource” refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

Indicated Mineral Resource

The term “indicated mineral resource” refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

Inferred Mineral Resource

The term “inferred mineral resource” refers to that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through

appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Qualified Person

The term “qualified person” refers to an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, has experience relevant to the subject matter of the mineral project and the technical report, and is a member in good standing with a professional association.

About Reserves and Resources

This AIF uses the terms measured, indicated and inferred resources as a relative measure of the level of confidence in the resource estimate. Readers are cautioned that: (a) mineral resources are not economic mineral reserves; (b) the economic viability of resources that are not mineral reserves has not been demonstrated; and (c) it should not be assumed that further work on the stated resources will lead to mineral reserves that can be mined economically. In addition, inferred resources are considered too geologically speculative to have any economic considerations applied to them. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies or economic studies except for preliminary economic assessments as defined under NI 43-101. Readers should also refer to the Company’s Management Discussion and Analysis for the year ended December 31, 2016 and other continuous disclosure documents available at www.sedar.com, which is subject to the qualifications and notes set forth therein.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the old *Company Act* (British Columbia) as Totem Industries Ltd. on January 20, 1975. The Company was continued under the *Canada Business Corporations Act* on July 6, 1998, and continued back into British Columbia on August 20, 1998.

The Company changed its name to The Totem Capital Corp. on July 6, 1988, subsequently to Totem Health Sciences Inc. on October 19, 1989, to Totem Sciences Inc. on April 13, 1994, to Totem Mining Corporation on February 27, 1997, to Comcorp Ventures Inc. on July 6, 2001, to Wildcat Silver Corporation on May 17, 2006, to AZ Mining Inc. on June 2, 2015 and to Arizona Mining Inc. on October 23, 2015.

On December 3, 2004, the Company filed the transition application under the new *Business Corporations Act* (British Columbia) (the “**Act**”) pursuant to which, among other things, the Company replaced its former Memorandum of Incorporation with new Notice of Articles which adopted certain provisions under the Act known as the “Pre-Existing Company Provisions”. Arizona Mining removed the Pre-Existing Company Provisions and adopted new Articles effective October 16, 2006. On December 14, 2006, the Company’s Articles of Incorporation were entirely replaced with the new form of the Articles of Incorporation which are harmonized with the Act and the share structure was amended. A copy of the Company’s Articles of Incorporation is available on SEDAR at www.sedar.com.

Arizona Mining is listed on the Toronto Stock Exchange (“**TSX**”) under the symbol AZ.

At the date of this AIF the Company's principal place of business is located at Suite 555 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1. The Company also has an office in Toronto, Ontario and an operational office in Tucson, Arizona.

Intercorporate Relationships

Arizona Mining has only one material subsidiary, Arizona Minerals Inc. (“**AMI**”) a private company incorporated in Nevada, USA which owns 100% of the Hermosa property (the “Hermosa Property” the “**Hermosa Project**” or “**Hermosa**”).

GENERAL DEVELOPMENT OF THE BUSINESS

Arizona Mining is a junior resource company engaged in the exploration for mineral resources. Arizona Mining has had no revenues from operations. The Company is focused on the exploration and development of its Hermosa Property. The Hermosa Property is a polymetallic mineral exploration project located in Santa Cruz County about 50 miles southeast of Tucson, Arizona and about 8 miles north of the US – Mexico border.

Three Year History

Hermosa Property

The Company's Hermosa Property currently comprises two deposits, the Taylor Deposit and the Central Deposit. The Taylor Deposit, is a zinc-lead-silver carbonate replacement deposit and has a resource of 31.1 million tonnes in the Indicated Mineral Resource category grading 10.9% zinc equivalent (“**ZnEq**”) plus 82.7 million tons of Inferred Mineral Resource grading 11.1% ZnEq, both reported in accordance with NI 43-101 guidelines utilizing a 4% ZnEq cutoff grade. The Taylor Deposit remains open to the north, west and south over land controlled by the Company. Metallurgical test work on drill core from the Taylor Deposit projects overall recoveries of 92.7% Zn; 95.4% Pb; and 92.4% Ag using industry standard froth flotation processing technology. The Central Deposit is a silver-manganese manto oxide development project. A summary of the technical report for the Taylor Deposit (including certain technical information on the Central Deposit) is provided below and the full technical report is available on the Company's website at www.arizonamining.com or on SEDAR at www.sedar.com.

During 2015, the Company entered into an option agreement with Bronco Creek Exploration, Inc. to acquire sixteen unpatented mining claims, which total approximately 279 acres. The mining claims are located approximately three quarters of a mile south west of the Taylor Deposit. The agreement calls for a payment of US\$25,000 on execution followed by three annual option payments of US\$20,000. In the event the option agreement is exercised and the claims acquired, Bronco Creek retains a 2% NSR royalty from any future commercial production.

In January 2016 the Company closed on the acquisition of 300 acres of patented mining claims (the “**Trench Claims**”) adjacent to the Company's Taylor Deposit expanding the surface lands available for further exploration of the Taylor Deposit and any future mining operations.

As consideration for the Trench Claims, the Company has assumed the environmental liabilities estimated at \$5.3M relating to the past activities on the site. The Company submitted a remediation work plan that addresses the environmental liabilities, which has been approved by the Arizona Department of Environmental Quality. In accordance with the plan, the Company is required to construct a passive water treatment system estimated to cost \$2.9 million of which the Company's share is \$1.9 million with the \$1.0 balance contributed by a former owner of the claims. In addition, the Company has posted two bonds totaling

\$1.97 million as security for the future operating performance of the passive water treatment system. The Company has posted \$0.86 million with a bond surety company as collateral for the bonds.

With the addition of the Trench Claims (defined below) the Company now holds 1,104 unpatented claims (assuming the 16 unpatented claims under option are acquired) covering, approximately, 19,015 acres and 24 patented mining claims totaling about 453 acres.

Hermosa Taylor Deposit

During 2014, the Corporation refocused its efforts away from the Central Deposit and onto the sulfide mineralization that lies below the manto oxide of the Central Deposit. As a result, on July 31, 2014 the Company announced an updated resource for the zinc/lead/silver Taylor Deposit. The updated resource resulted from the remodeling of the drill and geologic data using parameters specific to the sulfide mineralization and included several significant intercepts of zinc/lead skarn mineralization. The Taylor Deposit is located down-dip and below the Central Deposit (silver/manganese) that was included in the December 2013 pre-feasibility study. A summary of the updated resource announced in July 2014 is provided in the table below:

	Tons (000s)	Lead (%)	Zinc (%)	Silver (opt)	Copper (%)
Measured	896	2.66	4.94	1.28	0.12
Indicated	803	2.38	3.97	1.07	0.11
Measured & Indicated	1,699	2.53	4.48	1.18	0.11
	Tons (000s)	Lead (%)	Zinc (%)	Silver (opt)	Copper (%)
Inferred	4,836	3.66	5.25	1.47	0.16

The Taylor Deposit mineralization is composed of coarse grained galena, sphalerite, chalcopyrite and pyrite hosted in altered limestone. The mineralization remains open for potential expansion to the west, south and north.

In late 2014 the Company completed three widely spaced drill holes on its patented claims to test the possible extension of the Taylor Deposit mineralization. The results from the three holes merited additional drilling to further test the mineralization and consequently the Company drilled a further 5 holes during 2015 following the receipt of funding from insiders. These five holes reported high grade mineralization over wide widths. The Company also completed scoping level metallurgical test work on the drill core during the year to predict metal recoveries and other processing characteristics of the mineralization. The study projected overall recoveries of 92.9% Pb and 76% Ag from the lead concentrate and 85.55% Zn and 15% Ag from the zinc concentrate using industry standard froth flotation processing techniques. The study was completed by Resource Development Inc. located in Wheat Ridge, Colorado.

On February 1, 2016, the Company announced the results of an updated mineral resource (the “**February 2016 Updated Resource**”) for its Taylor Deposit comprising of 39.4 million tonnes in accordance with NI-43-101 Inferred Mineral Resource category grading 11.04% ZnEq utilizing a 6% ZnEq cutoff grade. The February 2016 Updated Resource is based on assay results from 25 surface diamond drill holes, totaling 19,648 meters (64,461 feet) of drilling, which have all intersected stratabound carbonate replacement sulfide mineralization within the Taylor Deposit. The updated mineral resource estimate on the Taylor Deposit was prepared by Metal Mining Consultants Inc. of Highlands Ranch, Colorado.

On October 31, 2016 the Company announced a Mineral Resource update (the “**Updated Technical Report**”) for the Taylor Deposit. The deposit now comprises 31.1 million tons in the Indicated Mineral

Resource category grading 10.9% ZnEq plus 82.7 million tons of Inferred Mineral Resource grading 11.1% ZnEq, both reported in accordance with NI 43-101 guidelines utilizing a 4% ZnEq cutoff grade.

Table 1. Taylor Deposit Indicated and Inferred Mineral Resources

Indicated Mineral Resource						
Cutoff ZnEq %	Short Tons	ZnEq %	Zn %	Pb %	Cu %	Ag opt
25	1,775,000	32.8	13.4	12.8	0.4	6.6
20	3,640,000	27.2	11.4	10.8	0.3	5.0
15	6,499,000	22.7	9.8	9.0	0.3	4.0
10	12,303,000	17.8	7.7	7.1	0.2	3.0
6	22,280,000	13.3	5.8	5.3	0.2	2.2
5	26,265,000	12.1	5.2	4.8	0.1	2.0
4	31,143,000	10.9	4.7	4.4	0.1	1.8
3	38,571,000	9.5	4.1	3.8	0.1	1.6
0	185,918,000	2.4	1.0	0.9	0.0	0.4
Inferred Mineral Resource						
Cutoff ZnEq %	Short Tons	ZnEq %	Zn %	Pb %	Cu %	Ag opt
25	5,231,000	36.1	16.4	13.7	0.4	6.1
20	8,399,000	30.9	13.4	12.1	0.4	5.4
15	15,713,000	24.4	9.9	10.0	0.3	4.5
10	32,203,000	18.2	7.1	7.6	0.2	3.6
6	61,112,000	13.3	5.1	5.6	0.2	2.6
5	71,222,000	12.2	4.6	5.1	0.2	2.4
4	82,748,000	11.1	4.2	4.7	0.2	2.2
3	98,671,000	9.9	3.7	4.1	0.1	2.0
0	749,354,000	1.6	0.6	0.6	0.0	0.3

The Updated Technical Report is based on assay results from 59 surface diamond drill holes, totaling 206,192 feet (62,863 meters) of drilling, which have all intersected stratabound carbonate replacement sulfide mineralization within the Taylor Deposit. The Update Technical Report was prepared by AMC Mining Consultants (Canada) Ltd. (AMC) of Vancouver, B.C. The Qualified Person for the Updated Technical Report is G.Z. Mosher. The list of authors to the Updated Technical Report is provided under the section entitled “MINERALS PROPERTIES”.

Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that all or any part of mineral resources will be converted to mineral reserves. Inferred Mineral Resources are based on limited drilling which suggests the greatest uncertainty for a resource estimate and that geological continuity is only implied. Additional drilling will be required to verify geological and mineralization continuity and there is no certainty that all of the inferred resources will be converted to measured and indicated resources. Quantity and grades are estimates and are rounded to reflect the fact that the resource estimate is an approximation.

Additional information on the results of Update Technical Report can found under the section entitled “MINERAL PROPERTIES”.

The Company continued its drill program following the release of the Updated Technical Report with 14 drill rigs on site. Since that time the Company has reported on 36 holes, primarily in-filling the area of the resource estimate with some step out holes designed to expand the resource area. In the process of this campaign the Company identified a new mineralized sulfide zone called Taylor Deeps, which has been defined based on a reinterpretation of previous drill results in addition to results from two new holes reported on February 9, 2017. The new zone lies below a low angle thrust fault that separates it from the current Taylor sulfide resource. Results to date indicate Taylor Deeps mineralization is continuous, open in all directions, and offers excellent potential to expand the current resource. Some of the more significant drill results reported since the October 31, 2016 resource update include:

DH ID	From (feet)	To (feet)	Interval (in feet)	From (meters)	To (meters)	Interval (meters)	Ag opt	Pb%	Zn%	Cu%	Zone*
HDS-353	3170	3202	32	966.2	975.9	9.8	2.25	8.19	12.21	0.69	TS
Including	3170	3187	17	966.2	971.4	5.2	3.79	14.75	22.04	1.21	TS
HDS-359	1313.5	1346.5	33	400.3	410.4	10.1	12.19	20.17	22.78	0.13	Vein
HDS-396	1779	2303	524	542.2	701.9	159.7	2.53	6.87	8.47	0.40	TS
Including	1779	1810	31	542.2	551.7	9.4	5.46	18.27	11.96	4.90	TS
Including	1957	1972	15	596.5	601.0	4.6	2.73	9.13	12.00	0.52	TS
Including	2032	2062	30	619.3	628.5	9.1	2.91	8.98	12.00	0.23	TS
Including	2141	2245	104	652.5	684.2	31.7	5.58	14.61	22.14	0.18	TS
HDS-397	2342.5	2404.5	62	714	732.9	18.9	9.35	15.08	6.54	0.37	TS
Including	2347	2363	16	715.3	720.2	4.9	29.6	42.93	10.7	1.26	TS
HDS-399	3377	3501	124	1029.3	1067.1	37.8	5.15	14.83	7.41	0.53	TS
Including	3377	3422	45	1029.3	1043.0	13.7	10.43	31.70	12.72	0.84	TS
HDS-402	3352	3480	128	1021.6	1060.7	39.0	2.14	6.07	6.13	0.32	TDS
Including	3352	3370	18	1021.6	1027.1	5.5	7.11	23.60	15.66	0.71	TDS
Including	3430	3445	15	1045.4	1050.0	4.6	4.21	11.03	19.75	1.00	TDS
HDS-413	1765	2167	402	537.9	660.5	122.5	2.29	7.15	12.75	0.17	TS
Including	2007	2094	87	611.7	638.2	26.5	5.00	15.44	31.65	0.28	TS
HDS-422B	3332.5	3413.5	81	1015.7	1040.4	24.7	4.26	10.22	7.01	0.39	TDS
Including	3332.5	3354	21.5	1015.7	1022.2	6.6	9.17	22.44	17.12	0.76	TDS

Sulfide drill intervals are down-the-hole drill widths but are considered to be within +/- 5% of true width based on the dip of the mineralized stratigraphy at 22 degrees. The exception to this are the intervals noted as veins. It is not possible to determine the true width of the veins based on the drill density and no representation is made here regarding true width of the veins.

* TS - Taylor Sulfide TDS - Taylor Deeps Sulfide

Extensive metallurgical testing on the Taylor Deposit is underway at SGS Laboratories in Ontario. Numerous open and locked cycle tests are being performed on representative ores from the deposit to optimize the process flow sheet and maximize recoveries of zinc, lead and silver.

Hermosa Central Deposit

The Central Deposit is a silver-manganese manto-oxide development project.

In October 2012, the Company announced the results of an updated Preliminary Economic Assessment (the “2012 PEA”). The 2012 PEA considered the Central Deposit as a predominantly silver project with gold

and minor amounts of copper production. The potential for the economic recovery of other base metal by-products (remaining copper, zinc and manganese) was to be assessed as part of the additional metallurgical work to be undertaken in conjunction with a pre-feasibility study.

In December 2013 the Company announced the results of the pre-feasibility study including an initial reserve estimate and updated resource estimate for the Central Deposit. In November 2016 the Company announced an update for the Central Deposit included in the Updated Technical Report. The Updated Technical Report does not support the existence of Mineral Reserves on the Central Deposit.

The following tables set out the Measured Mineral Resources, Indicated Mineral Resources and Inferred Mineral Resources for the Central Deposit. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. Additionally, the stated resources have been confined to the limits of an open pit using Lerchs-Grossmann optimization techniques.

Central Deposit Mineral Resource⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾

Measured Resource	Million Tons	Zn%	Pb%	Cu%	Ag oz/ton	Au oz/ton	Mn%
LAG	38.98	0.1	0.2	0.02	1.1	0.003	0.4
MOX	37.14	1.6	1.0	0.06	2.1	0.003	6.6
Total	76.11	0.8	0.6	0.04	1.6	0.003	3.4
Indicated Resource	Million Tons	Zn%	Pb%	Cu%	Ag oz/ton	Au oz/ton	Mn%
LAG	51.50	0.1	0.2	0.02	1.0	0.002	0.5
MOX	54.07	1.6	0.9	0.05	1.2	0.002	5.0
Total	105.57	0.8	0.6	0.04	1.1	0.002	2.8
Measured & Indicated Resource	Million Tons	Zn%	Pb%	Cu%	Ag oz/ton	Au oz/ton	Mn%
LAG	90.48	0.1	0.2	0.02	1.0	0.002	0.5
MOX	91.20	1.6	0.9	0.06	1.6	0.002	5.7
Total	181.68	0.8	0.6	0.04	1.3	0.002	3.1
Inferred Resource	Million Tons	Zn%	Pb%	Cu%	Ag oz/ton	Au oz/ton	Mn%
LAG	28.85	0.1	0.2	0.02	0.9	0.003	0.6
MOX	16.30	1.7	1.1	0.06	1.1	0.001	3.8
Total	45.15	0.7	0.5	0.03	1.0	0.002	1.8

- (1) LAG (Upper Silver Zone) stated at a cut-off grade of 0.55 oz/ton AgEq; MOX (Manto Oxide Zone) stated at a cut-off grade of 0.40 oz/ton AgEq.
- (2) Based on prices of \$0.92/lb for zinc, \$0.90/lb for lead, \$27.06/oz for silver, \$1,468/oz for gold, \$0.82/lb for manganese and \$3.54/lb for copper.
- (3) Average processing recovery factors as follows: (i) LAG: 60% for silver and 90% for gold; MOX: 85% for silver, 90% for gold, 35% for manganese, 35% for zinc and 85% for copper.
- (4) Numbers are rounded and may not match detailed tables.

Testwork for the Central Deposit is underway to improve the operational cost, recoveries and efficiencies of processing of this mineralization since earlier studies.

During 2016, the Company initiated metallurgical testwork on a number of samples from the Central Deposit's mantos oxide mineralization to re-examine the proposed process for extracting the minerals. The

testwork has indicated that alternative processing flow sheets may be available for this mineralization. Work is ongoing in this.

The Company continues to work with the US Forest Service and consultants during the year to obtain the permits required to enable the Company to assess the geotechnical and hydrologic characterization on the unpatented claims on the Hermosa Property.

Financings

Arizona Mining has historically raised funds principally through the sale of its securities to carry out its exploration and business activities.

On August 20, 2014, the Company closed a \$2 million non-brokered private placement of 4.5 million units at C\$0.45 per unit with a company owned by the Executive Chairman of the Company. Each unit is comprised of one Arizona Mining common share and one common share purchase warrant exercisable into one additional Arizona Mining common share at a price of C\$0.55 per Arizona Mining common share for a period of two years. The private placement included the conversion into 1,455,026 units of the loan advances and interest at 7% that were previously provided by Arizona Mining's Executive Chairman.

On June 12, 2015, \$2,320,000 of loans advanced earlier in the year from the Company's directors and officers, together with \$83,400 accrued interest and financing fees payable were converted into 6,008,499 units of the Company at a price of \$0.40 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.60 per common share until June 12, 2017.

On November 10, 2015, the Company completed a private placement of 2,000,000 units at a price of \$0.35 per share with the Company's directors and officers for proceeds of \$700,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.45 per common share until November 10, 2020.

On December 18, 2015, loans aggregating \$2,044,000 that were received in November 2015 from the Company's Executive Chairman, together with \$21,898 accrued interest and financing fees payable were converted into 5,902,566 units of the Company at a price of \$0.35 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.45 per common share until December 18, 2020.

In connection with the acquisition of the Trench Claims, on January 13, 2016, the Company borrowed C\$4.0 million from a company controlled by the Company's Executive Chairman by way of an unsecured loan, repayable on the earlier of: one year from the date of advance; the date of any change of control of the Company; or the date the Company completes a financing of C\$10,000,000 or more by way of sale of securities from treasury or through the issuance of debt or other form of financing. The loan bears interest at 16% per annum, compounded monthly and is subject to a cash fee of 1% with an additional 1% fee payable after three months if the loan remains outstanding. In June 2016 one half of the loan was repaid in the amount of \$2,143,474 including interest and the remaining half was repaid in December 2016 for 2,309,254 including interest. In addition, 1,000,000 warrants have been issued to the lender with each warrant exercisable for an additional common share of the Company at a price of C\$0.30 per common share for a period of five years from the date of issue.

On March 2, 2016 the Company completed the first tranche of a non-brokered private placement comprising 6,060,100 million units at a price of \$0.42 per unit for proceeds of \$2,549,022. Each unit is comprised of

one common share and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.60 per common share for a period of 18 months. The balance of the private placement comprising 647,000 units for proceeds of \$271,740 closed on April 28, 2016, following the required shareholder approval.

On April 25, 2016, the Company closed a financing for a total of C\$15.6 million, comprised of the sale of a net smelter royalty (“**NSR**”) and certain private placements. Osisko Gold Royalties Ltd. (“**Osisko**”) acquired a 1% NSR on all sulfide ores of lead and zinc (and any copper, silver or gold recovered from the concentrate from such ores) mined from the Hermosa Project for proceeds of C\$10.0 million. Osisko also subscribed for a total of 8.93 million units at a price of C\$0.56 per unit, for gross proceeds of C\$5.00 million and other parties subscribed for 1.06 million units for a further C\$0.59 million. On April 28, 2016, the Company closed the balance of the private placement for a further 500,000 units at a price of C\$0.56 per unit for C\$280,000 with a director of the Company. Each unit in this financing consisted of one common share and one half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of C\$0.75 per common share for a period of 18 months. Proceeds from this financing are being primarily used for an aggressive drill campaign on the Taylor Deposit and for general working capital purposes.

On June 9, the Company closed on a brokered private placement of 14 million shares at \$1.29 for gross proceeds of C\$18,060,000 underwritten by a syndicate of underwriters led by Scotia Capital Inc. and RBC Capital Markets as the underwriters and including National Bank Financial Inc. and TD Securities Inc. Proceeds from the Offering will be used to fund ongoing drilling to determine the size and extent of the Taylor Deposit and general working capital.

On December 6, the Company closed a bought deal offering (the “**Bought Deal Offering**”) of 11,805,000 common shares at a price of C\$3.05 per common share for gross proceeds of C\$36,005,250. The Bought Deal Offering was underwritten by a syndicate led by Scotia Capital Inc., National Bank Financial Inc. RBC Capital Markets and TD Securities Inc. and including Raymond James Ltd. Proceeds from the Bought Deal Offering will be used to fund further drilling, engineering and technical studies for its Hermosa Project, property acquisitions and general working capital purposes.

Corporate Developments

During the course of the past three fiscal years, the Company strengthened its board and management team. At the shareholders’ meeting in 2014 Mr. Donald Siemens was elected director of the Company. Mr. Siemens is the Chair of the Audit Committee of the board. He is an independent financial advisor specializing in corporate finance, cross-border transactions and mergers and acquisitions. Mr. Siemens has over 30 years of experience as a Chartered Accountant, including eight years in public practice as a partner with major accounting firms, eight years in senior executive positions in the industry and 19 years as a self-employed financial services executive. In February 2015 Mr. Donald Taylor, the Company’s then President and Chief Operating Officer was appointed as director of the Company. Effective January 1, 2016, the Company appointed Mr. James (Jim) Gowans to the board of directors and as President and Chief Executive Officer of the Company. Following the appointment of Mr. Gowans, Richard Warke became Executive Chairman and Donald Taylor remained as Chief Operating Officer and a member on the board of directors. Mr. Gowans brings management, base metals and project development expertise to the Company enabling Mr. Taylor, who discovered the Hermosa Taylor Deposit mineralization, to fully focus on and direct the exploration efforts as we move the project forward. As well, effective January 1, 2016, Mr. Johnny Pappas was appointed Director, Environmental & Permitting. On August 8, 2016 the Company appointed Susan Muir as Vice President Investor Relations and Corporate Communications. Ms. Muir is a seasoned investor relations executive, and was most recently Vice President, Investor Communications at Barrick Gold

Corporation following a series of increasingly senior roles since 2007. Prior to Barrick, Ms. Muir also has 25 years of experience analyzing and covering large and small cap precious metals equities for several major Canadian investment banks and holds a Bachelor of Arts from Concordia University.

Acquisition of Minority Interest in the Hermosa Project

In May 2016, following shareholder approval of the transaction at the Company's Annual General and Special Meeting held on April 22, 2016, the Company closed the acquisition of 5348 Investments Ltd. ("**5348 Investments**"), thereby acquiring the 20% of the common shares and approximately 10% of the preference shares of AMI that it did not own. The existing 2% NSR royalty on certain of the patented and unpatented mining claims was not transferred as part of the transaction. The acquisition was from a private British Columbia company controlled by Richard W. Warke, a Director of the Company and the Company's Executive Chairman. As a result of the acquisition of 5348 Investments by the Company, the Shareholders' Agreement governing the affairs of AMI was terminated effective May 4, 2016. The Company issued 40 million common shares and 5 million common share purchase warrants as consideration for the acquisition. Each common share purchase warrant is convertible into one common share of the Company at a price of C\$0.50 until May 4, 2019.

Outlook

The Company is currently working on a further resource update from the October 31, 2016 resource based on subsequent drilling and analysis and a preliminary economic assessment, both of which are expected to be completed towards the beginning of the second quarter of 2017. The Company will then transition into completing a feasibility study on the Taylor Deposit with a targeted completion around the end of the 2017.

DESCRIPTION OF THE BUSINESS

General

The Company is engaged in the acquisition, exploration and if warranted, development of natural mineral resource properties.

Production and Services

The Company does not produce, develop or sell any products at this time. All of the Company's properties are in the exploratory stage and are thus non-producing and consequently do not generate any operating income or cash flows from operations. The Company has relied on debt and equity capital to finance its activities in the past and likely will continue to do so in the future.

Specialized Skill and Knowledge

Various aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of permitting, geology, drilling, metallurgy, logistical planning and implementation of exploration programs as well as finance and accounting. While competitive conditions exist in the industry, the Company has been able to locate and retain employees and consultants with such skills and believes it will continue to be able to do so in the future.

Competitive Conditions

Competition in the mineral exploration industry is intense. The Company competes with other mining companies, many of which have greater financial resources and technical facilities for the acquisition and development of, and production from, mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants.

Business Cycles

The mining business is subject to mineral price cycles. The marketability of minerals and mineral concentrates is also affected by worldwide economic cycles. The ultimate economic viability of the Company's exploration projects is primarily sensitive to the market price of silver and manganese for the Central Deposit and to zinc, lead and silver for the Taylor Deposit project. Metal prices fluctuate widely and are affected by numerous factors such as global supply, demand, inflation, exchange rates, interest rates, forward selling by producers, central bank sales and purchases, production, global or regional political, economic or financial situations and other factors beyond the control of the Company.

Environmental Protection

The Company's exploration and in particular, drilling activities, have ongoing environmental and reclamation obligations depending on the nature of the mining claim. The Company is materially in compliance with its environmental and reclamation obligations.

Employees

The Company currently has 9 employees in its British Columbia office, 1 employee in its Toronto, Ontario office and 9 employees in its office in Tucson, Arizona. The Company also employs 36 hourly employees in Tucson, Arizona. As operations require, the Company also retains geologists, engineers, geophysicists and other consultants on a fee for service basis. Certain of the employees have responsibilities with other publicly traded companies, and as such the Company pays a pro-rata portion of the costs of such employees based on their time incurred.

Foreign Operations

Substantially all of the Company's long-term assets primarily, comprising its mineral properties, are located in Santa Cruz County, Arizona, USA.

Social and Environmental Policies

The Company has an Environmental Health and Safety Policy. The focus of the policy is concern for the environment and the health and safety of individuals and the communities, which are at the forefront of these policies. The Company endeavors to provide and maintain safe and healthy working conditions to safeguard its employees and the communities in which it operates. In doing so the Company considers compliance with the regulatory standards as a minimum.

Risks and Uncertainties

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should participate. An investor should carefully consider the risks described below and the other information filed with the Canadian securities regulators before investing in the Company's common shares. The risks

described below are not the only ones faced. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business. If any of the following risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose part or all of their investment.

Dependence on one principal exploration stage property

At present, the Company's only mineral property is its Hermosa Project in Arizona. As a result, any significant adverse development that impacts the progress or financial or technical characteristics of the two identified deposits on the Hermosa Project may have a material adverse effect on the Company's share price, financial position, results of operations and future prospects.

The Company will require external financing or may need to enter into a strategic alliance to develop its mineral property

At December 31, 2016 the Company had cash and cash equivalents of \$19,236,855, working capital of \$16,207,700, a net loss for the year ended December 31, 2016 of \$3,129,372 and a deficit of \$62,814,006. The Company will require funding to continue drilling and other work on its Taylor Deposit including on the newly acquired patented mining claims and targets on the unpatented mining claims and for general working capital purposes.

The continued development of the Taylor Deposit or the Central Deposit on the Hermosa Property will require the commitment of substantial resources for operating expenses and exploration and development expenditures, which may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of the deposits are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, the acquisition of additional properties, and other factors, many of which are beyond the Company's control.

The Company has no source of operating income. The Company has historically raised funds principally through the sale of securities and more recently, through the sale of a royalty and advances from Company insiders. The sources of financing the Company may use to fund future expenditures on the project may include public or private offerings of equity or debt, streaming and offtake agreements, and project or bank financing. In addition, the Company may enter into a strategic alliance, sell certain of its assets or utilize a combination of all of these alternatives. Additional equity financing may cause dilution to Arizona Mining's existing shareholders. In addition, the unrestricted resale of shares resulting from the exercise of dilutive securities may have a negative effect on the market for the Company's common shares. There can be no assurance that financing will be available on acceptable terms, if at all.

Negative operating cash flow

The Company is an exploration stage company and has not yet commenced commercial production on the Hermosa Property and, accordingly, has not generated cash flow from operations. The Company is devoting significant resources to the exploration of the Hermosa Property, however there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it is able enter into commercial production and will not generate consolidated revenues sufficient to fund the exploration and development of the Hermosa Property. The Company has had negative operating cash flows from operations to date, reporting a loss from operations of \$2,631,739 for the year ended December 31, 2016 and \$1,627,837 for the year ended December 31, 2015. To the extent that the Company has negative cash flow in future periods, the

Company may need to deploy a portion of its cash reserves to fund such negative cash flow. There is no assurance that additional funding will be available to the Company for exploration and development. Furthermore, additional financing will be required to continue the exploration of the Company's properties even if the Company's exploration programs are successful. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such financing could result in delay or indefinite postponement of further exploration and development of the Company's properties.

The Company may be adversely affected by fluctuations in zinc, lead, silver, copper, manganese, and other metal prices

The development of the Company's Hermosa Project and future profitable operations is dependent, to a large extent, on the market price of the Hermosa Project's primary metals being zinc, lead and silver in the case of the Taylor Deposit and silver and manganese in the case of the Central Deposit. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as interest rates, exchange rates, inflation or deflation, global and regional supply and demand, and the political and economic conditions of mineral producing countries throughout the world.

Lower mineral prices, especially if over extended periods, could result in a reduction in the Company's ore reserves and resources and a re-evaluation of the economics of the two deposits on the Hermosa Project. This could result in the delay or deferral of the development of the deposits. It could also result in difficulty in the Company raising new funding, the possible impairment to the carrying value of the exploration and evaluation assets and a decrease in the Company's share price.

The Company may be subject to risks relating to the global economy

Market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, could impede the Company's access to capital or increase the cost of capital.

The Company is also exposed to liquidity risks in meeting its operating and capital expenditure requirements in instances where its cash position is unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. Increased market volatility may impact the Company's operations which could adversely affect the trading price of the Company's common shares.

The Company will require various permits to enable it to conduct its current and anticipated future operations

The Company's current and anticipated future operations, including further exploration and development activities and commencement of any production from the Company's property in Arizona require permits from various United States federal, state and local authorities. The granting, continuing validity and enforcement of the terms of such permits are, as a practical matter, often subject to the discretion of the applicable governments or government officials. There can be no assurance that all permits that the Company requires will be obtainable on reasonable terms, or at all, or will continue to be valid. To the extent such permits are delayed or not obtained the Company may be curtailed or prohibited from proceeding with the development, construction or operation of its Hermosa deposits. Failure to comply with applicable laws, regulations and permitting requirements may also result in enforcement actions thereunder including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include

corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions including compensation and civil or criminal fines or penalties.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof could have a material adverse impact on the Company and cause increases in costs and delays or abandonment of new mining projects.

The Company is subject to government regulation

The Company's mineral exploration is, and any development activities will be, subject to various United States laws governing exploration, development, production, taxes, labour standards and occupational health, mine safety, environmental protection, toxic substances, land use, water use and other matters. Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory authorities curtailing the Company's operations or requiring corrective measures, any of which could result in the Company incurring substantial expenditures. At present, there is no royalty payable to the United States on production from unpatented mining claims, although legislative attempts to impose a royalty have occurred in recent years. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a material adverse impact on our business and financial condition. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

The Company's business activities are subject to environmental laws and regulations

The Company's operations are subject to United States federal, state and local laws and regulations regarding environmental matters. These laws address, among other things, emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations. Environmental laws and regulations change frequently, and are generally becoming more stringent. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on our business and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production, when producing, or require abandonment or delays in development of our mineral properties. In addition, as previously discussed the Company closed the acquisition of approximately 300 acres of patented mining claims on January 26, 2016 and assumed the environmental liabilities relating to past activities on the site. The Company has submitted a remediation work plan that addresses the environmental liabilities, which has been approved by the Arizona Department of Environmental Quality. While the Company believes it has identified all of the environmental liabilities and that its planned actions should remediate the site there can be no assurance that other environmental liabilities both on and off the site may be identified in the future or that the planned actions will effectively remediate the site. This may result in additional costs to the Company or delays in the advancement of its projects, which could have an adverse material impact on the Company.

The Company has no history of developing properties into production

The Company's two deposits on its Hermosa Project are not in commercial production, and the Company has not recorded any revenues from mining operations. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The future development of any properties found to be economically feasible will require permits, financing and the construction and operation of mines, processing plants and related infrastructure. As a result, the Company will be subject to all of the risks associated with establishing new mining operations including: the timing and

cost of the construction of mining and processing facilities; the availability and cost of skilled labour and mining equipment; the availability and costs of suitable refining and smelting arrangements; the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; the availability of funds to finance the development and construction activities; the impact of any opposition to the developmental activities from non-governmental, environmental, local or other groups that may delay or prevent development; potential increases in construction or operating costs due to changes in the cost of supplies and materials and changes in foreign exchange rates.

Mineral resource estimates

The Company's resources as reported herein are estimates only and no assurance can be given that any particular level of recovery of zinc, lead, silver, copper, manganese or other metals will in fact be realized or that an identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be economically exploited. Mineral resources which are not mineral reserves do not have demonstrated economic viability. Any material change in the quantity of mineralization, grade, mineral prices, metal recoveries, costs or other assumptions used to calculate mineral resources may affect the economic viability of any property held by the Company.

Exploration, development and mining activities can be hazardous and involve a high degree of risk

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of base or precious metals, including, without limitation, unusual and unexpected geologic formations, seismic activity, rock bursts, pit-wall failures, cave-ins, flooding, fires and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and legal liability. Milling operations, if any, are subject to various hazards, including, without limitation, equipment failure and failure of retaining dams around tailings disposal areas, which may result in environmental pollution and legal liability.

The Company has a history of losses and anticipates that it will continue to incur losses for the foreseeable future

The Company has historically incurred losses as evidenced by the consolidated statements of operations and deficit, which can be found on SEDAR at www.sedar.com. The Company incurred a net loss of \$3,129,372 for the year ended December 31, 2016 and has an accumulated deficit of \$62,814,006 as at December 31, 2016.

The Company's efforts to date have been focused on acquiring and exploring its mineral property. The Company does not anticipate that it will earn any revenue from operations or other means unless and until its property is placed into production, which is not expected to be for several years, if at all, or is sold to a third party.

Inadequate infrastructure may delay or prevent the Company's operations

Exploration, development and ultimately mining and processing activities depend, to one degree or another, on the availability of adequate infrastructure. Reliable air service, roads, bridges, power sources and water supply are significant contributors in the determination of capital and operating costs. Inadequate infrastructure could significantly delay or prevent the Company exploring and developing its project and could result in higher costs.

The Company does not and likely will not insure against all risks

The Company's insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to environmental liability or other hazards which may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.

The Company's common shares may be subject to price and volume fluctuations and the market price for the common shares of the Company may drop below the price at which such common shares were purchased

Securities markets experience considerable price and volume volatility, and the market prices of securities of many companies may be subject to wide fluctuations not necessarily related to the operating performance, underlying asset values, exploration success or prospects of such companies. The market price of a publicly traded stock, especially a junior resource issuer, may be affected by many variables including the market for junior resource stocks, the strength of the economy generally, commodity prices, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of securities on the stock exchanges on which the Company trades, suggest the trading price of the common shares will continue to be volatile. There can be no assurance that such fluctuations will not affect the price of the Company's common shares and that the price of such common shares may decline below the purchase price paid for such common shares.

In the past, following periods of volatility in the market price of a company's securities, shareholders have often instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Company's profitability and reputation.

The Common Shares are publicly traded and are subject to various factors that have historically made their market price volatile.

The market price of the Common Shares has in the past been, and may in the future be, subject to large fluctuations which may result in losses for investors in the Common Shares. The market price of the Common Shares may increase or decrease in response to a number of events and factors, including:

- the results from the Company's continuing drill program, technical operations and economic analysis and its operating performance and the performance of competitors and other similar companies;
- volatility in the price of zinc, lead, silver, copper, manganese and other metal prices;

- the ability of the Company to raise capital to meet its funding needs;
- the public's reaction to the Company's news releases, other public announcements and the Company's filings with the various securities regulatory authorities;
- recommendations by research analysts who track the Company's securities or the securities of other companies in the mining sector;
- changes in general economic and/or political conditions;
- the arrival or departure of key personnel; and
- acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

In addition, the market price of the Common Shares is affected by many variables not directly related to the Company's success and not within its control, including other developments that affect the market for all mining sector securities or the equity markets generally, the breadth of the public market for the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares has historically made the Company's share price volatile, and the Company expects that the market price of the Common Shares will continue to be volatile in the future.

Future sales or issuances of Common Shares could decrease the value of any existing Common Shares, dilute investors' voting power and reduce the Company's earnings per share.

The Company may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into, or exchangeable for, Common Shares) and under the Company's stock option plan. The Company may also issue Common Shares to finance future acquisitions and other projects. The Company cannot predict the size of future issuances of Common Shares or the effect, if any, that future issuances of Common Shares will have on the market price of the Common Shares. Sales or issuances of a substantial number of Common Shares, or the perception that such sales or issuances could occur, may adversely affect prevailing market prices for Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in the Company's earnings per share.

The Company is dependent on key personnel

The Company's success depends in part on its ability to recruit and retain qualified personnel. Due to its relatively small size, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company. In addition, despite its efforts to recruit and retain qualified personnel, even when those efforts are successful, human error could result in a significant uninsured loss to the Company.

The Company competes with larger, better-capitalized competitors in the mining industry

The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious or other metals. Many of these companies have greater financial resources, operational experience and technical capabilities than Arizona Mining. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all.

Title to the Company's property may be subject to other claims

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests

may be subject to prior unrecorded agreements or transfers or other land claims and title may be affected by undetected defects. There may be valid challenges to the title of the Company's properties, which, if successful, could impair development and/or operations. In addition, mineral properties may be leased and may be subject to defects in title.

Litigation may adversely affect the Company

The Company may be involved in disputes with other parties in the future, which may result in litigation or arbitration. The results of litigation or arbitration cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company.

The Company's officers and directors may have potential conflicts of interest

The Company's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. However, applicable law requires the directors and officers to act honestly, in good faith, and in the best interests of the Company and in the case of directors, to refrain from participating in the relevant decision in certain circumstances.

MINERAL PROPERTIES

The Hermosa Property

The Company through its wholly owned subsidiary AMI owns 100% of the rights in and to the Hermosa Property.

The Company's Hermosa Property currently comprises of two deposits, the Taylor Deposit and the Central Deposit. The Taylor Deposit, is a lead-zinc-silver carbonate sulfide and is the focus of the Company's activities. The Central Deposit is a silver-manganese manto oxide development project. A summary of both of these deposit is provided below.

Through AMI, the Company holds 1,104 unpatented lode claims (of which 16 are under option) comprising approximately 19,015 acres on surface lands of the Coronado National Forest. In addition the Company holds 24 patented claims (453 acres).

Hermosa Taylor Deposit

The Taylor Deposit is a zinc-lead-silver carbonate sulfide deposit and is the focus of the Company's activities. The deposit remains open to the north, west and south over land controlled by the Company. Following receipt of funding from private placements and the sale of a royalty interest in the Hermosa Property in the second quarter of 2016, the Company has been engaged in an aggressive drill program to determine the extent of the Taylor Deposit sulfide mineralization.

On October 31, 2016, the Company announced a Mineral Resource update for the Taylor Deposit. The deposit now comprises 31.1 million tons in the Indicated Mineral Resource category grading 10.9% zinc equivalent ("ZnEq") plus 82.7 million tons in the Inferred Mineral Resource category grading 11.1% ZnEq, both reported in accordance with NI 43-101 using a 4% ZnEq cutoff grade. The resource is based on assay results from 59 surface diamond drill holes, totaling 206,192 feet (62,863 meters) of drilling, which have all intersected stratabound carbonate replacement sulfide mineralization within the Taylor Deposit. The updated

Mineral Resource estimate was prepared by AMC Mining Consultants (Canada) Ltd. (AMC) of Vancouver, B.C.

Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of Mineral Resources will be converted to Mineral Reserves. Inferred Mineral Resources are based on limited drilling which suggests the greatest uncertainty for a resource estimate and that geological continuity is only implied. Additional drilling will be required to verify geological and mineralization continuity and there is no certainty that all of the inferred resources will be converted to measured and indicated resources. Quantity and grades are estimates and are rounded to reflect the fact that the resource estimate is an approximation.

The following information on the Hermosa Property is a summary extracted from the Updated Technical Report entitled “Hermosa Property, Taylor Zn-Pb-Ag Deposit Minerals Resource Update, Arizona Mining Inc., Santa Cruz County, Arizona, USA, Revised and Amended”. The Updated Technical Report is dated effective October 22, 2016 and has a submission date of November 29, 2016. Authors of the Updated Technical Report are: Greg Mosher, Lynda Bloom, Thomas Martinez, Douglas Bartlett, Mark W. Osterberg, Deepak Malhotra and Scott E. Wilson. Each is a “qualified person” for the purposes of NI 43-101.

The principal author responsible for the overall preparation of the Updated Technical Report is Greg Z. Mosher, P. Geo, a "Qualified Person", as such term is defined in NI 43-101. Other contributors to the Updated Technical Report are listed under “Interests of Experts”, later in this AIF.

The full report, which is available on SEDAR at www.sedar.com or the Company’s website at www.arizonamining.com, is incorporated by reference herein and readers are encouraged to review it for additional details including the following items: Project Description and Location; Accessibility, Climate, Local Resources, Infrastructure and Physiography; History; Geological Setting and Mineralization; Exploration and Drilling; Project Geology; Sampling and Analysis; Security of Samples; Mineral Processing and Metallurgical Testing; Mineral Resource and Mineral Reserve Estimates; Mining and Recovery Methods; Environmental Studies Permitting and Social Community; Market Studies and Contracts; Capital and Operating Costs; Economic Analysis; Other Relevant Data and Information.

Summary of the Update Technical Report

Introduction

AMC Mining Consultants (Canada) Ltd. (AMC) was commissioned by Arizona Mining Inc. (AZ) to prepare a Mineral Resource estimate and report according to National Instrument 43-101 Technical Report (referred in this summary section as NI 43-101 Technical Report or Report) for the Taylor Deposit of the Hermosa Property (Property), located in Arizona, USA. The Property is located in Santa Cruz County near the town of Patagonia, southern Arizona.

The Property hosts two known mineral deposits, the Central Deposit and the Taylor Deposit. The Taylor Deposit was the subject of an NI 43-101 report dated 17 March 2016 by Metal Mining Consultants Inc. (March 2016 Technical Report). The Property is 100% owned by Arizona Minerals Inc. (AMI) a wholly owned subsidiary of AZ. This Technical Report provides an update of the Mineral Resource estimate for that deposit, and also reports the previously disclosed Central Deposit Mineral Resource. The Central Deposit Mineral Resource was previously reported in an NI 43-101 report authored by M3 Engineering and Technology Corporation (M3) and titled Hermosa Project, Pre-Feasibility Study, Santa Cruz County, Arizona dated 17 January, 2014, (January 2014 PFS report).

AMC are responsible for managing and preparing the Report with inputs from Mr G Mosher of Global Mineral Resource Services, an associate of AMC, Ms L Bloom of Analytical Solutions Ltd., Mr D Malhotra of Resource Development Inc., Mr T Martinez of WestLand Resources, Mr D Bartlett of Clear Creek Associates, Dr M Osterberg of Mine Mappers, LLC and Mr S Wilson of Metal Mining Consultants Inc.

All currency amounts and commodity prices are in United States (US) dollars unless stated otherwise. Quantities are stated in both Imperial and SI units. Commodity weights of measure are in ounces per short ton (oz/ton) or percent (%) unless stated otherwise.

Location, ownership and history

The Property is located approximately 50 miles (81 km) southeast of Tucson, Arizona; 15 miles (24 km) northeast of Nogales in Santa Cruz County, Arizona, and eight miles (13 km) north of the international border with Mexico. The area has a semi-arid climate. Available water well information and preliminary hydrologic analysis suggests adequate water supplies are available for project requirements. Experienced, skilled workers are readily available within a reasonable commuting distance. All major services and supplies are available in Tucson.

Arizona Mining Inc. (AZ) holds 100% ownership interest in the Property through its wholly owned subsidiary Arizona Minerals Inc. (AMI), a Nevada corporation, which was registered on October 4, 2005 with the Arizona Corporation Commission to do business within the State of Arizona.

The Property was explored by ASARCO intermittently from 1940 through 1991. Pan American Silver held the Property between 1994 and 2002 but confined their activity to internal economic evaluations. AZ has been active on the Property since 2006.

Geology and mineralization

Southeastern Arizona lies within a belt of 1600 to 1700 Ma-age Proterozoic rocks. Late Precambrian-Early Paleozoic rifting split the Proterozoic basement into a number of separate continental blocks with passive continental margins. Phanerozoic shelf-type sediments overlie the Precambrian basement.

The oldest rocks in the Patagonia Mountains are Proterozoic-age granodiorite that are overlain by Cambrian-age sedimentary rocks. Most of Arizona was above sea level during the Ordovician and Silurian. Widespread sedimentary deposition resumed in the upper Devonian. Pennsylvanian-Permian-age sandstones, shales and carbonates were deposited during a time of shifting and cyclical environments. The Pennsylvanian Naco Group of southeastern Arizona is comprised of Pennsylvanian Horquilla Limestone, the Pennsylvanian-Permian Earp Formation and the Permian Colina Limestone, Epitaph Dolomite, Scherrer Formation and Concha Limestone. The Epitaph Formation, Scherrer Formation and the Concha Formation (Paleozoics) underlie the Property and are disconformably overlain by Jurassic rhyolites.

Mesozoic-age volcanic, sedimentary and intrusive rocks lie disconformably above the Paleozoic stratigraphic sequence. Cretaceous-age intermediate and felsic volcanic and intrusive rocks cover much of the Property and surrounding areas. In the northwestern Patagonia Mountains, Jurassic granite intrudes Triassic to Jurassic volcanic and sedimentary rocks. Most of the central and southern parts of the range consist of Laramide-age (64 to 58 Ma), medium to coarse-grained hornblende granodiorite batholithic rocks. The batholith is bounded by northwest-striking faults and its emplacement is thought to have been structurally controlled.

Seven stratigraphic domains have been recognized within the Property: three carbonate units of Paleozoic age (in ascending order, Epitaph, Scherrer and Concha) that are overlain by two volcanic units; the Hardshell (Jurassic age) and Meadow Valley (Cretaceous age). An undivided carbonate unit (Lower Paleozoic

Carbonate) and an older volcanic unit (Older Volcanics Triassic/Jurassic age) comprise the sixth and seventh domains. All units dip gently to the northwest but stratigraphic relationships are complicated by the presence of a listric thrust that dips to the southwest, predates the two youngest Mesozoic volcanic units, and places the Epitaph, Scherrer and Concha over the undivided Lower Paleozoic Carbonate unit. A near-vertical, northeast striking fault, that may comprise a portion of the thrust, also predates the two youngest Tertiary volcanic units and separates the carbonate sequence to the southeast from a volcanic sequence to the northwest that includes the Older Volcanic unit.

The Property hosts two stratigraphically controlled mineral deposits. The two deposits, Taylor Deposit and the Central Deposit. The Taylor Deposit is predominantly a carbonate replacement deposit (CRD) which permeates downward, to significant depth (2,000 feet or 610 meters), into three recognized sedimentary formations on the Property and is comprised of Zn-Pb-Ag-Cu sulphides. The Central Deposit is a Manto style deposit which is confined to the contact between Permian carbonates and the overlying Jurassic rhyolites and does not permeate below the Concha limestone (100 - 500 feet or 30 – 150 meters). The Central Deposit is comprised of Mn oxides with accessory silver minerals. The hostrocks (Jurassic Rhyolites and Permian sediments) strike approximately southwest-northeast and dip $\pm 30^\circ$ to the northwest. They do not appear to be significantly disrupted by post-mineralization faulting at deposit scale.

Exploration and data management

AZ has been active on the Property since 2006 and with the exception of a surface mapping program that is currently underway, the work carried out has been almost exclusively drilling.

Drill programs conducted by AZ on the Property between 2007 and 2016 are summarized in Table 1.1

Table 1.1 AZ drill programs

Year	Type	Number	Length (Ft)	Target
2007	Core	4	4,450	Central Deposit
2007 & 2008	Core	3	7,928	Central Deposit
2009	Core	6	12,005	Central Deposit
2010 -2012	Core	57	81,846	Central Deposit
2012	RC	6	2,480	Central Deposit
2010 -2012	RC	159	101,813	Central Deposit
2007 - 2012	Core	16	32,846	Taylor Deposit
2014 - 2015	Core	8	29,337	Taylor Deposit
2016	Core	35	144,010	Taylor Deposit
Total		294	416,715	

The dataset received by AMC from AZ has an effective date of 5 October 2016, and included data for drillhole collars, downhole surveys, assays (copper, lead, zinc and silver), lithology, and oxidation state for 398 drillholes (82,904 samples; however, only 116 of those drillholes (52,675 samples) are contained within the boundaries of the Mineral Resource estimate.

Taylor Deposit Mineral Resource estimate

The current Taylor Deposit Mineral Resource estimate is an update of the estimate reported in the March 2016 Technical Report of 17 March 2016. The current estimate is based on 52,675 assays from 116 surface drillholes. AZ provided wireframes (.dxf format) of major lithological units, structures and mineral domains together with drillhole locations, downhole surveys, assays and geology (in csv format). Mr. Greg Mosher,

P.Ge. an associate of AMC completed the Mineral Resource estimate using Genesis™ software from SGS Geostat.

Table 1.2 is a summary of the Mineral Resources stated at 22 October 2016 at a cut-off grade of 4% ZnEq.

Table 1.2 Taylor Deposit Mineral Resources

Category	Million tons	Zn%	Pb%	Cu%	Ag oz./ton	ZnEq%
Indicated Mineral Resource	31.14	4.7	4.4	0.1	1.8	10.9
Inferred Mineral Resource	82.75	4.2	4.7	0.2	2.2	11.1

Mineral Resources are stated as of 22 October 2016

Stated at a cut-off grade of 4% ZnEq based on prices, recovery and costs as follows:

Prices of \$0.95/lb for zinc, \$0.90/lb for lead and \$20/oz. for silver.

Average processing recovery factors of 90% for zinc, 95% for lead, and 85% for silver.

Total operating costs are estimated to range between \$45/ton and \$60/ton and are based on the assumption that sublevel open stopping underground mining method will be used.

ZnEq calculation is discussed below

Numbers are rounded and may not match detailed tables.

The estimation has been carried out by Ordinary Kriging (OK) within seven stratigraphic domains: three carbonate units of Paleozoic age (in ascending order, Epitaph, Scherrer and Concha) that are overlain by two volcanic units; the Hardshell (Jurassic age) and Meadow Valley (Cretaceous age). An undivided carbonate unit (Lower Paleozoic Carbonate) and an older volcanic unit (Older Volcanics) comprise the sixth and seventh domains.

Log probability plots of copper, lead, zinc and silver assays were examined for evidence of statistical outliers. Only silver assays demonstrated the presence of a break in the trend line and a cap was placed at 42 oz/ton. This cap affected 14 assays and resulted in a 1.4% decrease in the aggregate silver content of the assay population.

The majority of samples are five feet in length but because the anticipated stope height is on the order of 100 feet or more, resolution of data at a scale of five feet in the vertical direction was considered unnecessarily fine. For that reason, samples were composited to 10 feet in length. Compositing honoured lithological domain boundaries. Partial composites were discarded if less than one foot in length.

A formula to estimate bulk density during the resource tabulation process was devised on the basis of abundance of galena, sphalerite and chalcopyrite. Table 1.3 sets out the parameters used for the bulk density estimation and hence the tonnage factor used. This formula produces bulk density values within approximately 10% of the measurements carried out on the drill core. Because the estimation was carried out in Imperial units, it was necessary to convert bulk density to tonnage factor (cubic feet/short ton). That conversion is also included in Table 1.3. The formula, in its reduced form is:

$$TF = (((Pb\% * 0.0862) + (Zn\% * 0.0597) + (Cu\% * 0.12)) + ((100 - Pb\% - Zn\% - Cu\%) * 0.027)) * 0.031$$

Table 1.3 Tonnage factor calculation

Element	% of mineral	Mineral	SG of mineral
Pb	87	Galena	7.5
Zn	67	Sphalerite	4.0
Cu	35	Chalcopyrite	4.2
Hostrock			2.7
SG units g/cm ³			
Bulk density to ft ³ /ton = 62.43 lbs/ft ³ /2000 lbs			
Example of calculation of formula terms:			
SG of Galena = (Pb%/0.87)*(7.5/100) = Pb%*0.0862			
TF = (((Pb%*0.0862)+(Zn%*0.0597)+(Cu%*0.12))+((100-Pb%-Zn%-Cu%)*0.027))*0.031			

Spatial continuity of mineralization (assays of silver, copper, lead and zinc) was assessed using Sage 2001 variographic software. Oxidation was treated as an indicator (values from 0 = completely unoxidized to 1 = completely oxidized as recorded in drill logs and was used in the resource estimation process to differentiate between oxide and sulphide mineralization.

A search ellipse was created for each domain based on the distribution and orientation in space, of the composites within the domain. A second search ellipse, with a major axis length of 900 feet, was constructed for the Epitaph domain to capture a zone of mineralization on the southeast side of the deposit that was intersected in three widely-spaced drillholes and that would not have been accounted for using the regular search ellipse.

Grades were estimated for lead, zinc, and silver as well as oxidation state values. Grades (values) were interpolated in one pass. In order for a grade (value) to be interpolated into a block, it was necessary that a minimum of four and a maximum of 10 composites were located within the volume of the search ellipse. A maximum of two composites per drillhole was permitted thereby ensuring that at a minimum each block was informed by two holes.

Each domain was estimated separately and boundaries between domains were treated as hard, i.e. the estimation of grades within one domain could not be influenced by grades of composites in adjacent domains.

The resource has been tabulated on the basis of Zinc Equivalent (ZnEq) that incorporates zinc, lead and silver. Although the grade of copper was estimated, it was not used as a component of the ZnEq formula because of its relatively low abundance and uncertain mineral processing route thus far. Thus no value was considered for copper. The ZnEq formula to equate lead and silver to zinc is:

$$\text{ZnEq} = [(\text{Pb}/100) \cdot 0.9 \cdot 2000 \cdot 0.95 + (\text{Zn}/100) \cdot 0.95 \cdot 2000 \cdot 0.90 + (20 \cdot \text{Ag}) \cdot 0.85] / (2000 \cdot 0.95 \cdot 0.9 / 100)$$

The inputs to the equation are given in Table 1.4.

Table 1.4 Zinc Equivalent parameters

Metal	Price (US\$)	Recovery (%)
Zinc	0.95/lb	90
Lead	0.90/lb	95
Silver	20.00/lb	85

Resources were classified as Indicated and Inferred. There are no Measured Resources as at present mineralization has not been exposed at surface or underground, a circumstance that would be necessary to provide sufficient evidence of continuity to warrant that classification. For a block to be classified as Indicated, it was necessary that a minimum of eight composites were located within 300 feet (91 m) of the block centroid; for a block to be classified as Inferred, it was necessary that a minimum of four composites be located within 600 feet (183 m) of the block centroid.

The mineralization for which this estimate was prepared contains both oxidized and non-oxidized portions. This estimate is for the non-oxidized portion only. However, the oxidized mineralization is not discretely separate from the non-oxidized, therefore a simple boundary between the two could not be constructed. Instead, the Oxstate variable was used to approximate the proportion of original samples that were logged as oxidized relative to the total database that represents the mineralized volume. Approximately 32% of the original samples were logged as oxidized. Therefore, the Oxstate index that represents approximately 32% of the estimated blocks was chosen as the break between oxidized and non-oxidized. This index is 0.3 in the range from 1 which represents entirely oxidized and 0 which represents entirely non-oxidized.

The block model was validated in three ways: visual comparison between block grades and underlying assay grades, statistical comparison between block and composite values, and by swath plots in east-west, north-south and vertical slices. The swath plots are for the entire deposit and are based on an amalgamation of ZnEq values for all seven geological domains. In all cases there is reasonable correlation and agreement although grades are inevitably smoothed by the kriging process

Central Deposit Mineral Resource estimate

The following table summarizes the Measured, Indicated and Inferred Mineral Resources for the Central Deposit, as of 10 December 2013. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Additionally, the stated resources have been confined to the limits of an economic pit using Lerchs-Grossmann optimization techniques.

Table 1.5 Central Deposit Mineral Resources

Category	Million Tons	Zn%	Pb%	Cu%	Ag oz/ton	Au oz/ton	Mn%
Measured	76.11	0.8	0.6	0.04	1.6	0.003	3.4
Indicated	105.57	0.8	0.6	0.04	1.1	0.002	2.8
Measured & Indicated	181.68	0.8	0.6	0.04	1.3	0.002	3.1
Inferred	45.15	0.7	0.5	0.03	1.0	0.002	1.8

Mineral Resources are stated as of 22 October 2016 (restated excluding Skarn zone which is included in the January 2014 PFS report).

LAG (Upper Silver Zone) stated at a cut-off grade of 0.55 oz/ton AgEq;

MOX (Manto Oxide Zone) stated at a cut-off grade of 0.40 oz/ton AgEq

Based on prices of \$0.92/lb for zinc, \$0.90/lb for lead, \$27.06/oz for silver, \$1,468/oz for gold, \$0.82/lb for manganese and \$3.54/lb for copper

Average processing recovery factors as follows:

LAG: 60% for silver and 90% for gold

MOX: 85% for silver, 90% for gold, 35% for manganese, 35% for zinc and 85% for copper

Numbers are rounded and may not match detailed tables.

Metallurgical

Resource Development Inc. (RD*i*) located in Wheat Ridge, Colorado completed a scoping level metallurgical study for zinc/lead/silver mineralization for the Taylor Deposit.

A composite sample representative of the mineralization was prepared from split drill core samples which were projected to have the average grade of the deposit. The composite assayed 9.14% Pb, 7.99% Zn, 0.24% Cu, 126 g/t Ag and 0.29 g/t Au which was higher grade than the projected grade of $\pm 5\%$ Pb and $\pm 5\%$ Zn. The concentrates produced, contained no deleterious elements and should not pose an issue for concentrate sales or smelting of the concentrates. The composite sample had a Bond's mill work index of 14.03 kwh/st.

Conventional differential lead-zinc process flowsheet using industry accepted reagents and one to two stages of cleaner flotation for each lead and zinc flotation produced marketable-grade lead and zinc concentrates. The lead rougher concentrate recovered 97.1% of Pb, 81.4% of Ag, 12.8% of Zn and 27.7% of Cu in 15.8% of the weight. The concentrate assayed 51.7% Pb, 6.4% Zn, 0.5% Cu and 632 g/t Ag.

The zinc rougher concentrate recovered 83.2% of Zn, 1.5% of Pb, 15.8% of Ag and 68% of Cu in 20% of the weight. The concentrate assayed 33% Zn, 0.7% Pb, 1.0% Cu and 97 g/t Ag.

The copper grade of the composite sample was too low to produce a marketable grade copper concentrate. However, it will be evaluated in the next phase of testing.

The second-cleaner lead concentrate assayed 75.1% Pb, 1.1% Zn, 0.3% Cu and 804 g/t Ag. The concentrate has no deleterious elements. The second-cleaner zinc concentrate assayed 56.3% Zn, 0.3% Pb, 1.3% Cu and 144 g/t Ag. The concentrate has no deleterious elements.

Based on these results, one can project the overall recoveries in the process flowsheet for the Taylor Deposit to be as follows:

Table 1.6 Taylor Deposit projected metallurgical recoveries

Concentrates	Recovery	Metal
Pb Concentrate:	92.9%	Recovery of lead
	76%	Recovery of silver
Zn Concentrate	85.5%	Recovery of zinc
	15%	Recovery of silver

Testwork for the Central Deposit is underway to improve the operational cost, recoveries and efficiencies of the processing of these ores since earlier studies.

Environmental

A variety of permits and approvals from state and federal agencies may be required in order to open and operate the Hermosa Mine project. By far, the most involved permitting effort will be the preparation of an Environmental Assessment (EA) or Environmental Impact Statement (EIS) by the U.S. Forest Service (USFS), in order to comply with the National Environmental Policy Act (NEPA). A NEPA-compliant analysis is required because some of the land needed for the project is administered by the USFS Coronado National Forest (CNF). Another major permitting effort is the Aquifer Protection Permit (APP) from the Arizona Department of Environmental Quality (ADEQ), which covers any facility that discharges a pollutant either directly to an aquifer or the land surface or the vadose zone in such a manner that there is a reasonable probability that the pollutant will reach an aquifer. A third major permitting effort will be an Air Permit under the Clean Air Act, which is administered by ADEQ with oversight from the U.S. Environmental Protection Agency (EPA). Based on recent data, the time required for the USFS to prepare an EIS ranges significantly, from less than one to ten years or more, with a mean of approximately 4 years. The APP, Air Permit, and other permit actions can all be performed coincident with the EIS and may generally be timed to be completed at approximately the same time as the EIS. To minimize the environmental permitting timeline, a Plan of Operations (POO) should be submitted to the CNF, should it be necessary, as soon as possible after completion of a Pre-Feasibility Study or Feasibility Study.

Baseline studies to obtain background environmental data have been initiated and should be continued in the coming months. Results from exploration, geotechnical and hydrogeologic investigations will be used to develop a POO to submit to the CNF as well as provide data to support the NEPA, APP, and other permitting processes.

Conclusions and Recommendations

Geology

Approximately 28% of the Taylor Deposit Mineral Resource has been classified as Indicated and 72% as Inferred. This ratio reflects the relatively wide spacing of the drillholes on which the resource estimate was based. It will be necessary to drill infill holes within the area of the present resource estimate to increase the proportion of the resource that is classified as Indicated.

It is recommended that infill drilling be carried out peripheral to that portion of the Taylor Deposit that is currently classified as Indicated. A program of 15 drillholes, each a nominal 3,750 feet (1,143 m) in length (aggregate 56,250 feet (17,145 m)) should be sufficient to upgrade a substantial portion of the current Inferred Resource. The all-inclusive cost of drilling is assumed to be \$82/foot for a total recommended budget of \$4.6 million.

The calculation used to estimate bulk density and tonnage factors for the Taylor Deposit may be refined by the inclusion of pyrite content and possibly by inclusion of a term to account for porosity. However, it will be necessary to expand upon the current dataset of 30 bulk density measurements to permit the refinement of the bulk density formula. Therefore, it is recommended that in future bulk density measurements of drill core are made on a routine basis. If the samples that are available in the future do not fully represent the variability of mineral abundances and rock types that are present within the deposit it may be necessary to take measurements from core that was drilled previously.

As the use of quarter core for the Taylor Deposit as a duplicate and for the sample used for analysis may introduce a bias, the average of the results of the two quarters should be taken so as to equate to the volume in half core samples. Additionally, it is recommended to cease collecting field duplicates of core and revert to the use of pulp duplicates for the purposes of QC monitoring.

No further drilling is required for the Central Deposit at this time. However, desktop studies should be undertaken to determine the full resource, non-pit constrained, should it be decided the most appropriate way to mine the Central Deposit is through common underground infrastructure developed for the Taylor Deposit.

Metallurgical

Based on encouraging results in the metallurgical scoping level study, it is recommended that the company should proceed with pre-feasibility level testwork for the Taylor Deposit.

During the next phase of testing, the gold and copper distribution in the proposed flowsheet should be investigated.

The cost of this work is estimated at \$1.0 million.

As time and resources allow, metallurgical testing of the Central Deposit material should be continued to further refine the process and determine what if any improvements can be made as they relate to operating costs, capital costs and metallurgical recoveries.

Environmental Permitting

AMI should continue baseline studies that will support the permitting processes expected to be required to develop the project. These include:

- Biological Resources
- Cultural Resources
- Hydrogeologic Studies
- Geochemical Studies
- Air and weather monitoring
- Stormwater quality
- Geotechnical (soil and rock) investigations

The estimated cost for additional baseline studies is \$2.5 million.

This concludes the summary of the Updated Technical Report. The full Updated Technical Report is available on the Company website at www.arizonamining.com or on SEDAR at www.sedar.com

DIVIDENDS

The Company has not paid any dividends and has no particular policy on paying dividends or distributions and does not expect to pay dividends in the near future. The Articles of the Company stipulate that subject to the rights, if any, of shareholders holding shares with special rights as to dividends, the directors may from time-to-time declare and authorize payment of any dividends the directors consider appropriate.

CAPITAL STRUCTURE

General Description of Capital Structure

The Company is authorized to issue an unlimited number of common shares. The common shares of the Company are all without par value and rank equally as to dividends, voting powers and participation in assets and as to all other benefits which might accrue to holders of the common shares. No shares have been issued subject to call or assessment. Each common share carries one vote at shareholder meetings of the Company. All of the common shares outstanding as at the date of this AIF are fully paid and non-assessable. There are no pre-emptive or conversion rights, and no provision for redemption, purchase for cancellation, surrender or sinking funds attached to any of the Company's common shares. Provisions as to the modification, amendment or variation of such rights or provisions are contained in the Company's Articles of Incorporation.

The Company is further authorized to issue an unlimited number of preferred shares without par value, which may be issued in one or more series, and the directors are authorized to fix the number of shares in each series and determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The preferred shares have a priority over the common shares with respect to the payment of dividends and the distribution of assets upon the liquidation of the Company with respect to the repayment of capital.

As at the date of this AIF there were 249,666,630 common shares and no preferred shares issued and outstanding.

MARKET FOR SECURITIES

Trading Price and Volume

The following table presents the high, low and closing sale price and volume traded on the TSX for the Company's common shares for each month in the twelve months ended December 31, 2016.

Period	High	Low	Close	Volume
December 2016	3.49	2.25	2.45	46,102,500
November 2016	3.37	2.72	3.15	12,160,300
October 2016	3.00	2.24	2.84	35,187,300
September 2016	2.71	1.85	2.56	19,102,900
August 2016	2.23	1.58	1.95	12,509,400
July 2016	1.94	1.64	1.81	3,947,400
June 2016	1.85	1.33	1.66	4,737,900
May 2016	1.79	1.08	1.6	6,790,300
April 2016	1.23	0.76	1.12	7,718,300
March 2016	0.87	0.44	0.82	4,430,300

February 2016	0.465	0.325	0.465	2,590,700
January 2016	0.36	0.275	0.32	425,400

Prior Sales

At the date of this AIF the Company had 14,154,000 stock options outstanding with an exercise price ranging between \$0.29 and \$2.76 and expiring between March 24, 2019 and Mar 1, 2022 and 6,008,499 warrants exercisable at \$0.60 until June 12, 2017, 2,000,000 warrants exercisable at \$0.45 until November 10, 2020, 5,902,566 warrants exercisable at \$0.45 until December 18, 2020, 1,000,000 warrants exercisable at \$0.30 until January 13, 2021, 3,034,550 warrants exercisable at \$0.60 until September 2, 2017, 323,500 warrants exercisable at \$0.60 until October 28, 2017, 4,994,286 warrants exercisable at \$0.75 until October 25, 2017, 250,000 warrants exercisable at \$0.75 until October 28, 2017, and 5,000,000 warrants exercisable at \$0.50 until May 4, 2019. The Company has no other convertible securities outstanding.

DIRECTORS AND OFFICERS

At the date of this AIF the following were the directors and officers of Arizona Mining:

Name, Occupation and Security Holdings

Name, Province and Country of Residence	Date First Appointed	Position Held with the Company and Present and Principal Occupation During the Past Five Years ⁽¹⁾
James (Jim) Gowans Surrey, BC, Canada	January 1, 2016	Director, President and CEO of the Company. Co-President of Barrick Gold Corporation from July 2014 to August 31, 2015, Executive Vice President and Chief Operating Officer of Barrick Gold Corporation from January 2014 to July 2014; Managing Director of Debswana Diamond Company (Pty) Ltd. from 2011 to 2014
Richard W. Warke West Vancouver, BC, Canada	July 3, 2008	Executive Chairman and Director of the Company; President and CEO of Catalyst Copper Corp. September 2014 to May 2016; Executive Chairman and Director of NewCastle Gold Ltd. since May 2016; Director and Executive Chairman of Augusta Resource Corporation to July 2014;
Donald R. Taylor Tucson, AZ, USA	June 1, 2010	COO of the Company; Vice President, Exploration of the Company between June 2010 and May 2012.
Poonam Puri ⁽²⁾⁽³⁾⁽⁴⁾ Toronto, ON Canada	May 27, 2015	Director the Company; Professor of Law, Osgoode Hall Law School, York University since 1997. Affiliated scholar, Davies Ward, Phillips & Vineberg LLP since September 2014.
Donald Siemens ⁽²⁾⁽³⁾⁽⁴⁾ Langley, BC Canada	August 15, 2014	Director of the Company; Independent financial advisor specializing in corporate finance, cross-border transactions and mergers and acquisitions.

Name, Province and Country of Residence	Date First Appointed	Position Held with the Company and Present and Principal Occupation During the Past Five Years⁽¹⁾
Robert P. Wares ^{(2) (3) (4)} Montreal, Quebec, Canada	May 5, 2006	Acting Lead Director of the Company; President and CEO of NioGold Mining Corporation and Chief Geologist for Osisko Gold Royalties Ltd. since September 2014; Chief Geologist for Osisko Mining Corp. from October 2012 to June 2014. Executive Vice President and Chief Operating Officer of Osisko Mining Ltd. from September 2006 to October 2012.
Paul J. Ireland Vancouver Island, BC, Canada	December 7, 2009	CFO of the Company; CFO of NewCastle Gold Ltd. since May 2016 and Catalyst Copper Corp. between September 2014 to May 2016; CFO of Ventana Gold Corp. to March 2011.
Purni Parikh Burnaby, BC, Canada	February 1, 2010	Vice President, Corporate Secretary of the Company; Vice President, Corporate Secretary of NewCaslte Gold Ltd. since May 2016 and Catalyst Copper Corp. from September 2014 to May 2016; VP, Corporate Secretary of Augusta Resource Corporation to July 2014.
Gregory F. Lucero Nogales, AZ USA	July 5, 2011	Vice President Community & Government Affairs;
Susan Muir Toronto, ON Canada	August 8, 2017	Vice President, Investor Relations and Corporate Communications since August 2016. Vice President, Investor Communications at Barrick Gold Corporation between February 2007 and July 2016.

(1) Information has been provided by the directors and officers of the Company.

(2) Member of the Company's Audit Committee

(3) Member of the Company's Compensation Committee

(4) Member of the Company's Nominating and Corporate Governance Committee

The directors of the Company are elected annually and hold office until the next annual meeting of shareholders or until their successors are elected or appointed. There are three committees of the Board, an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee.

To the knowledge of the Company, the number of common shares of the Company which are beneficially owned, or controlled or directed, directly and indirectly, by all directors and officers of the Company, as a group, as at the date of this AIF is 98,487,630 (approximately 39.45% of the Company).

Cease Trade Orders

Except for as provided below, no director or executive officer of the Company is, as at the date of the AIF, or was within 10 years before the date of the AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer:

Arizona Mining requested and received notice from the British Columbia Securities Commission of the issuance of a management cease trade order on October 30, 2007 in connection with the late filing of its annual audited consolidated financial statements for the fiscal year ended June 30, 2007. Arizona Mining's failure to make the filing within the required time frame was due to the need to clarify potential foreign tax

obligations relating to an acquisition it made. The required filing was made on January 7, 2008 and the management cease trade order was revoked on January 8, 2008. Robert Wares, directors of the Company, was at the time the order was issued a director of Arizona Mining.

Bankruptcies

Except for as provided below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company of any such persons, as at the date of this AIF, is or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted proceedings, an arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Siemens was a director of Great Western Minerals Group Ltd. (“GWMG”) from January 2014 until his resignation in July 2015. On April 30, 2015 GWMG was granted protection from its creditors under the CCAA upon receiving an initial order from the Court. On May 11, 2015, an order was issued by the Financial and Consumers Affairs Authority of the Province of Saskatchewan that all trading in the securities of GWMG be ceased due to its failure to file financial statements for the year ended December 31, 2014.

Penalties or Sanctions

No director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement since December 31, 2000 that would likely be important to a reasonable investor in making an investment decision, with a securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interests which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, that director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

To the best of the Company’s knowledge, there are no known existing or potential conflicts of interest among the Company, its promoters, directors, officers or other members of management of the Company as a result of their outside business interests except that certain of the directors, officers, promoters and other members of management serve as directors, officers, promoters and members of management of other public companies, and therefore it is possible that a conflict may arise between their duties as a director, officer, promoter or member of management of such other companies. See “Directors and Officers”.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. Such directors or officers, in accordance with the Business Corporations Act (British Columbia), will disclose all such conflicts and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is not aware of any legal proceedings, actual or contemplated, to which the Company is a party or of which any of its properties are the subject.

Regulatory Actions

There are no: (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial period and up to the date of this AIF; (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements the Company entered into with a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial period and up to the date of this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth earlier in this AIF, to the knowledge of the Company, no director, executive officer, person or company that beneficially owns, or controls, or directs, directly or indirectly, more than ten percent of the Company's voting securities, or associates or affiliates of the foregoing, has had any material interest, direct or indirect, in any transactions in which the Company has participated within the three most recently completed financial years or in the current financial year prior to the date of this AIF, which has materially affected or is reasonably expected to materially affect the Company:

TRANSFER AGENTS AND REGISTRARS

The Registrar and Transfer Agent for the common shares in British Columbia is Computershare Investor Services Inc., at its offices at 4th Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

MATERIAL CONTRACTS

The only material contract entered into by the Company during the year ended December 31, 2016 or since such time or before such time that is still in effect, other than in the ordinary course of business, is as follows:

- (a) The Share Purchase Agreement between the Company and Ozama pursuant to which the Company will acquire, subject to shareholder approval, 5348's 20% ownership in AMI, dated as of the 21st March, 2016.

The contracts are available under the Company's profile on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

The following are names of persons or companies (a) that have prepared or certified a report, valuation statement or opinion described or included in a filing, or referred to in a filing made under NI 51-102 by the Company during, or relating to, the Company's most recently completed financial period and (b) whose profession or business gives authority to the report, valuation statement or opinion made by the person or company:

Each of Greg Mosher, Lynda Bloom, Thomas Martinez, Douglas Bartlett, Mark W. Osterberg, Deepak Malhotra and Scott E. Wilson, being an author of the Updated Technical Report, is a "qualified person" for the purposes of NI 43-101. Each such qualified person has reviewed certain scientific and technical information relating to certain of Arizona Mining's mineral properties as more fully described in this AIF or has supervised the preparation of information upon which such scientific and technical information is based as detailed in the Updated Technical Report. None of such persons received or will receive a direct or indirect interest in any property of Arizona or any of its associates or affiliates.

The valuation and fairness opinion attached as Schedule B to the MIC was prepared by Ross Glanville & Associates Ltd. and Bruce McKnight Minerals Advisor Services.

As of the date hereof, to the best of the Company's knowledge, the experts named under this section "Interest of Expert" beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Company and have no other direct or indirect interest in the Company or any of its associates or affiliates.

Donald R. Taylor, MSc., PG, SME, Chief Operating Officer for Arizona Mining, has reviewed and approved the scientific and technical information contained in or incorporated by reference in this Prospectus. Mr. Taylor is a "qualified person" for purposes of NI 43-101. Mr. Taylor is an officer and director of the Company. Mr. Taylor has not received and will not receive a direct or indirect interest in any property of the Company or any of its associates or affiliates. As of the date of this prospectus, Mr Taylor owns, beneficially, directly or indirectly, 898,930 common shares of the Company, 436,733 warrants, each of which entitles him to purchase one common share of the Company at a price of \$0.60 per common share, and 2,500,000 stock options, each to acquire one common share of the Company.

On information provided by the experts, none of the experts named under "Names of Qualified Persons" above, when or after they prepared the statement, report or valuation, has received or will receive any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of the Company's associates or affiliates (based on information provided to the Company by such experts) or is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company

The auditors of the Company are PricewaterhouseCoopers LLP, Chartered Professional Accountants, of Vancouver, British Columbia. PricewaterhouseCoopers LLP, has advised the Company that it is independent within the meaning of the CPA Code of Professional Conduct.

AUDIT COMMITTEE INFORMATION

Multilateral Instrument 52-110 – Audit Committees (“MI 52-110”) requires companies to provide disclosure with respect to their audit committee including the text of the audit committee’s charter, the composition of the audit committee and the fees paid to the external auditor.

The text of the audit committee’s charter is attached as Schedule “A” to this Circular.

At year ended December 31, 2016, the Company’s audit committee consisted of Messrs. Siemens, Wares and Ms. Puri. All are independent and financially literate as defined in MI 52-110. The Audit Committee held 4 meetings during the year ended December 31, 2016.

The following is a description of the education and experience of each member of the audit committee during the year ended December 31, 2016 that is relevant to the performance of his responsibilities as an audit committee member.

Donald Siemens (Chair of Audit Committee) - Mr. Siemens, a chartered accountant, Independent financial advisor specializing in corporate finance, cross-border transactions and mergers and acquisitions. Former Partner-in-Charge of Thorne Ernst & Whinney’s (now KPMG) Vancouver office Financial Advisory Services group.

Robert P. Wares – Mr. Wares is a Professional Geologist and presently President and CEO of NioGold Mining Corporation as well as Chief Geologist for Osisko Gold Royalties Ltd. He was President of Osisko Exploration from September 1998 to early 2006; Executive Vice President and Chief Operating Officer of Osisko Mining Ltd. between September 2006 to March 2011, Executive Vice President Resource Development of Osisko Mining Ltd. between April 2011 to October 2012 and Chief Geologist from October 2012 to June 2014. Mr. Wares holds a Bachelors Degree (Honours) in Geology and an Honorary Doctorate in Sciences from McGill University, Montreal, and has 30 years of experience in mineral exploration and research. Mr. Wares is a director of several public mining companies and has previously served on the Audit Committee of Augusta Resource Corporation. He is also a member of various industry and research organizations within the mineral industry.

Poonam Puri – Ms. Puri is a Professor of Law, Osgoode Hall Law School, York University since 1997 and an affiliated scholar to Davies Ward, Phillips & Vineberg LLP since September 2014. is one of Canada’s most respected scholars and commentators on issues of corporate governance, corporate law, securities law and financial regulation. She was Associate Dean, Research, Graduate Studies and Institutional Relations at Osgoode Hall Law School from July 2011 to September 2013 before taking on the role of Associate Dean until July 2014. She was also Co-Director of the Hennick Centre for Business and Law, a joint initiative of Osgoode Hall Law School and the Schulich School of Business at York University, from July 2008 to June 2013. In 2008, Professor Puri was appointed as one of two research directors of the Canadian Ministry of Finance’s Expert Panel on Securities Regulation, which led to the proposed common securities regulator. Professor Puri was named one of the 100 Most Powerful Women in Canada by the Women’s Executive Network.

Pre-Approval Policies and Procedures

The audit committee has not adopted any specific policies and procedures for the engagement of non-audit services. However, under its charter, the audit committee must approve all non-audit services to be provided to the Company or its subsidiaries by the Company’s external auditors.

External Auditor Service Fees

The following table sets forth the fees billed to the Company by PricewaterhouseCoopers LLP, Chartered Professional Accountants (“PWC”) for services rendered in the last two fiscal periods:

Fiscal Period	Audit Fees⁽¹⁾ C\$	Audit Related Fees⁽²⁾ C\$	Tax Fees⁽³⁾ C\$	All Other Fees⁽³⁾ C\$
December 31, 2016	\$45,939.68	\$0	\$4,000	\$2,450
December 31, 2015	\$50,400	\$0	\$0	\$3,534

(1) Aggregate fees billed by the Company’s auditors for audit and review services.

(2) Aggregate fees billed by the Company’s auditors for assurance and related services that are reasonably related to the performance of the audit or review of the Company’s financial statements and not contained under “Audit Fees”.

(3) Aggregate fees billed by the Company’s auditors for services not contained “Audit Fees”, “Audit Related Fees” or “Tax Fees”.

ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company’s information circular for its most recent annual general meeting of shareholders that involved the election of directors and additional financial information is provided in the Company’s consolidated financial statements and management’s discussion and analysis for its most recently completed financial period is available on SEDAR at www.sedar.com.

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SCHEDULE “A”

ARIZONA MINING SILVER CORPORATION (the “Company”)

AUDIT COMMITTEE

CHARTER

The Audit Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Arizona Mining Silver Corporation (the “Company”) to which the Board delegates its responsibilities for the oversight of the accounting and financial reporting process and financial statement audits.

The Committee will:

- (a) review and report to the Board on the following before they are published:
 - (i) the financial statements and MD&A (management discussion and analysis) (as defined in National Instrument 51-102) of the Company;
 - (ii) the auditors report, if any, prepared in relation to those financial statements; and
 - (iii) all other filings with regulatory authorities and any other publicly disclosed information containing the Company’s financial statements, including any certification, report, opinion or review rendered by the independent accountants, and all financial information and earnings guidance intended to be provided to analysts and the public or to rating agencies, and consider whether the information contained in these documents is consistent with the information contained in the financial statements.
- (b) review the Company’s annual and interim earnings press releases, if any, before the Company publicly discloses this information;
- (c) satisfy itself that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s financial statements and periodically assess the adequacy of those procedures;
- (d) recommend to the Board the external auditor to be nominated for the purposes of preparing and issuing an auditor's report or performing other audit, review or attest services for the Company and the compensation of such external auditor;
- (e) be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (f) monitor and report to the Board on the integrity of the financial reporting process and the system of internal controls that management and the Board have established;
- (i) establish procedures for:

- (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
 - (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- (j) pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor, including as contemplated by National Instrument 52-110;
- (k) review and approve the Company's hiring of partners, employees and former partners and employees of the external auditor of the Company;
- (l) with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by the Chief Executive Officer and the Chief Financial Officer to comply with National Instrument 52-109;
- (m) review any changes proposed by management to accounting policies and report to the Board on such changes;
- (n) oversee the opportunities and risks inherent in the Company's financial management and the effectiveness of the controls thereon;
- (o) review major transactions (acquisitions, divestitures and funding), in respect of which a special committee of the Board is not established;
- (p) review the reports of the Chief Executive Officer and Chief Financial Officer regarding any significant deficiencies or material weaknesses in the design of operation of internal controls and any fraud that involves management or other employees of the Company who have a significant role in managing or implementing the Company's internal controls and evaluate whether the internal control structure, as created and as implemented, provides reasonable assurances that transactions are recorded as necessary to permit the Company's external auditor to reconcile the Company's financial statements in accordance with applicable securities laws;
- (q) review with management the adequacy of the insurance and fidelity bond coverage, reported contingent liabilities, and management's assessment of contingency planning. Review management's plans regarding any changes in accounting practices or policies and the financial impact of such changes, any major areas in management's judgment that have a significant effect upon the financial statements of the Company, and any litigation or claim, including tax assessments, that could have a material effect upon the financial position or operating results of the Company;
- (r) periodically review and discuss with the external auditor all significant relationships the external auditor has with the Company to determine the independence of the external auditor, including a review of service fees for audit and non-audit services; and

consider, in consultation with the external auditor, the audit scope and plan of the external auditor and approve the proposed audit fee and the final fees for the audit.

Composition of the Committee

The Committee shall be composed of at least three independent directors. Independence of the Board members will be as defined by applicable legislation and as a minimum each committee member will have no direct or indirect relationship with the Company which, in the view of the Board, could reasonably interfere with the exercise of a member's independent judgement.

All members of the Committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. "Financially literate" means that such member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. One or more members of the Committee shall, in the judgment of the Board, have accounting or financial management expertise.

Appointing Members

The members of the Committee shall be appointed or re-appointed by the Board on an annual basis. Each member of the Committee shall continue to be a member thereof until such member's successor is appointed, unless such member shall resign or be removed by the Board or such member shall cease to be a director of the Company. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be filled by the Board if the membership of the Committee is less than three directors as a result of the vacancy or the Committee no longer has a member who has, in the judgment of the Board, accounting or financial management expertise.

Authority

The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the Committee will set the compensation for such advisors.

The Committee has the authority to communicate directly with and to meet with the external auditors and the internal auditor, without management involvement. This extends to requiring the external auditor to report directly to the Committee.

The Committee has the authority to approve, if so delegated by the board of directors, the interim financial statements and management discussion and analysis and to cause the filing of the same together with all required documents and information with the securities commissions and other regulatory authorities in the required jurisdictions.

The Committee shall have full access to the books, records and facilities of the Company in carrying out its responsibilities.

The Board shall adopt resolutions which provide for appropriate funding, as determined by the Committee, for (i) services provided by the external auditor in rendering or issuing an audit report, (ii) services provided by any adviser employed by the Committee which it believes, in its sole discretion, are needed to carry out its duties and responsibilities, or (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities.

Reporting

The reporting obligations of the Committee will include:

1. reporting to the Board on the proceedings of each Committee meeting and on the Committee's recommendations at the next regularly scheduled directors meeting; and
2. reviewing, and reporting to the Board on its concurrence with, the disclosure required by Form 52-110F2 in any management information circular prepared by the Company.

Meetings

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

- A quorum for meetings shall be at least a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;
- The Committee shall meet at least quarterly (or more frequently as circumstances dictate); and
- Notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee and the external auditors of the Company at least 48 hours prior to the time of such meeting.

While the Committee is expected to communicate regularly with management, the Committee shall exercise a high degree of independence in establishing its meeting agenda and in carrying out its responsibilities. The Committee shall submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board.

The members of the Committee must elect a chair from among the members of the Committee. On request of the auditor of the Company, the chair of the Committee must convene a meeting of the Committee to consider any matter that the auditor believes should be brought to the attention of the directors or shareholders.