ARIZONA MINING INC.

Condensed Consolidated Interim Financial Statements

Three and Nine Months Ended September 30, 2017 and 2016

(Unaudited)

Arizona Mining Inc.
Condensed Consolidated Interim Balance Sheets
(Unaudited – in thousands of United States dollars)

	September 30, 2017	December 31, 2016
Assets		
Current assets		
Cash and cash equivalents	$ 73,019	$ 19,237
Prepaids and other	709	479
	73,728	19,716
Non-current assets		
Exploration and evaluation assets (note 2)	135,521	100,954
Restricted cash (note 3)	3,311	3,311
Property, plant and equipment (note 4)	2,855	989
Other assets	386	225
	$ 215,801	$ 125,195
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 3,491	$ 3,509
	3,491	3,509
Non-current liabilities		
Reclamation and remediation provision (note 3)	4,865	4,994
Deferred rental contribution	105	185
	8,461	8,688
Equity		
Equity attributable to shareholders of the Company:		
Common shares (note 5)	254,363	167,897
Reserves	20,326	11,424
Deficit	(67,349)	(62,814)
	207,340	116,507
	$ 215,801	$ 125,195

APPROVED BY THE DIRECTORS

/s/ Donald R. Siemens
Donald R. Siemens – Director

/s/ James K. Gowans
James K. Gowans – Director

November 14, 2017

See accompanying notes to the condensed consolidated interim financial statements.

Arizona Mining Inc.

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Income (Loss)
(Unaudited – in thousands of United States dollars, except per share amounts)

	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Expenses:				
Stock based compensation (note 5b)	$ 816	$ 123	$ 1,984	$ 565
Salaries and benefits	570	213	1,424	705
General and administration	286	289	811	715
Loss from operations	(1,672)	(625)	(4,219)	(1,985)
Other items:				
Foreign exchange loss	(406)	(52)	(667)	(247)
Interest and finance charges	-	(126)	(5)	(489)
Interest and other income	236	21	356	30
Gain on disposition of property, plant and equipment	-	-	-	2
Net loss for the period	(1,842)	(782)	(4,535)	(2,689)
Other comprehensive income (loss):				
Items that may be reclassified to profit or loss:				
Foreign currency translation gain (loss)	3,243	(140)	7,309	(758)
Comprehensive income (loss)	$ 1,401	$ (922)	$ 2,774	$ (3,447)
Net loss attributable to:				
Shareholders of the Company	$ (1,842)	$ (782)	$ (4,535)	$ (2,688)
Non-controlling interest	-	-	-	(1)
	$ (1,842)	$ (782)	$ (4,535)	$ (2,689)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	$ 1,401	$ (922)	$ 2,774	$ (3,446)
Non-controlling interest	-	-	-	(1)
	$ 1,401	$ (922)	$ 2,774	$ (3,447)
Basic and diluted net loss per share attributable to shareholders of the Company	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding	302,955,110	235,365,326	275,838,542	201,323,595

See accompanying notes to the condensed consolidated interim financial statements.

Arizona Mining Inc.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – in thousands of United States dollars, except number of shares)

	Share Capital		Reserves					
	Number of Shares	Amount	Accumulated other comprehensive income (loss)	Options and warrants	Total	Deficit	Non-controlling interest	Total equity
Balance, December 31, 2015	161,951,958	$ 87,234	$ (381)	$ 8,388	$ 8,007	$ (28,828)	$ 6,055	$ 72,468
Stock based compensation expense (note 5b)	-	-	-	565	565	-	-	565
Stock based compensation applied to exploration and evaluation assets (note 5b)	-	-	-	206	206	-	-	206
Acquisition of non-controlling interest	40,000,000	33,841	-	2,900	2,900	(30,858)	(6,290)	(407)
Units issued on private placements	17,204,672	5,601	-	1,143	1,143	-	-	6,744
Shares issued in underwritten private placement	14,000,000	14,186	-	-	-	-	-	14,186
Fair value of warrants issued	-	-	-	134	134	-	-	134
Share issue costs	-	(828)	-	-	-	-	-	(828)
Shares issued on exercise of warrants	4,600,000	1,994	-	-	-	-	-	1,994
Fair value of warrants exercised	-	528	-	(528)	(528)	-	-	-
Required contributions for project costs	-	-	-	-	-	-	236	236
Comprehensive loss for the period	-	-	(758)	-	(758)	(2,688)	(1)	(3,447)
Balance, September 30, 2016	237,756,630	$ 142,556	$ (1,139)	$ 12,808	$ 11,669	$ (62,374)	$ -	$ 91,851
Balance, December 31, 2016	249,561,630	$ 167,897	$ (1,556)	$ 12,980	$ 11,424	$ (62,814)	$ -	$ 116,507
Stock based compensation expense (note 5b)	-	-	-	1,984	1,984	-	-	1,984
Stock based compensation applied to exploration and evaluation assets (note 5b)	-	-	-	483	483	-	-	483
Shares issued on private placement (note 5a)	45,000,000	81,090	-	-	-	-	-	81,090
Share issue costs	-	(273)	-	-	-	-	-	(273)
Shares issued on exercise of warrants	10,531,549	4,735	-	-	-	-	-	4,735
Warrants exercised	-	841	-	(841)	(841)	-	-	-
Shares issued on exercise of stock options	126,666	40	-	-	-	-	-	40
Fair value of stock options exercised	-	33	-	(33)	(33)	-	-	-
Comprehensive income (loss) for the period	-	-	7,309	-	7,309	(4,535)	-	2,774
Balance, September 30, 2017	305,219,845	$ 254,363	$ 5,753	$ 14,573	$ 20,326	$ (67,349)	$ -	$ 207,340

See accompanying notes to the condensed consolidated interim financial statements.

Arizona Mining Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – in thousands of United States dollars)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash provided by (used in):				
Operating activities:				
Net loss for the period	$ (1,842)	$ (782)	$ (4,535)	$ (2,689)
Items not affecting cash:				
Unrealized foreign exchange loss	391	(26)	639	228
Stock based compensation	816	123	1,984	565
Interest and finance charges	2	122	5	482
Amortization of deferred rental contribution	(31)	(30)	(90)	(89)
Other	-	2	-	2
Net changes in non-cash working capital:				
Prepaids and other	(60)	28	(154)	(40)
Accounts payable and accrued liabilities	(176)	(69)	26	(45)
	(900)	(632)	(2,125)	(1,586)
Financing activities:				
Proceeds from private placements	-	-	81,090	20,930
Share issue costs	-	(12)	(273)	(788)
Exercise of share purchase warrants and options	1,726	1,994	4,774	1,994
Repayment of advances from related party	-	-	-	(3,147)
Interest and finance fees paid	-	-	-	(258)
Advances from related party	-	-	-	2,798
	1,726	1,982	85,591	21,529
Investing activities:				
Purchase of property, plant and equipment	(1,081)	(443)	(2,038)	(926)
Other assets	(116)	-	(145)	-
Proceeds from sale of NSR	-	-	-	7,886
Acquisition of non-controlling interest	-	-	-	(32)
Additions to exploration and evaluation assets	(12,081)	(8,734)	(33,807)	(15,954)
Reclamation and remediation provisions settled	(79)	(306)	(332)	(546)
Restricted cash contributions	-	-	-	(2,311)
	(13,357)	(9,483)	(36,322)	(11,883)
Effect of exchange rate changes on cash and cash equivalents	2,834	(125)	6,638	(553)
Increase (decrease) in cash and cash equivalents	(9,697)	(8,258)	53,782	7,507
Cash and cash equivalents, beginning of period	82,716	16,184	19,237	419
Cash and cash equivalents, end of period	$ 73,019	$ 7,926	73,019	7,926

Supplemental cash flow information (note 9)

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting entity and basis of presentation

(a) Reporting entity

Arizona Mining Inc. (the "Company" or "Arizona Mining") is engaged in the acquisition, exploration and development of mineral property interests. The Company is incorporated and domiciled in Canada. The Company holds a 100% ownership interest in the Hermosa Project in Arizona, United States through its wholly owned subsidiary Arizona Minerals Inc. ("AMI"), a Nevada corporation.

(b) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). They do not include all of the information required by IFRS for complete financial statements. These interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Company's most recent audited consolidated financial statements.

Under the authority delegated to them by the Board of Directors, the Audit Committee authorized these financial statements for issue on November 14, 2017.

(c) Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual amounts incurred by the Company may differ from these values.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2016.

(d) Changes in accounting standards

There were no previously undisclosed significant accounting pronouncements issued during the period ended September 30, 2017.

(e) New accounting pronouncements

In January 2016, the IASB issued IFRS 16, *Leases*, which eliminates the classification of leases as either operating or finance leases for a lessee. Under IFRS 16, all leases are considered finance leases and will be recorded on the balance sheet. The only exemptions to this classification will be for leases that are 12 months or less in duration or for leases of low-value assets. The requirement to record all leases as finance leases under IFRS 16 will increase lease assets and lease liabilities on an entity's financial statements. IFRS 16 will also change the nature of expenses relating to leases as the straight-line lease expense previously recognized for operating leases will be replaced with depreciation expense for lease assets and finance expense for lease liabilities. IFRS 16 includes an overall disclosure objective and requires a company to disclose (a) information about lease assets and expenses and cash flows related to leases; (b) a maturity analysis of lease liabilities; and (c) any additional company-specific information that is relevant to satisfying the disclosure objective. IFRS 16 is effective from January 1, 2019 and can be applied before that date but only if IFRS 15 is also applied. The Company is currently assessing the effect of this standard on its financial statements. As at September 30, 2017, the Company has developed an understanding of the requirements of IFRS 16 but has not commenced analysis of existing arrangements or possible changes that may result from adoption of IFRS 16.

(Unaudited – in thousands of United States dollars, unless otherwise stated)

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. IFRS 9 also introduces a forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, but is available for early adoption. The Company plans to adopt the standard beginning January 1, 2018. The Company is currently assessing the effect of this standard and its related amendments on its financial statements. At this stage, the Company does not expect this standard to have a material effect on its financial statements.

2. Exploration and evaluation assets

Exploration and evaluation assets relate to the acquisition costs and exploration and evaluation expenditures on the Company's interest in the Hermosa Project, in Arizona, United States.

On January 26, 2016, the Company closed the acquisition of certain patented mining claims adjacent to the Company's Hermosa Taylor Deposit. In exchange for the patented claims and $1,000 of cash held in trust related to security for the reclamation obligations, the Company assumed the environmental liabilities relating to past activities on the site, which were estimated at $5,277 (note 3). The balance of $4,277 was recognized as the cost of the acquired mineral property interest.

On April 25, 2016, the Company closed the sale of a 1% net smelter return ("NSR") royalty to Osisko Gold Royalties Ltd. ("Osisko") 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 cash consideration of C$10.0 million ($7,886), which amount has been applied to reduce the carrying amount of exploration and evaluation assets.

The following is a summary of changes in exploration and evaluation assets:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Balance, start of period	$ 122,734	$ 78,607	$ 100,954	$ 73,559
Additions:				
Mineral and other property acquisitions	535	161	1,362	4,799
Drilling	5,345	5,132	16,126	9,893
Property access, restoration and maintenance	1,111	876	3,164	1,718
Drilling and other supplies	247	189	594	546
Assay and analysis	521	681	1,879	1,043
Salaries, benefits and stock based compensation	1,247	629	3,115	1,514
Geologic consulting and support	612	434	1,548	719
Engineering and metallurgy	275	311	1,149	412
Environmental baseline studies & permitting	1,622	138	2,652	408
Claims maintenance	171	144	171	144
Reclamation and remediation (note 3)	79	-	288	-
Tailings storage facility	248	-	968	-
Other	774	207	1,551	640
	12,787	8,902	34,567	21,836
Sale of NSR	-	-	-	(7,886)
	12,787	8,902	34,567	13,950
Balance, end of period	$ 135,521	$ 87,509	$ 135,521	$ 87,509

(Unaudited – in thousands of United States dollars, unless otherwise stated)

3. Reclamation and remediation provision and restricted cash

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Balance, start of period	$ 4,994	$ -
Initial recognition arising on acquisition (note 2)	-	5,277
Additions	288	590
Accretion	5	(3)
Reclamation and remediation provisions settled	(288)	(870)
Change in estimate	(134)	-
Balance, end of period	$ 4,865	$ 4,994

The reclamation and remediation provision primarily represents the estimated costs required to provide restoration and rehabilitation for past activities on the patented mining claims acquired (“Acquired Claims”) by the Company in 2016. The total uninflated and undiscounted estimated cash flows required to settle these obligations on initial recognition were $5,311, which have been inflated at an average rate of 2.03% per annum and discounted at an average rate of 2.36% (December 31, 2016 – 1.96%) per annum being an estimate of the risk-free, pre-tax cost of borrowing over the respective periods. These obligations are expected to be funded from cash held in escrow of $2,455 and working capital. The Company also provides for restoration and rehabilitation for its ongoing activities on the project although these amounts have not been either inflated or discounted as the timing of the cash flows is not currently determinable.

The Company has posted two bonds totaling $1,969 as security for its reclamation and remediation obligations and has posted $856 with the bond surety company as collateral for the bonds.

4. Property, plant and equipment

	Site fixed assets & equipment	Vehicles	Computer hardware & software	Office furniture & leaseholds	Total
Cost					
As at December 31, 2016	$ 841	$ 280	$ 40	$ 40	$ 1,201
Additions	1,635	319	61	24	2,039
Disposals	-	-	-	(2)	(2)
As at September 30, 2017	$ 2,476	$ 599	$ 101	$ 62	$ 3,238
Accumulated amortization					
As at December 31, 2016	$ 62	$ 100	$ 21	$ 29	$ 212
Disposals	-	-	-	(2)	(2)
Amortization	106	44	18	5	173
As at September 30, 2017	$ 168	$ 144	$ 39	$ 32	$ 383
Net book value					
As at December 31, 2016	$ 779	$ 180	$ 19	$ 11	$ 989
As at September 30, 2017	$ 2,308	$ 455	$ 62	$ 30	$ 2,855

(Unaudited – in thousands of United States dollars, unless otherwise stated)

5. Share capital

(a) Private placement

On May 16, 2017 the Company closed a private placement of 45 million common shares in the Company at a price of C$2.45 per common share with South32 Limited for gross proceeds of C$110.3 million (US$81.1 million).

(b) Stock options

For the three and nine months ended September 30, 2017, the Company recognized a stock-based compensation charge against income of $816 and $1,984, respectively (September 30, 2016 – $123 and $565). A further $483 (September 30, 2016 – $206) was capitalized to exploration and evaluation assets for the nine months. The following table shows the change in the Company's stock options during the nine months ended September 30, 2017:

	2017	
	Number of Options	Weighted Average Exercise Price (in C$)
Balance, start of period	11,304,000	$0.41
Granted	6,005,000	$2.66
Exercised	(126,666)	$0.42
Forfeited	(88,334)	$1.79
Balance, end of period	17,094,000	$1.20

The assumptions used in the Black-Scholes option-pricing model for the options granted during the nine months ended September 30, 2017 and 2016 are:

Weighted average:	2017	2016
Expected term (years)	5.0	5.0
Volatility (1)	65%	83%
Expected dividend yield	-	-
Risk-free interest rate	1.25%	0.65%

(1) The expected volatility is based on the historical volatility of the Company's shares.

(c) Warrants

The following summarizes the warrants outstanding at September 30, 2017:

Date of Issue	Exercise Price (C$)	Expiry Date	December 31, 2016	Exercised	September 30, 2017
June 12, 2015	$0.60	June 12, 2017	6,008,499	(6,008,499)	-
November 10, 2015	$0.45	November 10, 2020	2,000,000	(1,000,000)	1,000,000
December 18, 2015	$0.45	December 18, 2020	5,902,566	-	5,902,566
January 13, 2016	$0.30	January 13, 2021	1,000,000	-	1,000,000
March 2, 2016	$0.60	September 2, 2017	3,034,550	(3,034,550)	-
April 25, 2016	$0.75	October 25, 2017	4,894,286	(310,000)	4,584,286
April 28, 2016	$0.60	October 28, 2017	323,500	(178,500)	145,000
April 28, 2016	$0.75	October 28, 2017	250,000	-	250,000
May 4, 2016	$0.50	May 4, 2019	5,000,000	-	5,000,000
			28,413,401	(10,531,549)	17,881,852

(Unaudited – in thousands of United States dollars, unless otherwise stated)

The weighted average exercise price of the warrants outstanding at September 30, 2017 is C$0.54 (December 31, 2016 – C$0.56). Subsequent to September 30, 2017, 4,979,286 warrants were exercised for proceeds of $3,712,715.

6. Related party transactions

In addition to the related party transactions or balances disclosed elsewhere in these condensed consolidated interim financial statements, the Company had the following related party transactions.

The Company shares office space, equipment, personnel and various administrative services with other companies (NewCastle Gold Ltd., Armor Minerals Inc. and Titan Mining Corporation) related by virtue of certain directors and management in common. These services have been mainly provided through a management company equally owned by the related companies. Costs incurred by the management company are allocated between the related companies based on time incurred and use of services and are charged at cost.

The Company was charged for the following with respect to these arrangements:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Salaries and benefits	$ 284	$ 192	$ 1,069	$ 621
Office and administrative	95	66	316	267
Other assets	115	-	145	-
	$ 494	$ 258	$ 1,530	$ 888

In addition, for the three and nine months ended September 30, 2017, the Company charged out $nil and $2, respectively, with respect to these arrangements (September 30, 2016 – $nil and $5). At September 30, 2017, prepaids and other includes $86 (December 31, 2016 – $67) with respect to these arrangements.

Other assets of $386 (December 31, 2016 – $225) relate to the Company's share of jointly owned assets (primarily security deposits, leasehold improvements, and furniture and equipment) held by the management company.

On January 13, 2016, the Company borrowed C$4.0 million (US$2,798) from a company controlled by the Company's Executive Chairman in connection with the acquisition of certain patented mining claims. The loan was unsecured, 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 completed a financing of C$10,000 or more by way of sale of securities from treasury or through the issuance of debt or other form of financing. The loan bore interest at 16% per annum, compounded monthly and was subject to a cash fee of 1% with an additional 1% fee payable after three months if the loan remained outstanding. In addition, 1,000,000 warrants were issued to the lender. Each warrant entitles the lender to purchase one common share at a price of C$0.30 per common share until January 13, 2021. The Company repaid C$2.0 million ($1,562) of the loan plus accrued interest of C$143 ($112) on June 20, 2016 following the $15.6 million financing that closed on April 25, 2016. The lender waived its right to early repayment on the balance of the loan of C$2.0 million, which was subsequently repaid later in 2016.

On April 26, 2016 the Company repaid three loans totalling C$2.0 million plus accrued interest of C$109 ($86). The loans were received at various times in 2015 from a company controlled by the Company's Executive Chairman. The loans were unsecured, bore interest at 8% per annum and were repayable on the earlier of (i) one year from the date of advance, (ii) a change of control of the Company, or (iii) the completion of a financing of C$4.0 million or more by way of sale of securities from treasury of the Company or through the issuance of debt or other form of financing.

(Unaudited – in thousands of United States dollars, unless otherwise stated)

7. Commitments

On October 1, 2017 the Company entered into a new office lease. At September 30, 2017, the Company is committed to payments for office premises through 2022 in the total amount of $1,559. Payments by fiscal year are:

2017	$	115
2018		464
2019		439
2020		334
2021 and thereafter		207

8. Segment information

The Company operates in one industry segment, being mineral exploration and development. Geographic information is as follows:

		United States		Canada		Total
Long-term assets as at:						
September 30, 2017	$	141,687	$	386	$	142,073
December 31, 2016	$	105,254	$	225	$	105,479

9. Supplemental cash flow information

		September 30, 2017		December 31, 2016
Cash and cash equivalents, end of year comprise:				
Cash and balances with banks	$	11,737	$	2,387
Cash equivalents		61,282		16,850
	$	73,019	$	19,237

As at September 30, 2017, the Company held the equivalent of $10,686 in U.S. dollars and $62,333 in Canadian dollars.

	Three months ended September 30,				Nine months ended September 30,			
		2017		2016		2017		2016
Non-cash investing and financing activities:								
Change in accounts payable and accrued liabilities reflected in investing activities	$	318	$	110	$	(42)	$	1,729
Mineral property acquisition costs in exchange for assumed reclamation and remediation provision	$	-	$	-	$	-	$	(5,277)
Restricted cash contributions in exchange for assumed reclamation and remediation provision	$	-	$	-	$	-	$	1,000
Acquisition of NCI in exchange for common shares and warrants, including non-cash transaction costs and other	$	-	$	-	$	-	$	(37,116)