AZARGA
METALS

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2018

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Azarga Metals Corp.

We have audited the accompanying consolidated financial statements of Azarga Metals Corp., which comprise the consolidated statements of financial position as at September 30, 2018 and 2017 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Azarga Metals Corp. as at September 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Azarga Metals Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

January 18, 2019

AZARGA METALS CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	September 30, 2018	September 30, 2017
ASSETS			
Current			
Cash	4	$ 20,449	$ 36,196
Receivables	5	4,663	14,296
Prepaid expenses	6	5,349	12,302
		30,461	62,794
Exploration and evaluation assets	7	8,012,117	2,732,117
		$ 8,042,578	$ 2,794,911
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	8	$ 681,834	$ 180,109
Shareholder loans	9	258,750	-
		940,584	180,109
Shareholder loans	10	992,505	956,853
		1,933,089	1,136,962
Shareholders' equity			
Share capital	11	136,038,548	130,751,882
Obligation to issue shares	11	-	29,987
Share-based reserve	11	15,629,747	15,269,687
Deficit		(145,558,806)	(144,388,457)
Equity attributable to Azarga shareholders		6,109,489	1,663,099
Non-controlling interest		-	(5,150)
		6,109,489	1,657,949
		$ 8,042,578	$ 2,794,911
Nature of operations and going concern	1		
Subsequent events	9 & 10		

These consolidated financial statements were approved for issue by the Board of Directors on January 18, 2019.

They are signed on the Company's behalf by:

"Alexander Molyneux"
Alexander Molyneux, Director

"Dorian L. Nicol"
Dorian L. Nicol, Director

The accompanying notes form an integral part of these consolidated financial statements

AZARGA METALS CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note		Year ended September 30, 2018		2017
EXPENSES					
Administration		$	24,415	$	41,845
Exploration and evaluation expenditures	*7*		323,020		1,223,558
Investor relations			51,969		80,117
Professional fees			85,542		84,993
Regulatory fees			35,483		53,477
Salaries and benefits	*12*		195,639		381,918
Share-based compensation	*11 & 12*		366,739		432,571
Travel			5,042		143,565
			(1,087,849)		(2,442,044)
Foreign exchange loss			(33,947)		(11,973)
Gain on sale of project interest	*7*		86,485		-
Gain on forgiveness of trade and other payables	*8*		-		31,488
Interest expense on due to shareholders - current	*9*		(11,782)		-
Interest expense on due to shareholders - non-current	*10*		(118,106)		(131,506)
Interest income			-		2,656
Loss on settlement of director and consulting fees	*11*		-		(12,493)
Loss on settlement of interest due to shareholders	*11*		-		(10,646)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		$	(1,165,199)	$	(2,574,518)
Basic and diluted loss per common share		$	(0.02)	$	(0.05)
Weighted average number of common shares outstanding			71,035,686		47,064,101

The accompanying notes form an integral part of these consolidated financial statements

AZARGA METALS CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended September 30, 2018	2017
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the year	$ (1,165,199)	$ (2,574,518)
Items not affecting cash:		
Share-based compensation	366,739	432,571
Gain on sale of project interest	(86,485)	-
Gain on forgiveness of trade and other payables	-	(31,488)
Accrued interest due to shareholders - current	11,782	-
Accrued interest due to shareholders - non-current	118,106	131,506
Loss on settlement of director and consulting fees	-	12,493
Loss on settlement of interest due to shareholders	-	10,646
Obligation to issue shares	-	42,667
Unrealized foreign exchange (gain) loss	35,652	(53,524)
Change in non-cash working capital items:		
Receivables	9,633	55,735
Prepaid expenses	6,953	33,102
Trade and other payables	371,837	(99,990)
	(330,982)	(2,040,800)
INVESTING ACTIVITIES:		
Proceeds on sale of project interest	86,485	-
Transaction costs on acquisition of 40% of Unkur	(30,000)	-
	56,485	-
FINANCING ACTIVITIES:		
Private placement	-	504,400
Share issue costs	-	(14,450)
Shareholder loans	258,750	-
	258,750	489,950
DECREASE IN CASH FOR THE YEAR	(15,747)	(1,550,850)
CASH, BEGINNING OF THE YEAR	36,196	1,587,046
CASH, END OF THE YEAR	$ 20,449	$ 36,196

Supplementary cash flow information (Note 16)

The accompanying notes form an integral part of these consolidated financial statements

AZARGA METALS CORP.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Deficit	Equity attributable to Azarga shareholders
Balance, September 30, 2017	48,231,804	$ 130,751,882	$ 29,987	$ 15,269,687	$ (144,388,457)	$ 1,663,099
Acquisition of 40% of Unkur project	42,000,000	5,250,000	-	-	-	5,250,000
Shares issued for management bonus	166,668	36,666	(36,666)	-	-	-
Share-based compensation	-	-	6,679	360,060	-	366,739
Adjustment to non-controlling interest	-	-	-	-	(5,150)	(5,150)
Comprehensive loss for the year	-	-	-	-	(1,165,199)	(1,165,199)
Balance, September 30, 2018	90,398,472	$ 136,038,548	$ -	$ 15,629,747	$ (145,558,806)	$ 6,109,489

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Deficit	Equity attributable to Azarga shareholders
Balance, September 30, 2016	42,980,265	$ 129,442,943	$ 657,247	$ 14,741,118	$ (141,813,939)	$ 3,027,369
Private placement	3,437,500	934,328	(595,600)	165,672	-	504,400
Share issue costs	-	(14,450)	-	-	-	(14,450)
Shares issued for director and consulting fees	256,673	83,160	(70,667)	-	-	12,493
Shares issued for management bonus	333,332	73,334	(73,334)	-	-	-
Shares issued for deferred payment	514,283	97,714	-	-	-	97,714
Shares issued for interest due to shareholders	709,751	134,853	-	-	-	134,853
Obligation to issue shares for director and consulting fees	-	-	42,667	-	-	42,667
Share-based compensation	-	-	69,674	362,897	-	432,571
Comprehensive loss for the year	-	-	-	-	(2,574,518)	(2,574,518)
Balance, September 30, 2017	48,231,804	$ 130,751,882	$ 29,987	$ 15,269,687	$ (144,388,457)	$ 1,663,099

The accompanying notes form an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Azarga Metals Corp. (the "Company" or "Azarga") is a publicly-traded company incorporated under the laws of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and trade under the symbol AZR. The corporate office of the Company is located at Unit 1 - 15782 Marine Drive, White Rock, B.C., V4B 1E6.

The Company is engaged in the exploration and, if warranted, development of a mineral resource project in eastern Russia. The Company is considered to be in the exploration stage as it has not placed any of its exploration and evaluation assets into production nor has it generated any revenues from operations.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at September 30, 2018, the Company had a working capital deficiency of $910,123. Subsequent to September 30, 2018, certain shareholders of the Company advanced $208,650 to the Company (Note 9). However, additional funding will be required to provide the Company with sufficient financial resources to carry out future exploration and to maintain operations through the next twelve months. Accordingly, the Company will need to seek additional sources of financing to carry on future operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency as well as the functional currency of the Company's BVI, Cyprus, and Russian subsidiaries. The functional currency of the Company's one dormant Slovakian subsidiary is the Euro.

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

<u>Carrying value and recoverability of exploration and evaluation assets</u>

Management has determined that acquisition costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

<u>Share-based compensation</u>

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

<u>Recovery of deferred tax assets</u>

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions (continued)

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of the parent Company as well as the functional currency of the Company's BVI, Cyprus, and Russian subsidiaries is the Canadian dollar. The functional currency of the Company's one dormant Slovakian subsidiary is the Euro.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of Azarga and its subsidiaries, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.

For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Name of subsidiary	Place of incorporation	Ownership interest at September 30, 2018	Ownership interest at September 30, 2017	Principal activity
Azarga Metals Limited (1)	BVI	100%	60%	Holding company
Shilka Metals Ltd (1)	Cyprus	100%	60%	Holding company
Tuva-Kobalt LLC (1)	Russia	100%	60%	Operating mineral exploration company
Ludovika Mining s.r.o. (2)	Slovakia	100%	100%	Dormant mineral exploration company

(1) 60% acquired in May 2016 and 40% acquired in March 2018 (Note 7)
(2) deregistration pending

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

On consolidation, for subsidiaries with functional currencies other than the Canadian dollar, the assets and liabilities are translated into Canadian dollars using the exchange rate at the reporting date, while the operations and cash flows are translated into Canadian dollars using the average rates of exchange for the period. Exchange adjustments arising when the non-monetary assets are translated into Canadian dollars are taken into a separate component of equity and reported in accumulated other comprehensive income (loss) in the cumulative translation account.

Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized as exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method upon reaching production. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restoration, rehabilitation and environmental obligations (continued)

Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are changed to profit or loss. The Company has no restoration, rehabilitation or environmental obligations.

Impairment

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges. Assets in this category include cash.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributable transaction costs are recognized in profit or loss when incurred.

(ii) Financial assets available for sale ("AFS")

Financial assets available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost, in which case the changes in fair value are recognized in profit or loss.

Attributable acquisition transaction costs, if any, are recognized in the initial fair value.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include receivables.

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest rate method.

The effective interest rate method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(iv) Impairment of financial assets (continued)

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by any impairment loss. The carrying amount of receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(v) De-recognition of financial assets

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or the financial assets are transferred, and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method, with interest expense recognized on an effective yield basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity (continued)

Certain financial liabilities and contracts may contain both a derivative and non-derivative host component (referred to as hybrid instruments). In such cases the derivative component is termed an embedded derivative. An embedded derivative is only separated and reported at fair value through profit and loss when its risks and characteristics are not closely related to the host contracts, its terms meet the definition of a stand-alone derivative and the financial liability or combined contract is not recorded at fair value through profit and loss.

The Company has classified trade and other payables and amounts due to shareholders as other financial liabilities.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

Warrants

The Company accounts for warrants issued in unit offerings comprising a common share and warrant (or portion thereof) using the relative fair value method. Under this method, the fair value of common shares and warrants are measured at the issuance date and the proceeds raised are allocated to the common shares and warrants proportionately. The fair value of common shares is measured based on the quoted market price of the Company’s stock and the warrant issued is measured at the issue date using the Black-Scholes valuation model. The warrant is recorded as share capital if and when the warrants are exercised.

Loss per share

The Company presents basic and diluted earnings (loss) per share (“EPS”) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is calculated by dividing the profit or loss by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company’s case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options and share purchase warrants on loss per share would be anti-dilutive.

Share-based compensation

The stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based reserve to share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation (continued)

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and there is the intention to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2018 and have not been applied in preparing these consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2018:

- New standard IFRS 9, Financial Instruments

  IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

Effective for annual periods beginning on or after January 1, 2019:

- New standard IFRS 16, Leases

  All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize assets and liabilities. A lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

  The Company does not currently have any leases.

The Company has not early adopted these new standards and none of these standards are expected to have a material effect on the consolidated financial statements.

4. CASH

	September 30, 2018	September 30, 2017
Canadian dollar denominated deposits held in Canada	$ 8,111	$ 21,355
US dollar denominated deposits held in Canada	4,363	4,297
US dollar denominated deposits held in Cyprus	129	2
Ruble denominated deposits held in Russia	7,846	10,542
Total	$ 20,449	$ 36,196

(Expressed in Canadian dollars)

5. RECEIVABLES

	September 30, 2018	September 30, 2017
Amounts due from the Government of Canada pursuant to input tax credits	$ 4,471	$ 1,196
Amounts due from the Government of Russia pursuant to value added tax	192	13,100
Total	$ 4,663	$ 14,296

6. PREPAID EXPENSES

	September 30, 2018	September 30, 2017
Prepaid expenses in Canada	$ 3,235	$ 11,792
Prepaid expenses in Russia	2,114	510
Total	$ 5,349	$ 12,302

Included in prepaid expenses as at September 30, 2018 was $3,235 (2017 – $Nil) related to payments made to the Chief Executive Officer for a health insurance reimbursement related to October 2018.

7. EXPLORATION AND EVALUATION ASSETS

	Russia
	Unkur
September 30, 2016	$ 2,634,403
Additions	97,714
September 30, 2017	2,732,117
Additions	5,280,000
September 30, 2018	$ 8,012,117

Unkur Copper-Silver Project, eastern Russia

In May 2016, the Company purchased 60% of the outstanding shares of Azarga Metals Limited (“Azarga BVI”), a British Virgin Islands corporation. As consideration, the Company issued 15,776,181 common shares, agreed to pay deferred cash payments of US$1,680,000 (US$80,000 was settled through the issuance of 514,283 common shares in June 2017 (Note 11)), and assumed the obligation to repay certain existing loans made by certain of the selling shareholders of Azarga BVI (Note 10).

Azarga BVI indirectly holds the Unkur mineral exploration and exploitation license that is valid through December 31, 2039.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Unkur Copper-Silver Project, eastern Russia (continued)

In March 2018, the Company acquired the remaining 40% of the outstanding shares of Azarga BVI. As consideration for the acquisition of the remaining 40% interest and the cancellation of the remaining $1,600,000 of deferred cash payments, the Company issued 42,000,000 common shares valued at $5,250,000. The Company incurred $30,000 in transaction costs in relation to the acquisition.

The selling shareholders retain a 5% net smelter return ("NSR") royalty. The Company has the right to buy back up to 2% of the NSR royalty at a cost of US$5,000,000 per percentage point so that upon paying US$10,000,000 the NSR royalty will be reduced to 3%.

If at any time, a Resource (adding Measured, Indicated and Inferred of all combined deposits within the Unkur Project area) is estimated to contain copper and silver to the equivalent of two million tonnes or more of copper where Measured plus Indicated Resources comprise at least 70% of that estimate, taking the value of silver as copper equivalent (the "Bonus Payment Threshold"), an additional US$6,200,000 will be payable to the selling shareholders within 12 months' notice that the Bonus Payment Threshold has been met.

The Company recorded the following exploration and evaluation expenditures on its Unkur Project in Russia for the years ended September 30, 2018 and 2017:

	Year ended September 30,	
	2018	**2017**
Drilling and assays	$ -	$ 975,185
Licenses and permits	40,426	34,946
Personnel, administration, and travel	85,043	165,209
Studies and evaluations	197,551	48,218
	$ 323,020	$ 1,223,558

Kremnica Gold Project, Slovakia

The Company had a 2% NSR royalty on the first one million ounces of gold and silver produced and a 1% NSR royalty on the second one million ounces of gold and silver produced from the Kremnica Gold project in Slovakia, part of the Šturec Project, owned by Ortac Resources Limited (now Arc Minerals Limited ("Arc")). In addition, under the terms of a sale agreement with Arc, the Company would be paid US$15 per ounce in either shares of Arc or cash on the first 250,000 ounces of gold equivalent resource defined as proven and probable reserve in a bankable feasibility study which would be payable within 60 days of all required permits being obtained to allow commercial production at the Kremnica property (the "Deferred Payments").

In February 2018, the Company received $86,485 (£50,000) from Arc to cancel the NSR royalty and the Deferred Payments. Accordingly, the Company recorded a gain on sale of project interest of $86,485 on the statement of loss and comprehensive loss. In the event of a sale or disposal of the Kremnica project by Arc by January 29, 2019, Azarga will be entitled to 30% of the net proceeds received by Arc for such sale or disposal. To date, Arc has not sold the Kremnica project.

(Expressed in Canadian dollars)

8. TRADE AND OTHER PAYABLES

	September 30, 2018	September 30, 2017
Trade and other payables in Canada	$ 276,534	$ 57,844
Trade and other payables in Cyprus	15,517	10,875
Trade and other payables in Russia	13,406	15,054
Interest due to shareholders (Note 9)	11,782	-
Interest due to shareholders (Note 10)	158,910	38,379
Director fees owing to a former director	14,333	14,333
Salaries and benefits owing to officers	184,595	30,716
Reimbursement of expenses owing to officers and directors	6,757	12,908
Total	$ 681,834	$ 180,109

Included in salaries and benefits payable is $118,970 (2017 - $17,591) owing to the Chief Executive Officer of the Company and $65,625 ($13,125) owing to Golden Oak (Note 12).

During the year ended September 30, 2017, the Company settled outstanding payables of $62,988 through the payment of $31,500 and accordingly recorded a gain on forgiveness of trade and other payables of $31,488.

9. SHAREHOLDER LOANS – CURRENT

		September 30, 2018	September 30, 2017
Related shareholders	Relationship		
Alexander Molyneux	Director	$ 60,750	$ -
Eugene McCarthy	greater than 10% shareholder	19,500	-
Blake Steele	Director	13,500	-
OC Management Group Ltd.	Principal is a Director	67,500	-
Insignia Partners Limited	Principal is an Officer	67,500	-
		228,750	-
Non-related shareholder		30,000	-
Total		$ 258,750	$ -

On December 6, 2017, the Company entered into a loan facility agreement with certain shareholders of the Company whereby the shareholders agreed to loan the Company up to $550,000. The advances bear interest at a rate of 10% per annum and all advances must be repaid by December 14, 2018 (subsequently extended to June 14, 2019). During the year ended September 30, 2018, the Company was advanced $258,750 and subsequent to September 30, 2018, the shareholders advanced an additional $208,650.

During the year ended September 30, 2018, the Company accrued interest of $11,782 (2017 – $NIL) on the amounts advanced and this amount is included in trade and other payables (Note 8).

(Expressed in Canadian dollars)

10. SHAREHOLDER LOANS – NON-CURRENT

			September 30, 2018		September 30, 2017
Related shareholders	Relationship				
Alexander Molyneux	Director	$	315,072	$	303,754
Eugene McCarthy	greater than 10% shareholder		315,591		304,255
Blake Steele	Director		70,074		67,557
OC Management Group Ltd.	Principal is a Director		142,574		137,452
Insignia Partners Limited	Principal is an Officer		149,194		143,835
Total		$	992,505	$	956,853

On acquisition of the initial 60% interest in Azarga BVI (Note 7), the Company assumed the obligation to repay certain existing loans made by certain of the selling shareholders of Azarga BVI. The amounts due are unsecured, bear interest at the rate of 12% per annum payable annually on each anniversary date and the principal must be paid by May 31, 2023.

Accrued interest due to shareholders from June 1, 2016 to May 31, 2017 totalled $124,207 (US$92,005) and was fully settled in common shares of the Company in June 2017 (Note 11).

Accrued interest due to shareholders from June 1, 2017 to May 31, 2018 totalled $119,100 (US$92,005) and was not paid. Subsequent to September 30, 2018, the shareholders agreed to amend the repayment date of this interest to May 31, 2019.

As at September 30, 2018, the amount owing to shareholders was $992,505 (US$766,709) (2017 - $956,853 (US$766,709)) plus accrued interest of $158,910 (US$122,757) (2017 - $38,379 (US$30,752)) which is included in trade and other payables (Note 8).

During the year ended September 30, 2018, the Company accrued interest of $118,106 (US$92,005) (2017 - $131,506 (US$96,981)) on the shareholder loans.

11. SHARE CAPITAL

a) Authorized

The Company has an unlimited number of common shares without par value authorized for issuance.

b) Issued and outstanding

As at September 30, 2018, the Company had 90,398,472 common shares issued and outstanding (2017 – 48,231,804).

During the year ended September 30, 2018, the Company:

- issued 42,000,000 common shares valued at $5,250,000 as consideration for the remaining 40% of the Unkur Project (Note 7).

- issued 133,334 common shares to the Chief Executive Officer and 33,334 common shares to the Corporate Secretary valued at a total of $36,666 to satisfy the third and final tranche of a one-time share management bonus of 500,000 common shares granted in July 2016 (Note 11c).

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

b) Issued and outstanding (continued)

During the year ended September 30, 2017, the Company:

- completed a non-brokered private placement through the issue of 3,437,500 units at a price of $0.32 per unit for gross proceeds of $1,100,000, of which $595,600 had been received in the year ended September 30, 2016 (Note 11c) and was recorded as an obligation to issue shares. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.40 per share until October 7, 2017. The Company paid finders' fees of $8,100 and other share issue costs of $6,350.

  The warrants were valued on a relative fair value basis at $165,672 using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 0.73%; an expected volatility of 98%; an expected life of 1 year; a forfeiture rate of zero; and an expected dividend of zero.

- issued 256,673 common shares valued at $83,160 to settle consulting and director fees of $70,667 which had been recorded as an obligation to issue shares as at September 30, 2016 (Note 11c). Accordingly, the Company recorded a loss on settlement of $12,493.

- issued 266,666 common shares to the Chief Executive Officer and 66,666 common shares to the Corporate Secretary to satisfy the first two thirds of a one-time bonus of $73,334 which had been recorded as an obligation to issue shares as at September 30, 2016 (Note 11c).

- issued 514,283 common shares valued at $97,714 to settle the deferred payment of US$80,000 (Note 7).

- issued 709,751 common shares valued at $134,853 to settle interest due to shareholders of $124,207 (US$92,005) (Note 10). Accordingly, the Company recorded a loss on settlement of interest payable of $10,646.

c) Obligation to issue shares

	September 30, 2018	September 30, 2017
Opening balance	$ 29,987	$ 657,247
Shares issued for private placement	-	(595,600)
Shares to be issued for director and consulting fees	-	42,667
Shares issued for director and consulting fees	-	(70,667)
Shares to be issued for management bonus	6,679	72,533
Shares issued for management bonus	(36,666)	(73,334)
Reversal of shares to be issued for consulting fees	-	(2,859)
Ending balance	$ -	$ 29,987

11. SHARE CAPITAL (continued)

c) Obligation to issue shares (continued)

Director and consulting fees

Effective June 1, 2016, the Company agreed to pay the three non-executive directors of the Company director fees of $1,500 each per month payable in common shares of the Company. Effective October 1, 2016, this amount was increased to $5,000 each per quarter and in November 2017, the directors agreed to waive their fees effective April 1, 2017. Effective December 1, 2016, the shareholder described below was appointed a director of the Company and is therefore paid in accordance with the other non-executive directors as described herein. During the year ended September 30, 2017, the Company recorded $36,667 as an obligation to issue shares. During the year ended September 30, 2017, the Company issued 228,102 common shares to settle director fees of $64,667.

Effective June 1, 2016, the Company entered into a six-month consulting agreement with a shareholder whereby the Company agreed to pay the shareholder a monthly fee of $2,500 payable in common shares of the Company. Effective October 1, 2016, the Company agreed to increase these fees to $3,000 per month. Effective December 1, 2016, the shareholder was appointed a director of the Company and is therefore paid in accordance with the other non-executive directors as described above. During the year ended September 30, 2017, the Company recorded $6,000 as an obligation to issue shares and then issued 28,571 common shares to settle these consulting fees.

Management bonus

On July 8, 2016, the Board of Directors of the Company awarded a one-time bonus of 400,000 common shares to the Chief Executive Officer and 100,000 common shares to the Corporate Secretary. The shares were issued equally in three tranches beginning six months from the date of award. During the year ended September 30, 2018, the Company recorded $6,679 (2017 - $72,533) as share-based compensation with a credit to obligation to issue shares. During the year ended September 30, 2017, the Company settled the first two thirds of this obligation through the issue of 333,332 common shares valued at $73,334. During the year ended September 30, 2018, the Company settled the final third of this obligation by the issue of 166,668 common shares valued at $36,666.

Consulting fees

On August 9, 2016, the Company entered into a consulting agreement with a financial advisor whereby the Company had agreed to pay the financial advisor, among other things, 75,000 common shares for services. However, TSX-V policies do not allow for the issue of shares for this type of service and the Company is now in the process of renegotiating payment of services to date with the financial advisor. Accordingly, the Company has reversed $2,859 of share-based compensation during fiscal 2017 that had been recorded as an obligation to issue shares as at September 30, 2016 and instead has recorded a total accrual of $16,500 which is included in trade and other payables as at September 30, 2018.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

d) Warrants

The continuity of share purchase warrants for the year ended September 30, 2018 is as follows:

Expiry date	Exercise price	Balance, September 30, 2017	Issued	Exercised	Expired	Balance, September 30, 2018
October 7, 2017	$ 0.40	1,718,749	-	-	(1,718,749)	-
		1,718,749	-	-	(1,718,749)	-
Weighted average exercise price		$ 0.40	$ -	$ -	$ (0.40)	$ -

The continuity of share purchase warrants for the year ended September 30, 2017 is as follows:

Expiry date	Exercise price	Balance, September 30, 2016	Issued	Exercised	Expired	Balance, September 30, 2017
October 7, 2017	$ 0.40	-	1,718,749	-	-	1,718,749
		-	1,718,749	-	-	1,718,749
Weighted average exercise price		$ -	$ 0.40	$ -	$ -	$ 0.40

e) Options

The Company has a shareholder approved rolling stock option plan ("the Plan") which is applicable to directors, officers, employees and consultants. Under the Plan, the total outstanding stock options that may be granted are limited to 10% of the outstanding common shares of the Company at any one time. The exercise price of an option shall not be less than the discounted market price at the time of granting as prescribed by the policies of the TSX-V. The maximum term of stock options is ten years from the grant date. Vesting terms are at the discretion of the directors.

The continuity of stock options for the year ended September 30, 2018, is as follows:

Expiry date	*Exercise price*	Balance, September 30, 2017	Granted	Exercised	Expired	Balance, September 30, 2018
November 19, 2017	$ 2.20	24,000	-	-	(24,000)	-
July 8, 2021	$ 0.20	2,100,000	-	-	-	2,100,000
August 9, 2021	$ 0.20	125,000	-	-	-	125,000
October 5, 2021	$ 0.32	225,000	-	-	-	225,000
January 5, 2023	$ 0.15	-	2,320,000	-	-	2,320,000
		2,474,000	2,320,000	-	(24,000)	4,770,000
Weighted average exercise price		$ 0.23	$ 0.15	$ -	$ 2.20	$ 0.18

As at September 30, 2018, all of the outstanding stock options were exercisable.

As at September 30, 2018, the weighted average remaining contractual life of the stock options outstanding was 3.51 years.

(Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

e) Options (continued)

The continuity of stock options for the year ended September 30, 2017, is as follows:

Expiry date	*Exercise price*	Balance, September 30, 2016	Granted	Exercised	Expired	Balance, September 30, 2017
November 19, 2017	$ 2.20	24,000	-	-	-	24,000
July 8, 2021	$ 0.20	2,100,000	-	-	-	2,100,000
August 9, 2021	$ 0.20	125,000	-	-	-	125,000
October 5, 2021	$ 0.32	-	225,000	-	-	225,000
		2,249,000	225,000	-	-	2,474,000
Weighted average exercise price		$ 0.22	$ 0.32	$ -	$ -	$ 0.23

f) Share-based compensation

During the year ended September 30, 2018, the Company recorded share-based compensation of $366,739 (2017 - $432,571) of which $360,060 (2017 - $362,897) related to the issuance of stock options as described below, $6,679 (2017 - $72,533) related to shares to be issued for management bonuses (Note 11c) and $Nil (2017 - ($2,859)) related to the reversal of shares to be issued for consulting fees (Note 11c).

On January 5, 2018, the Company granted 2,320,000 stock options to directors, officers, employees and a consultant at a fair value of $323,982 or $0.14 per option, all of which was recorded as share-based compensation for the year ended September 30, 2018. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.88%; an expected volatility of 161%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On October 5, 2016, the Company granted 225,000 stock options to consultants at a fair value of $71,113 or $0.32 per option, of which $8,104 (2017 - $63,009) was recorded as share-based compensation for the options vested in the year ended September 30, 2018. The fair value of the options granted was determined using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 0.91%; an expected volatility of 160%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On August 9, 2016, the Company granted 125,000 stock options to a consultant at a fair value of $25,607, of which $2,052 (2017 - $19,118) was recorded as share-based compensation for the options vesting in the year ended September 30, 2018.

On August 9, 2016, the Company entered into a consulting agreement with a financial advisor whereby the Company agreed to pay the financial advisor, among other things, 75,000 common shares. During the year ended September 30, 2017, the Company recorded a credit to share-based compensation of $2,859.

On July 8, 2016, the Company granted 2,100,000 stock options to directors, officers, employees, and consultants at a fair value of $428,496, of which $25,922 (2017 - $280,770) was recorded as share-based compensation for the options vesting in the year ended September 30, 2018.

(Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

Except as disclosed elsewhere in these consolidated financial statements, the Company incurred the following related party transactions:

a) Consulting fees

During the year ended September 30, 2018, the Company accrued $50,000 (2017 - $95,833) of consulting fees to Golden Oak Corporate Services Ltd. ("Golden Oak"). Golden Oak is a consulting company controlled by the Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

b) Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel, which includes the amounts disclosed above, during the years ended September 30, 2018 and 2017 were as follows:

	Year ended September 30,	
	2018	**2017**
Consulting fees *	$ 50,000	$ 95,833
Director fees *	-	36,667
Salaries and benefits	145,639	238,419
Share-based compensation	340,150	326,564
	$ 535,789	$ 697,483

* included in salaries and benefits on the statement of loss and comprehensive loss

Included in trade and other payables as at September 30, 2018 was $205,685 (2017 – $57,957) due to related parties (Note 8).

13. SEGMENTED INFORMATION

The Company operates in one business and geographical segment being the exploration of mineral properties in Russia. The total assets attributable to the geographical location relate primarily to exploration and evaluation assets and have been disclosed in Note 7.

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	September 30, 2018	September 30, 2017
Cash	FVTPL	$ 20,449	$ 36,196
Receivables	Loans and receivables	4,663	14,296
Trade and other payables	Other liabilities	681,834	180,109
Shareholder loan - current	Other liabilities	258,750	-
Shareholder loan - non-current	Other liabilities	992,505	956,853

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for receivables and trade and other payables approximate their fair value due to their short-term nature. The fair value of cash is determined based on Level 1 of the fair value hierarchy. Amounts due to shareholders are measured using the effective interest method.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits the exposure to credit risk in its cash by only investing its cash with high credit quality financial institutions in business and savings accounts and guaranteed investment certificates which are available on demand by the Company. The Company's receivables primarily include balances receivable from government agencies. The Company is exposed to some risk on amounts due from these government agencies; however, to date the Company has been successful on collecting on its receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. The Company is exposed to liquidity risk.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate on amounts due to shareholders is fixed. The interest rate risks on cash and amounts due to shareholders are not considered significant.

(b) Foreign Currency Risk: The Company expects to continue to raise equity predominately in Canadian dollars; however, transactions are transacted in Canadian dollars, US dollars, and Russian Rubles. As such, the Company is subject to fluctuations in the exchange rate between the Canadian dollar and the US dollar and Russian Ruble. As at September 30, 2018, the Company holds 60% of its cash in foreign currencies (Note 4). Management believes the foreign exchange risk related to currency conversions is minimal and therefore, does not hedge its foreign exchange risk. The effect of a 10% change in the foreign exchange rate on cash held in US dollars and Russian Rubles at September 30, 2018 would be approximately $1,000. In addition, the Company holds all of its long-term shareholder loans in US dollars and is therefore subject to fluctuations in the exchange rate between the US dollar and the Canadian dollar. The effect of a 10% change in the foreign exchange rate on long-term shareholder loans held in US dollars at September 30, 2018 would be approximately $99,000.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management (continued)

(c) Commodity Price Risk: While the value of the Company's exploration and evaluation assets is related to the price of copper and silver and the outlook for these minerals, the Company currently does not have any operating mines and hence does not have any hedging or other commodity-based risks in respect to its operational activities.

Historically, the price of copper and silver has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to copper and silver.

(d) Political Uncertainty: In conducting operations in Russia, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Russia and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

15. MANAGEMENT OF CAPITAL

The Company considers its common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk. The Company is not subject to any externally imposed capital restrictions.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure forecasts that are updated as necessary depending on various factors including successful capital deployment and general industry conditions. In order to maximize ongoing exploration expenditures, the Company does not pay out dividends.

The Company's investment policy is to keep its cash treasury on deposit in interest bearing Canadian chartered bank accounts. The Company does not expect that its current capital resources will be sufficient to carry out its currently planned exploration and operations through the next twelve months (Note 1).

There has been no changes to the Company's approach to capital management for the years presented.

(Expressed in Canadian dollars)

16. SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended September 30, 2018, the Company:

- Issued 42,000,000 common shares valued at $5,250,000 for the acquisition of the remaining 40% of the Unkur project (Note 7); and
- issued 133,334 common shares to the Chief Executive Officer and 33,334 common shares to the Corporate Secretary to satisfy the final one-third of a one-time management bonus of $36,666 (Note 11c).

During the year ended September 30, 2017, the Company:

- issued 256,673 common shares valued at $70,667 to settle consulting and director fees (Note 11c);
- issued 266,666 common shares to the Chief Executive Officer and 66,666 common shares to the Corporate Secretary to satisfy the first two thirds of a one-time management bonus of $73,334 (Note 11c);
- issued 514,283 common shares valued at $97,714 to settle the first deferred payment of US$80,000 (Note 7);
- issued 709,751 common shares valued at $134,853 to settle interest due to shareholders of $124,207 (US$92,005) (Note 10);
- allocated the relative fair value of the warrants issued in the 2017 private placement of $165,672 from share capital to share-based reserve;
- allocated $194,227 of accrued interest from shareholder loans - non-current to trade and other payables; and
- added $165,100 of interest that had accrued up until May 31, 2016 in trade and other payables to the principal in shareholder loans – non-current.

During the year ended September 30, 2018, the Company paid interest of $Nil (2017 - $NIL) in cash.

During the year ended September 30, 2018, the Company paid income tax of $Nil (2017 - $Nil) in cash.

17. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended September 30, 2018	2017
Loss for the year	$ (1,165,199)	$ (2,574,518)
Expected income tax recovery	$ (312,000)	$ (669,000)
Change in statutory, foreign tax, foreign exchange rates and other	(640,000)	38,000
Permanent differences	121,000	185,000
Share issue costs	-	(4,000)
Expiry of non-capital losses	50,000	(630,000)
Change in unrecognized deductible temporary differences	781,000	1,080,000
Total	$ -	$ -

(Expressed in Canadian dollars)

17. INCOME TAXES (continued)

The significant components of the Company's unrecorded deferred tax assets are as follows:

	September 30, 2018	September 30, 2017
Deferred tax assets		
Exploration and evaluation assets	$ 2,122,000	$ 2,075,000
Equipment	57,000	55,000
Share issue costs	4,000	9,000
Allowable capital losses	10,090,000	9,716,000
Non-capital losses available for future periods	7,713,000	7,350,000
Total unrecognized deferred tax assets	$ 19,986,000	$ 19,205,000

Deferred tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	September 30, 2018	Expiry date range
Temporary differences		
Exploration and evaluation assets	$ 8,331,000	no expiry date
Equipment	212,000	no expiry date
Share issue costs	16,000	2019-2021
Allowable capital losses	37,369,000	no expiry date
Non-capital losses available for future periods	28,588,000	
Non-capital loss summary		
Canada	$ 28,553,000	2026 to 2038
Cyprus	34,000	2021 to 2023
Russia	1,000	no expiry date

Tax attributes are subject to review and potential adjustment, by tax authorities