CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended June 30, 2020

(Unaudited – Expressed in Canadian dollars)

Notice to Reader

These condensed consolidated interim financial statements of Azarga Metals Corp. have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to the financial statements or the related quarterly Management's Discussion and Analysis.

AZARGA METALS CORP.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)

	Note		June 30, 2020		September 30, 2019
ASSETS					
Current assets					
Cash	*4*	$	923,476	$	2,599,062
Receivables	*5*		174,536		42,751
Prepaid expenses	*6*		10,942		93,818
			1,108,954		2,735,631
Exploration and evaluation assets	*7*		8,012,117		8,012,117
		$	9,121,071	$	10,747,748
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	*8*	$	123,772	$	205,928
			123,772		205,928
Convertible loan - liability component	*9*		4,783,520		2,260,863
Convertible loan - derivative component	*9*		-		1,616,151
Shareholder loans	*10*		1,431,331		1,299,430
			6,338,623		5,382,372
Shareholders' equity					
Share capital	*11*		136,451,711		136,182,632
Share-based reserve	*11*		16,815,251		16,304,414
Deficit			(150,484,514)		(147,121,670)
			2,782,448		5,365,376
		$	9,121,071	$	10,747,748
Nature of operations and going concern	*1*				

These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Board of Directors on August 27, 2020.

They are signed on the Company's behalf by:

"Michael Hopley"
Michael Hopley, Director

"Blake Steele"
Blake Steele, Director

AZARGA METALS CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian dollars)

	Note	Three months ended June 30, 2020	2019	Nine months ended June 30, 2020	2019
EXPENSES					
Consulting fees	*12*	$ 67,134	$ 43,134	$ 198,641	$ 141,729
Exploration and evaluation expenditures	*7*	147,770	22,801	1,826,104	75,335
Investor relations		24,373	-	90,295	-
Office expenses		3,066	8,554	27,585	31,822
Professional fees		7,851	25,241	42,252	47,376
Regulatory fees		8,769	29,242	33,247	43,785
Share-based compensation		-	282,695	-	282,695
Travel expense		2,280	9,100	16,133	9,100
		(261,243)	(420,767)	(2,234,257)	(631,842)
Change in fair value of derivative liability	*9*	-	182,873	869,805	182,873
Financing costs		-	(278,426)	-	(278,426)
Foreign exchange gain (loss)		11,231	(67,370)	(285,154)	(103,883)
Gain on de-recognition of derivative liability	*9*	746,346	-	746,346	-
Loss on extinguishment of convertible loan liability	*9*	(1,845,424)	-	(1,845,424)	-
Gain on settlement of trade and other payables		-	171,552	-	171,552
Interest expense on convertible loan	*9*	(93,113)	(92,119)	(520,238)	(92,119)
Interest expense on shareholder loans	*10*	(31,260)	(30,019)	(93,922)	(91,970)
Interest expense on other shareholder loans		-	(1,615)	-	(23,576)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (1,473,463)	$ (535,891)	$ (3,362,844)	$ (867,391)
Basic and diluted loss per common share		$ (0.02)	$ (0.01)	$ (0.04)	$ (0.01)
Weighted average number of common shares outstanding		94,182,659	90,843,023	94,059,227	90,546,656

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

AZARGA METALS CORP.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian dollars)

	Nine months ended June 30, 2020	2019
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	$ (3,362,844)	$ (867,391)
Items not affecting cash:		
Share-based compensation	-	282,695
Change in fair value of derivative liability	(869,805)	(182,873)
Finance costs	-	278,426
Gain on de-recognition of derivative liability	(746,346)	-
Loss on extinguishment of convertible loan	1,845,424	-
Gain on settlement of trade and other payables	-	(171,552)
Accrued interest expense on convertible loan	520,238	92,119
Accrued interest expense on shareholder loans	93,922	91,970
Accrued interest expense on other shareholder loans	-	23,576
Unrealized foreign exchange loss	309,491	1,322
Change in non-cash working capital items:		
Receivables	(131,785)	(10,080)
Prepaid expenses	82,876	(26,309)
Trade and other payables	(90,955)	(183,719)
	(2,349,784)	(671,816)
FINANCING ACTIVITIES:		
Proceeds on convertible loan, net of financing costs	674,198	1,289,337
Other shareholder loans	-	232,650
Repayment of other shareholder loans	-	(526,758)
	674,198	995,229
CHANGE IN CASH FOR THE PERIOD	(1,675,586)	323,413
CASH, BEGINNING OF THE PERIOD	2,599,062	20,449
CASH, END OF THE PERIOD	$ 923,476	$ 343,862
Non-cash investing and financing activities		
Issuance of shares for convertible loan interest	$ 248,298	$ -
Issuance of shares for financing costs	20,781	55,417
Issuance of warrants for financing costs	224,696	391,972
Amendment of warrants for financing costs	286,141	-
Supplemental information		
Interest paid	$ -	$ -
Income taxes paid	-	-

AZARGA METALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited – Expressed in Canadian dollars)

	Number of shares		Share capital		Share-based reserve		Deficit		Shareholders' equity
Balance, September 30, 2019	92,060,971	$	136,182,632	$	16,304,414	$	(147,121,670)	$	5,365,376
Issuance of shares for convertible loan interest	3,604,726		248,298		-		-		248,298
Issuance of shares for financing costs	277,083		20,781		-		-		20,781
Issuance of warrants for financing costs	-		-		224,696		-		224,696
Amendment of warrants for financing costs	-		-		286,141		-		286,141
Comprehensive loss for the period	-		-		-		(3,362,844)		(3,362,844)
Balance, June 30, 2020	95,942,780	$	136,451,711	$	16,815,251	$	(150,484,514)	$	2,782,448

	Number of shares		Share capital		Share-based reserve		Deficit		Shareholders' equity
Balance, September 30, 2018	90,398,472	$	136,038,548	$	15,629,747	$	(145,558,806)	$	6,109,489
Issuance of shares for financing costs	554,166		55,417		-		-		55,417
Issuance of warrants for financing costs	-		-		391,972		-		391,972
Share-based compensation	-		-		282,695		-		282,695
Comprehensive loss for the period	-		-		-		(867,391)		(867,391)
Balance, June 30, 2019	90,952,638	$	136,093,965	$	16,304,414	$	(146,426,197)	$	5,972,182

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 condensed consolidated interim 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 June 30, 2020, the Company had working capital of $985,182. However, given that management intends to continue to explore the Unkur project, management estimates that its working capital will not provide the Company with sufficient financial resources to carry out currently planned operations and exploration through the next twelve months. Additional financing will be required by the Company to complete its strategic objectives and continue as a going concern. 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.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse impacts of the outbreak and its effects on the Company's business or ability to raise funds. To date, the COVID-19 pandemic has not affected the progress of the ongoing exploration campaign on the Unkur Project.

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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

These condensed consolidated interim financial statements do not include all of the disclosures required for annual financial statements, and therefore should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2019.

2. BASIS OF PRESENTATION (continued)

Basis of measurement

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

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the parent company's functional currency as well as the functional currency of its subsidiaries.

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:

Carrying value and recoverability of exploration and evaluation assets

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, preliminary economic assessment, accessibility of facilities and existing permits.

Share-based compensation

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.

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments, and assumptions (continued)

(i) Critical accounting estimates (continued)

Going concern assumption

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include the results from the exploration and development of its properties, forecasted capital deployment, and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern (Note1).

(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, Slovakian, and Russian subsidiaries is the Canadian dollar.

Convertible loan

The terms and conditions of financial liabilities may contain embedded derivatives. In April 2019, the Company completed a secured convertible loan facility (Note 9). The Company evaluated whether the convertible loan contained an embedded derivative and determined that the conversion feature did not qualify as equity as it did not satisfy the "fixed for fixed" requirement. The number of potential common shares to be issued was contingent on a variable carrying amount for the financial liability. The liability was variable because the functional currency of the Company is Canadian dollars and the convertible loan was denominated in US dollars, therefore the amount to be settled depended on the foreign exchange rate at the date of settlement. Consequently, the conversion feature was classified as a derivative liability recorded at fair value and was separated from the debt host instrument. The derivative value was determined using the Black-Scholes option pricing model and the residual value was attributed to the host loan component.

In April 2020, the Company amended the terms of the convertible loan to fix the number of potential common shares to be issued on conversion. As a result, the conversion feature now satisfies the "fixed for fixed" requirement and is no longer classified as a derivative liability.

The modification of the terms of the convertible loan is considered substantial and is accounted for as an extinguishment of the original loan and the recognition of a new loan. Transaction costs associated with the modification of the loan have been expensed as incurred and included in loss on extinguishment of the convertible loan.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended September 30, 2019, except as noted below.

Convertible loan

A convertible loan is considered to be a compound financial instrument which requires assessment to determine if it contains a liability and an equity component related to the conversion feature. When the conversion feature is for a variable number of shares, there is no equity component but rather is a potential embedded derivative.

The proceeds received for the issuance of a convertible loan are allocated to a liability component and equity component, if any, on the date of issuance. The fair value of the liability component is estimated using the market rate interest for a similar non-convertible loan. The initial carrying amount of the equity component is the residual amount after separating the liability component. The liability component is measured using amortized cost and the equity component is not remeasured.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, or other variable.

The host instrument is accounted for as a hybrid instrument with a debt component and a separate embedded derivative component classified as a liability. The initial carrying amount of the host instrument is the residual amount after separating the embedded derivative which is measured at fair value.

The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date, with gains and losses in fair value recognized in profit or loss.

Transaction costs that relate to the initial issuance of the convertible loan are allocated to the liability component and embedded derivative component in proportion to the allocation of the gross proceeds. Transaction costs relating to the embedded derivative liability component are expensed directly in profit or loss and transaction costs relating to the financial liability component are included in the carrying amount of the liability component and are amortized over the expected life of the convertible loan using the effective interest method.

Adoption of IFRS 16

The Company adopted the requirements of IFRS 16 – Leases ("IFRS 16") as of October 1, 2019. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the leased asset. For assets that meet the definition of a lease, IFRS 16 requires a single, on-balance sheet accounting model similar to finance lease accounting, with exceptions for short-term leases, leases of low value assets, and mineral exploration leases. The Company does not have any leases that fall within the application of IFRS 16.

New standards, interpretations, and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of June 30, 2020 and have not been applied in preparing these condensed consolidated interim financial statements. In addition, none of these standards are applicable to the Company.

(Unaudited – Expressed in Canadian dollars)

4. CASH

		June 30, 2020		September 30, 2019
Canadian dollar denominated deposits held in Canada	$	15,634	$	125,593
US dollar denominated deposits held in Canada		812,114		2,200,485
US dollar denominated deposits held in Cyprus		23,390		4,985
Ruble denominated deposits held in Russia		72,338		267,999
Total	$	923,476	$	2,599,062

5. RECEIVABLES

		June 30, 2020		September 30, 2019
Amounts due from the Government of Canada pursuant to input tax credits	$	1,901	$	1,614
Amounts due from the Government of Russia pursuant to value added tax		163,103		17,497
Other receivables		9,532		23,640
Total	$	174,536	$	42,751

In July 2020, the Company received approximately $110,000 (5,792,836 Russian Rubles) related to the amounts due from the Government of Russia pursuant to value added tax.

6. PREPAID EXPENSES

		June 30, 2020		September 30, 2019
Prepaid insurance	$	8,750	$	5,833
Prepaid investor relations		-		22,662
Prepaid exploration and evaluation expenditures		-		49,104
Prepaid other		2,192		16,219
Total	$	10,942	$	93,818

(Unaudited – Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

		Russia
		Unkur
September 30, 2019	$	8,012,117
Additions		-
June 30, 2020	$	8,012,117

The Company's 100% owned Unkur Copper-Silver Project is located in eastern Russia. Details of the Company's Unkur Project are found in Note 7 of the September 30, 2019 annual consolidated financial statements.

The Company recorded the following exploration and evaluation expenditures on its Unkur Project for the three and nine months ended June 30, 2020 and 2019.

	Three months ended June 30,				Nine months ended June 30,			
		2020		2019		2020		2019
Drilling and assays	$	20,885	$	-	$	1,407,993	$	-
Licenses and permits		-		73		51,286		6,118
Personnel, administration, and travel		116,798		16,717		201,208		40,114
Studies and evaluations		10,087		6,011		165,617		29,103
	$	147,770	$	22,801	$	1,826,104	$	75,335

8. TRADE AND OTHER PAYABLES

		June 30, 2020		September 30, 2019
Trade and other payables in Canada	$	7,877	$	80,926
Trade and other payables in Cyprus		4,892		11,370
Trade and other payables in Russia		10,132		20,079
Interest on convertible loan (Note 9)		85,215		78,740
Due to related parties (Note 12)		15,656		14,813
Total	$	123,772	$	205,928

9. CONVERTIBLE LOAN

In April 2019, the Company and Baker Steel Resource Trust (“BSRT”) completed a secured convertible loan facility pursuant to which BSRT loaned the Company US$3,000,000 (the “Convertible Loan”).

Details of the Convertible Loan are found in Note 10 of the September 30, 2019 annual consolidated financial statements.

In October 2019, the Company issued BSRT 1,470,443 common shares to settle the first semi-annual interest payment of $88,227 (Note 11).

In April 2020, the Company and BSRT executed an amendment to the Convertible Loan which the Company has accounted for as an extinguishment of the old loan and the recognition of a new loan. The terms of the new loan are as follows:

- the principal amount of the Convertible Loan was increased from US$3,000,000 to US$3,500,000, and accordingly BSRT advanced the Company US$500,000 ($695,050);

- the principal amount of US$3,500,000 was fixed at $4,692,550 (effective April 1, 2020) for the purposes of conversion to shares but remains payable in US dollars;

- the conversion price at which the principal amount of the Convertible Loan may be converted into common shares of the Company was reduced from $0.14 to $0.10;

- the Convertible Loan is secured by the Unkur property (Note 7) and bears interest at 8% per annum. No value was attributed to the conversion feature as the interest rate was considered to be the market borrowing rate for the Company;

- the Company issued BSRT 6,950,500 additional share purchase warrants exercisable at $0.10 until December 31, 2022. The share purchase warrants were valued at $224,696 using the Black-Scholes option pricing model with the following assumptions: an exercise price of $0.10, a risk-free interest rate of 0.47%; an expected volatility of 89.63%; an expected life of 2.74 years; a forfeiture rate of zero; and an expected dividend of zero; and

- the exercise price and expiry date of the 13,490,414 share purchase warrants previously issued to BSRT was amended from $0.17 and April 21, 2021 to $0.10 and December 31, 2022, respectively. The incremental value recorded due to amending the share purchase warrants was $286,141. The Company used the Black-Scholes option pricing model with the following assumptions: an exercise price of $0.10, a risk-free interest rate of 0.47%; an expected volatility of 89.63%; an expected life of 2.74 years; a forfeiture rate of zero; and an expected dividend of zero;

(Unaudited – Expressed in Canadian dollars)

9. CONVERTIBLE LOAN (continued)

On closing, the Company issued 277,083 common shares as a finder’s fee valued at $20,781 (Note 11). The Company also paid cash financing costs of $20,852.

The Company has determined that the Convertible Loan no longer contains an embedded derivative as it satisfies the “fixed for fixed” requirement as the number of potential common shares to be issued is fixed at 46,925,500 common shares being the principal of $4,692,550 divided by the conversion price of $0.10.

In April 2020, the Company issued BSRT 2,134,283 common shares to settle the second semi-annual interest payment of $160,071 (Note 11).

Liability component

	June 30, 2020	September 30, 2019
Opening balance	$ 2,260,863	$ -
Value on initial recognition	-	2,382,347
Financing costs - cash	-	(20,415)
Financing costs - warrants	-	(171,118)
Financing costs - common shares	-	(84,461)
	2,260,863	2,106,353
Accretion	225,477	127,842
Amortization of financing costs	37,664	28,904
Foreign exchange	180,542	(2,236)
	2,704,546	2,260,863
Proceeds on convertible loan	695,050	-
Loss on extinguishment of convertible loan liability	1,845,424	-
Cash financing costs	(20,852)	
Issuance of shares for financing costs	(20,781)	-
Issuance of warrants for financing costs	(224,696)	-
Amendment of warrants for financing costs	(286,141)	-
Foreign exchange	90,970	-
Closing balance	$ 4,783,520	$ 2,260,863

During the nine months ended June 30, 2020, the Company recorded interest expense of $520,238, being $257,097 of interest expense on the Convertible Loan, accretion of $225,477, and amortization of financing costs of $37,664.

(Unaudited – Expressed in Canadian dollars)

9. CONVERTIBLE LOAN (continued)

Derivative component

		June 30, 2020		September 30, 2019
Opening balance	$	1,616,151	$	-
Value on initial recognition		-		1,600,553
Change in fair value of derivative liability		(869,805)		15,598
Gain on de-recognition of derivative liability		(746,346)		-
Closing balance	$	-	$	1,616,151

The derivative component was re-valued each reporting period up until April 1, 2020. As at March 31, 2020, the derivative component was revalued at $746,346 using the Black-Scholes option pricing model with the following assumptions: share price of $0.065; a risk-free interest rate of 1.71%; an expected volatility of 89.77%; an expected life of 2.75 years; a forfeiture rate of zero; and an expected dividend of zero. Accordingly, the Company recorded a change in the fair value of the derivative liability of $Nil and $869,805 for the three and nine months ended June 30, 2020, respectively.

10. SHAREHOLDER LOANS

			June 30, 2020		September 30, 2019
Related shareholders	Relationship				
Principal payable					
Alexander Molyneux	Director	$	331,696	$	322,325
Eugene McCarthy	greater than 10% shareholder		332,243		322,857
Blake Steele	Director		73,771		71,687
OC Management Group Ltd.	Principal is a Director		150,096		145,855
Serhii Stefanovych			157,066		152,629
			1,044,872		1,015,353
Interest payable			386,459		284,077
Total		$	1,431,331	$	1,299,430

The amounts due are unsecured, bear interest at the rate of 12% per annum, and are payable by May 31, 2023. Accrued interest was due annually but as part of the financing with BSRT, all accrued interest is now payable once the Convertible Loan is settled (Note 9).

During the three and nine months ended June 30, 2020, the Company accrued interest of $31,260 and $93,922 respectively (2019 – $30,019 and $91,970 respectively) on the shareholder loans.

(Unaudited – Expressed in Canadian dollars)

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 June 30, 2020, the Company had 95,942,780 common shares issued and outstanding (September 30, 2019 – 92,060,971).

In October 2019, the Company issued BSRT 1,470,443 common shares to settle the first semi-annual interest payment of $88,227 (Note 9).

In April 2020, the Company issued BSRT 2,134,283 common shares to settle the second semi-annual interest payment of $160,071 (Note 9).

In April 2020, the Company issued 277,083 common shares valued at $20,781 as a finder's fee on the third advance of the Convertible Loan (Note 9).

c) Warrants

The continuity of share purchase warrants for the nine months ended June 30, 2020, is as follows:

Expiry date	Exercise price	Balance, September 30, 2019	Granted	Exercised	Expired	Balance, June 30, 2020
December 31, 2022	$ 0.10	13,490,414	-	-	-	13,490,414
December 31, 2022	$ 0.10	-	6,950,500	-	-	6,950,500
		13,490,414	6,950,500	-	-	20,440,914
Weighted average exercise price		$ 0.10	$ 0.10	$ -	$ -	$ 0.10

As at June 30, 2020, the weighted average remaining contractual life of the share purchase warrants outstanding was 2.50 years.

(Unaudited – Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

d) 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 nine months ended June 30, 2020, is as follows:

Expiry date	Exercise price	Balance, September 30, 2019	Granted	Exercised	Expired	Balance, June 30, 2020
July 8, 2021	$ 0.20	1,600,000	-	-	-	1,600,000
August 9, 2021	$ 0.20	125,000	-	-	-	125,000
October 5, 2021	$ 0.32	225,000	-	-	-	225,000
January 5, 2023	$ 0.15	1,845,000	-	-	-	1,845,000
May 24, 2024	$ 0.09	3,420,000	-	-	-	3,420,000
		7,215,000	-	-	-	7,215,000
Weighted average exercise price		$ 0.14	$ -	$ -	$ -	$ 0.14

As at June 30, 2020, all of the outstanding stock options were exercisable.

As at June 30, 2020, the weighted average remaining contractual life of the stock options outstanding was 2.78 years.

(Unaudited – Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the VP Exploration, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the three and nine months ended June 30, 2020 and 2019 were as follows:

		Three months ended June 30, 2020	Three months ended June 30, 2019	Nine months ended June 30, 2020	Nine months ended June 30, 2019
Consulting fees					
Michael Hopley	Officer	$ 17,267	$ 8,285	$ 50,668	$ 8,285
Alexander Yakubchuk	Officer	24,868	11,932	72,974	11,932
Golden Oak *	Officers	25,000	22,917	75,000	47,917
Dorian Nicol	Former Officer	-	-	-	73,595
Share-based compensation		-	282,695	-	282,695
		$ 67,135	$ 325,829	$ 198,642	$ 424,424

* Golden Oak is a consulting company controlled by the Chief Financial Officer and 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.

As at June 30, 2020, the Company owed $15,656 (September 30, 2019 – $14,813) of which $1,323 was owing to Golden Oak for the reimbursement of expenditures and $14,333 was owing to a former director for director fees. All amounts are unsecured and non-interest bearing.

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.

(Unaudited – Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVTOCI"); or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	June 30, 2020	September 30, 2019
Cash	FVTPL	$ 923,476	$ 2,599,062
Receivables	Amortized cost	174,536	42,751
Trade and other payables	Amortized cost	123,772	205,928
Convertible loan - liability component	Amortized cost	4,783,520	2,260,863
Convertible loan - derivative component	FVTPL	-	1,616,151
Shareholder loans	Amortized cost	1,431,331	1,299,430

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 marketplace.

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

The carrying values for receivables and trade and other payables approximate their fair value due to their short-term nature. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying value of cash is determined based on Level 1 of the fair value hierarchy.

The carrying values of the Convertible Loan (liability component) and shareholder loans are measured at amortized cost. The carrying value of the Convertible Loan (derivative component) is determined based on Level 3 of the fair value hierarchy.

Risk Management

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended September 30, 2019.