



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
QUARTERLY HIGHLIGHTS**

**For the six months ended March 31, 2022**

(Expressed in Canadian dollars)

**AZARGA METALS CORP.**  
**For the six months ended March 31, 2022**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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The following is management’s discussion and analysis – quarterly highlights (“MD&A”) of the results of operations and financial condition of Azarga Metals Corp. (the “Company” or “Azarga”) for the six months ended March 31, 2022 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management’s discussion and analysis for the fiscal year ended September 30, 2021 (the “Annual MD&A”).

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the year ended September 30, 2021, together with the notes thereto, and the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the six months ended March 31, 2022 (the “Financial Report”).

All financial information in this MD&A is derived from the Company’s financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is May 30, 2022.

**Description of the Business**

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 Company is engaged in the exploration and, if warranted, development of mineral resource projects. 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.

**Quarterly Highlights**

During the six months ended March 31, 2022, and to the date of this MD&A, the Company completed the following:

- In December 2021, the Company completed the acquisition of the Marg Copper project located in the Yukon Territory of Canada.
- In May 2022, the Company executed a definitive agreement with Baker Steel Resources Trust Ltd. (“BSRT”) whereby BSRT agreed to convert the US\$3,500,000 convertible loan at a fixed Canadian dollar equivalent value of \$4,692,550, and a conversion price of \$0.10 per share, for a total issue of 46,925,500 common shares of the Company. BSRT also agreed to waive all accrued interest otherwise due under the convertible loan to the date of conversion. In exchange for converting the loan, the Company agreed to grant BSRT the option to acquire the Unkur project until December 31, 2023. Closing is subject to receipt of regulatory approval and standard closing conditions.

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**COVID-19**

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 had a minimal affect on the Company's operations.

**Marg Copper Project, Yukon, Canada**

*Acquisition*

In December 2021, the Company completed the acquisition of the Marg copper project, located in the Yukon Territory of Canada, from Golden Predator Mining Corp. ("Golden Predator").

As consideration, the Company paid Golden Predator a non-refundable deposit of \$50,000 in July 2021 on signing of a letter of intent and issued Golden Predator 5,219,985 common shares valued at \$313,199. The Company also paid a finder's fee to a third-party through the issuance of 447,761 common shares valued at \$26,866.

The Company is also obligated to pay Golden Predator \$200,000 on the first anniversary of closing and \$350,000 on the second anniversary of closing. These amounts have been accrued as part of the consideration payable for the Marg project.

Upon a final decision to mine by the Company, an additional payment of \$300,000 is due in cash or shares at Golden Predator's discretion.

Finder's fees between 5% and 7.5% are payable to a third-party upon payment of any future amounts to Golden Predator.

The Marg project is subject to a 1% net smelter return ("NSR") royalty to Golden Predator for all metals extracted from the Marg project. The Company has the option to buy back 100% of the NSR royalty for cash consideration of \$1,500,000.

*Project*

The Marg Project is an undeveloped volcanogenic massive sulphide ("VMS") deposit located in the Mayo Mining District in Central Yukon, approximately 40 kilometres east of Keno City (which itself is approximately 465 kilometres by road north of Whitehorse). The Marg Project claims are located within the First Nation of the Nacho Nyak Dun ("FNNND") traditional territory.

Due diligence conducted by Azarga highlights potential areas the Company will focus on initially to enhance the value of the Marg Project, including:

- Advancing metallurgical and mineralogical work – The Company believes that more appropriate and extensive metallurgical and mineralogical test work could deliver improved economic outcomes. The issue of lack of relevant metallurgical and mineralogical test work presented itself in the preliminary economic assessment ("PEA") with lower than typical recoveries assumed for similar mineralization styles (including very low assumed recoveries into concentrate for gold or silver).

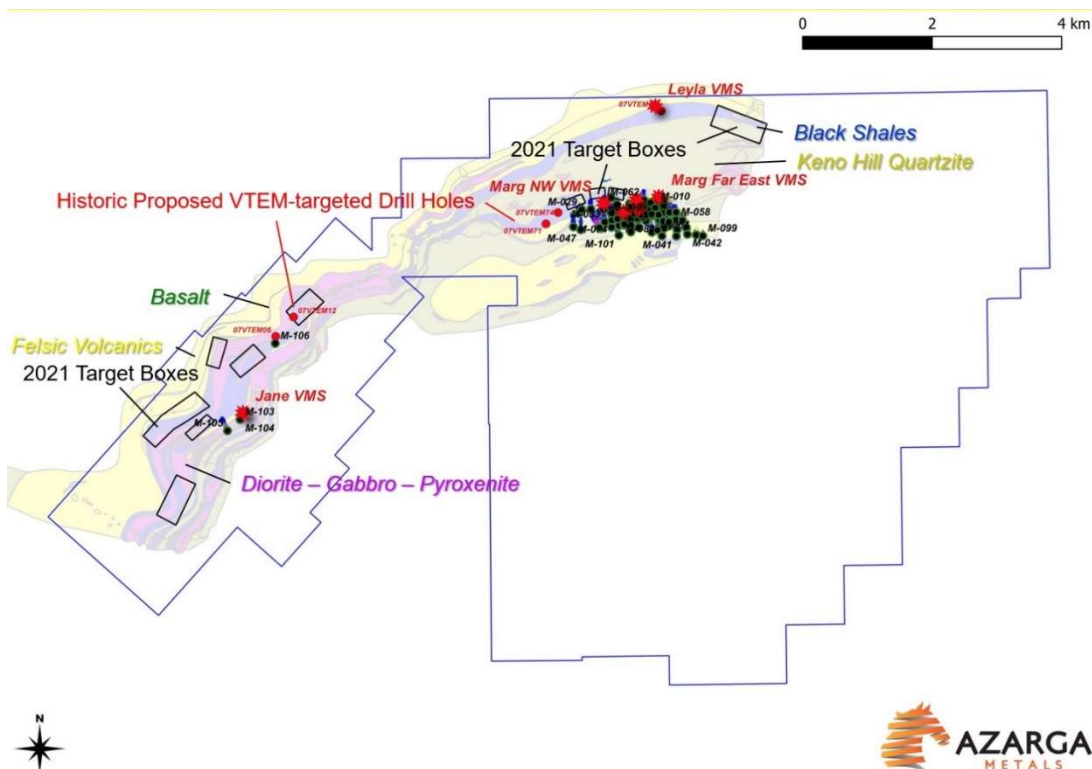
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- Analysis and interpretation of 2006 VTEM data (and surface geochemistry) – The Company's analysis and interpretation of the VTEM Airborne ElectroMagnetic ("AEM") surveys completed in 2006 over high-priority felsic volcanics have not yet been adequately followed up with detailed additional ground geophysical surveys, soil sampling, geological mapping and/or drilling.
- Modern soil surveys have also outlined a number of excellent, untested, semi-coincident Ag-Pb-Hg-Ba-Mn-Sb-Tl anomalies ("VMS signature") locally coincident with untested strong VTEM AEM anomalies lying within highly prospective felsic volcanics. As a consequence, there remains considerable exploration upside with the potential to significantly expand the known base and precious metal inventory on the property.
- Analysis of the geological setting of the Marg VMS deposit along with its coincident AEM geophysical and surface geochemical attributes suggest strong potential for additional VMS deposits to occur at regular intervals along strike, especially in an area referred to as the Jane Mineral Occurrence (Yukon Minfile\_ID #13663 – located 7 kilometres along strike to the southwest of Marg – see Figure 1).
- Mineralized envelope extension and exploration – Azarga believes there is strong potential to materially add to mineralization at the project. Firstly, at Marg itself, deeper drilling is recommended to explore the down-plunge, relatively sparsely drill-tested continuation of two massive sulphide lenses that constitute the bulk of the known Marg mineral resource. Secondly, proposed drilling within three target boxes located immediately northwest of the Marg deposit will be focused on coincident exceptionally strong Ag-Tl-Pb-Cu-Ba in soil anomalies, VTEM AEM conductors and a prospective rhyolite - black shale contact (possibly representing an assumed fold-repeated Marg VMS Horizon with similar geological-geophysical-geochemical attributes), all located within a few hundreds of metres northwest of the historic Marg deposit (Figure 1).
- Initial meetings with the FNNND resulted in a mutual understanding to work together to develop the Marg project with FNNND through cooperation in the spirit of respect, transparency, and partnership. The plan will provide a framework for prioritizing business and training opportunities for the FNNND.

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**Figure 1 – Historic Drill Holes, Target Boxes and Historic Proposed Drill Holes on Geology**



The most recent NI 43-101 Mineral Resource estimate for the Marg Project (Table 1) was completed for Revere Development Corp. by Mining Plus Canada Consulting Ltd. in 2016 and incorporated into a PEA for the project titled “Revere Development Corp, Marg Project Preliminary Economic Assessment, Technical Report, Yukon Canada” and dated August 31, 2016.

The mineral resource estimate in the 2016 PEA was prepared in accordance with NI 43-101 standards and is considered by Azarga management to have a high degree of reliability, however, the resource has not been verified by Azarga and is considered historical in nature. A qualified person representing Azarga has not done sufficient work to classify the historical estimate as a current mineral resource and Azarga is not treating it as a current mineral resource.

**Table 1 – August 31, 2016 Historical Resource estimate for Marg Project at a 0.5% copper equivalent cut-off (combining high-grade and low-grade zones)<sup>1</sup>**

Category	Tonnage (mt)	Cu%	Pb%	Zn%	Ag g/t	Au g/t
Indicated	3.7	1.5	2.0	3.8	48	0.76
Inferred	6.1	1.2	1.7	3.4	44	0.74

Note: 1. Where  $CuEq\% = Cu\% + 0.28 Pb\% + 0.32 Zn\% + 0.39 Au\ g/t + 0.0055 Ag\ g/t$ , which was assessed based on the following metal price and recovery assumptions: Cu price of 2.5 US\$/lb and recovery of 80% (96.5% payable); Pb price of 0.8 US\$/lb and recovery of 70% (95% payable); Zn price of 0.8 US\$/lb and recovery of 90% (85% payable); Au price of 1100 US\$/oz and recovery of 50% (90% payable); and Ag price of 16 US\$/oz and recovery of 50% (90% payable).

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**Unkur Copper-Silver Project, eastern Russia**

In early 2022, countries around the world imposed a number of sanctions on Russia in response to its invasion of Ukraine. These sanctions included, but were not limited to, removing certain Russian banks from the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") messaging system, which may affect the Company's ability to fund its operations in Russia. The Company has some cash reserves in Russia, but prolonged sanctions may impact the Company's ability to send additional cash to fund operations in Russia, and specifically its ability to maintain the Unkur license in good standing.

During the six months ended March 31, 2022, the Company determined that these events cast significant uncertainty over the Company's Russian operations and accordingly, the Company recorded an impairment of exploration and evaluation assets of \$8,012,117 on the Unkur project.

In exchange for BSRT agreeing to convert the outstanding convertible loan, the Company agreed to grant BSRT the option to acquire the Unkur project (the "Unkur Option") until December 31, 2023 (the "Option Period"), after which the Unkur Option will automatically expire. The Company will use its best efforts, while recognizing that sanctions and other force majeure circumstances may prevent these efforts, to maintain the corporate existence of its subsidiaries and its licences, including the Unkur project, on a care and maintenance basis during the Option Period. If the Unkur Option is exercised by BSRT and the Unkur project is subsequently sold to a non-sanctioned arms-length third party within 2 years of the date of the exercise of the Unkur Option by BSRT, proceeds from the sale of the Unkur project will be shared between the Company and BSRT based on an agreed upon formula. During the Option Period, the Company will grant BSRT a right of first refusal to match any third-party offer received by the Company for the Unkur project. The parties have also agreed to use reasonable efforts to work together during the Option Period to find potential buyers for the Unkur project. Closing of the Unkur Option is subject to receipt of regulatory approval and standard closing conditions.

**Qualified Person**

James Pickell, P.Geo., a consultant to Azarga and a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource disclosures contained in this MD&A.

**Trends**

The Company is an exploration company. At this time, issues of seasonality or market fluctuations have had a minor impact on the expenditure patterns. The Company expenses its exploration, project investigation and general and administration costs, and these amounts are included in the net income (loss) for each quarter. The Company's treasury, in part, determines the levels of exploration.

The level of the Company's exploration and evaluation expenditures is largely determined by the strength of resource capital and commodity markets and its ability to obtain investor support for its projects.

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**Financial Condition and Results of Operations – six months ended March 31, 2022**

The Company began the current fiscal period with cash of \$862,851. During the six months ended March 31, 2022, the Company spent \$434,108 on operating activities, net of working capital changes, to end at March 31, 2022 with a cash balance of \$428,743.

The loss and comprehensive loss for the six months ended March 31, 2022 was \$8,867,580 compared to \$880,459 for the six months ended March 31, 2021.

The significant changes between the current period and the comparative period are discussed below.

Consulting fees totalled \$182,528 (2021 - \$128,525) for the six months ended March 31, 2022 and relate to fees paid to the Company's management team. The current period increase pertains to the hiring of a new Chief Executive Officer in April 2021.

Exploration and evaluation expenditures for the six months ended March 31, 2022 totalled \$101,282 (2021 – \$196,913) and relate to the Company's Russian operations. The current period decrease relates to the Company reducing expenditures in Russia to a care and maintenance basis. The Company is now focused on its recently acquired Marg project in Canada.

Professional fees for the six months ended March 31, 2022 totalled \$139,631 (2021 – \$28,109) and primarily relate to legal fees incurred in connection to the acquisition of the Marg project.

Share-based compensation expense was \$61,378 (2021 - \$Nil) and relates to stock options that vested during the period.

During the six months ended March 31, 2022, the Company determined that these events cast significant uncertainty over the Company's Russian operations and accordingly, the Company recorded an impairment of exploration and evaluation assets of \$8,012,117 on the Unkur project.

**Liquidity and Capital Resources**

As at March 31, 2022, the Company had a working capital deficit of \$5,240,486, which amount includes the convertible loan of \$4,646,976 to be settled in common shares of the Company (described above). The Company needs to complete a financing in order 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.

**Related Party Transactions**

The Company had no other related party transactions other than those incurred in the normal course of business as disclosed in the Financial Report.

**Additional Disclosure for Venture Issuers without Significant Revenue**

The components of exploration and evaluation assets are described in Note 7 to the Financial Report.

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**Outstanding Share Data as at the date of this MD&A**

Authorized: an unlimited number of common shares without par value

	<b>Common Shares Issued and Outstanding</b>	<b>Share Purchase Warrants</b>	<b>Stock Options</b>
<b>Balance as at March 31, 2022</b>	130,503,915	32,047,375	7,660,000
<b>Options granted</b>	-	-	4,500,000
<b>Options expired</b>	-	-	(225,000)
<b>Balance as at the date of this MD&amp;A</b>	130,503,915	32,047,375	11,935,000

**Cautionary Note Regarding Forward-looking Statements**

This MD&A may include or incorporate by reference certain statements or disclosures that constitute “forward-looking information” under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that address activities, events or developments that Azarga or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Azarga and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although Azarga believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of Azarga is subject to a number of risks and uncertainties, including those risk factors discussed under “Risk Management” in the above documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, of Azarga may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by Azarga will be realized or, even if substantially realized, that they will have the expected consequences for Azarga.

Forward-looking statements are based on the beliefs, estimates and opinions of Azarga’s management on the date the statements are made. Unless otherwise required by law, Azarga expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Azarga does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.



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**Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's website [www.azargametals.com](http://www.azargametals.com).