



CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2023

(Unaudited – Expressed in Canadian dollars)

Notice to Reader

These condensed 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 interim financial statements, notes to the financial statements or the related quarterly Management's Discussion and Analysis.

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

| | Note | December 31, 2023 | September 30, 2023 |
|---|------|----------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 47,990 | \$ 123,135 |
| Receivables | | 1,547 | 2,723 |
| Prepaid expenses | | 4,000 | 7,000 |
| | | 53,537 | 132,858 |
| Exploration and evaluation assets | 4 | 869,083 | 869,083 |
| | | \$ 922,620 | \$ 1,001,941 |
| LIABILITIES AND SHAREHOLDERS' DEFICIENCY | | | |
| Current liabilities | | | |
| Trade and other payables | 5 | \$ 472,176 | \$ 469,987 |
| Property payment obligations | 6 | 550,000 | 540,144 |
| | | 1,022,176 | 1,010,131 |
| Shareholders' deficiency | | | |
| Share capital | 7 | 145,048,633 | 145,048,633 |
| Share-based reserve | 7 | 17,515,616 | 17,515,616 |
| Deficit | | (162,663,805) | (162,572,439) |
| | | (99,556) | (8,190) |
| | | \$ 922,620 | \$ 1,001,941 |
| Nature of operations and going concern | 1 | | |
| Subsequent events | 11 | | |

These condensed interim financial statements were approved for issue by the Audit Committee of the Board of Directors on February 28, 2024.

They are signed on the Company's behalf by:

"Gordon Tainton"

Gordon Tainton, Director

"Blake Steele"

Blake Steele, Director

AZARGA METALS CORP.**Condensed Interim Statements of Loss and Comprehensive Loss**

(Unaudited – Expressed in Canadian dollars)

| | | Three months ended December 31, | |
|---|------|---------------------------------|--------------|
| | Note | 2023 | 2022 |
| EXPENSES | | | |
| Consulting fees | 8 | \$ 68,500 | \$ 68,500 |
| Exploration and evaluation expenditures | | - | 181,835 |
| Marketing and promotion | | - | 37,792 |
| Office expenses | | 5,070 | 11,819 |
| Professional fees | | 495 | 15,515 |
| Share-based compensation | | - | 13,529 |
| Transfer agent and filing fees | | 3,830 | 1,869 |
| Travel | | 3,193 | 783 |
| | | (81,088) | (331,642) |
| Accretion on property payment obligations | 6 | (9,856) | (8,800) |
| Foreign exchange gain (loss) | | (422) | 45,928 |
| Interest expense on shareholder loans | | - | (31,409) |
| LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD | | \$ (91,366) | \$ (325,923) |
| Basic and diluted loss per common share | | \$ (0.00) | \$ (0.02) |
| Weighted average number of common shares outstanding | | 33,505,273 | 20,116,058 |

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

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

| | Three months ended December 31, | |
|--|--|-------------------|
| | 2023 | 2022 |
| CASH PROVIDED BY (USED FOR): | | |
| OPERATING ACTIVITIES: | | |
| Loss for the period | \$ (91,366) | \$ (325,923) |
| Items not affecting cash: | | |
| Share-based compensation | - | 13,529 |
| Accretion on property payment obligations | 9,856 | 8,800 |
| Accrued interest expense on shareholder loans | - | 31,409 |
| Unrealized foreign exchange gain | - | (20,496) |
| Change in non-cash working capital items: | | |
| Receivables | 1,176 | 24,461 |
| Prepaid expenses | 3,000 | 12,641 |
| Trade and other payables | 2,189 | 60,803 |
| | (75,145) | (194,776) |
| INVESTING ACTIVITIES: | | |
| Restricted cash | - | 33,030 |
| | - | 33,030 |
| FINANCING ACTIVITIES: | | |
| Private placement | - | 106,000 |
| | - | 106,000 |
| DECREASE IN CASH FOR THE PERIOD | (75,145) | (55,746) |
| CASH, BEGINNING OF THE PERIOD | 123,135 | 184,074 |
| CASH, END OF THE PERIOD | \$ 47,990 | \$ 128,328 |
| Non-cash investing and financing activities | | |
| Issuance of private placement warrants | \$ - | \$ 65,458 |
| Issuance of finder's warrants | - | 2,161 |
| Accrued share issuance costs | - | 3,500 |
| Supplementary information | | |
| Interest paid | \$ - | \$ - |
| Income taxes paid | - | - |

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

AZARGA METALS CORP.**Condensed Interim Statements of Changes in Shareholders' Deficiency**

(Unaudited – Expressed in Canadian dollars)

| | Number of shares | Share capital | Share-based reserve | Deficit | Shareholders' deficiency |
|-----------------------------------|------------------|----------------|---------------------|------------------|--------------------------|
| Balance, September 30, 2023 | 33,505,273 | \$ 145,048,633 | \$ 17,515,616 | \$ (162,572,439) | \$ (8,190) |
| Comprehensive loss for the period | - | - | - | (91,366) | (91,366) |
| Balance, December 31, 2023 | 33,505,273 | \$ 145,048,633 | \$ 17,515,616 | \$ (162,663,805) | \$ (99,556) |

| | Number of shares | Share capital | Share-based reserve | Deficit | Shareholders' deficiency |
|-----------------------------------|------------------|----------------|---------------------|------------------|--------------------------|
| Balance, September 30, 2022 | 19,701,275 | \$ 143,044,165 | \$ 17,430,897 | \$ (161,843,304) | \$ (1,368,242) |
| Private placement | 706,667 | 72,447 | 33,553 | - | 106,000 |
| Share issuance costs | - | (5,661) | 2,161 | - | (3,500) |
| Share-based compensation | - | - | 13,529 | - | 13,529 |
| Comprehensive loss for the period | - | - | - | (325,923) | (325,923) |
| Balance, December 31, 2022 | 20,407,942 | \$ 143,110,951 | \$ 17,480,140 | \$ (162,169,227) | \$ (1,578,136) |

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

AZARGA METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2023
(Unaudited – Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Azarga Metals Corp. (the “Company”) 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 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 mineral resource projects in Canada. 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.

On June 27, 2023, the Company completed a 10 for 1 share consolidation. All share and per share amounts in these condensed interim financial statements have been restated to reflect this share consolidation.

These condensed 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 December 31, 2023, the Company had a working capital deficit of \$968,639. 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 cast significant doubt upon the Company’s ability to continue as a going concern.

These condensed interim 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 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 interim financial statements do not include all of the disclosures required for annual financial statements, and therefore should be read in conjunction with the annual consolidated financial statements for the year ended September 30, 2023.

Basis of measurement

These condensed 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 interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

AZARGA METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the three months ended December 31, 2023
(Unaudited – Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments, and assumptions

Information about estimates and judgments used in applying accounting policies that have the most significant effect on the amounts recognized in these condensed interim financial statements are included in Note 2 to the Company's September 30, 2023 annual consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company as at and for the year ended September 30, 2023.

New standards, interpretations, and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2023 and have not been applied in preparing these condensed interim financial statements.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to IAS 1 Presentation of Financial Statements clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The Company has not early adopted this revised standard and its adoption is not expected to have a material impact on the Company's financial statements.

AZARGA METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2023

(Unaudited – Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

In December 2021, the Company completed the acquisition of the Marg copper project, located in the Yukon Territory of Canada.

As consideration, the Company paid a non-refundable deposit of \$50,000 and issued 521,999 common shares valued at \$313,199. The Company also paid a finder's fee to a third-party through the issuance of 44,776 common shares valued at \$26,866.

The Company was also obligated to pay \$200,000 on the first anniversary of closing and \$350,000 on the second anniversary of closing. The second anniversary payment of \$350,000 was discounted at a rate of 12% over a period of two years for an initial present value of \$279,018. These amounts were accrued as part of the consideration payable for the Marg project (Note 6).

| | | |
|--|----|---------|
| Cash | \$ | 50,000 |
| Shares issued | | 313,199 |
| Shares issued for finder's fee | | 26,866 |
| Property payment obligation - first anniversary | | 200,000 |
| Property payment obligation - second anniversary | | 279,018 |
| Total | \$ | 869,083 |

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

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

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

Subsequent to December 31, 2023, the parties agreed to amend the Marg project acquisition agreement (Note 11).

AZARGA METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2023

(Unaudited – Expressed in Canadian dollars)

5. TRADE AND OTHER PAYABLES

| | December 31, 2023 | September 30, 2023 |
|------------------------------------|------------------------------|-------------------------------|
| Trade and other payables in Canada | \$ 113,966 | \$ 171,709 |
| Due to related parties (Note 8) | 358,210 | 298,278 |
| Total | \$ 472,176 | \$ 469,987 |

6. PROPERTY PAYMENT OBLIGATIONS

| | December 31, 2023 | September 30, 2023 |
|------------------------|------------------------------|-------------------------------|
| Opening balance | \$ 540,144 | \$ 503,700 |
| Accretion | 9,856 | 36,444 |
| Closing balance | \$ 550,000 | \$ 540,144 |

As part of the consideration payable for the acquisition of the Marg project (Note 4), the Company was obligated to pay \$200,000 on the first anniversary of closing, being December 6, 2022.

In addition, the Company was also obligated to pay the vendor \$350,000 on the second anniversary of closing, being December 6, 2023. This payment was discounted at a rate of 12% over a period of two years for an initial present value of \$279,018. During the three months ended December 31, 2023, the Company recorded accretion of \$9,856 (2022 - \$8,800) on this property payment obligation.

Subsequent to December 31, 2023, the terms of the Marg project acquisition agreement were amended (Note 11) so that the property payment obligations are cancelled and replaced with option maintenance payments.

AZARGA METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2023

(Unaudited – Expressed in Canadian dollars)

7. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

There were no common shares issued during the three months ended December 31, 2023.

c) Warrants

The continuity of share purchase warrants for the three months ended December 31, 2023 is as follows:

| Expiry date | Exercise price | Balance, September 30, 2023 | Granted | Exercised | Expired | Balance, December 31, 2023 |
|---------------------------------|-----------------------|------------------------------------|----------------|------------------|----------------|-----------------------------------|
| September 15, 2025 | \$ 0.50 | 1,970,000 | - | - | - | 1,970,000 |
| November 7, 2025 | \$ 0.50 | 730,000 | - | - | - | 730,000 |
| | | 2,700,000 | - | - | - | 2,700,000 |
| Weighted average exercise price | \$ 0.50 | \$ - | \$ - | \$ - | \$ - | \$ 0.50 |

As at December 31, 2023, the weighted average remaining contractual life of the share purchase warrants outstanding was 1.75 years.

AZARGA METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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(Unaudited – Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

d) Share-based compensation

In July 2022, the Company's shareholders approved a new replacement stock option plan (the "New Option Plan"). The New Option Plan is a 10% "rolling" stock option plan which governs the granting of stock options to directors, officers, employees and consultants of the Company for the purchase of up to 10% of the issued and outstanding common shares of the Company from time to time and supersedes the current stock option plan (the "Superseded Option Plan"). Any stock options currently outstanding under the Superseded Option Plan will remain outstanding, however new stock option grants will be subject to the New Option Plan. The maximum term of stock options is ten years from the grant date. The exercise price and vesting terms are at the discretion of the directors.

In addition, the shareholders approved a new equity incentive plan (the "Equity Plan") which governs the granting of any restricted share units, performance share units, or deferred share units granted under the Equity Plan, to directors, officers, employees and consultants of the Company. The Company has reserved for issuance up to 1,305,029 common shares, being 10% of the issued and outstanding common shares of the Company at that time, pursuant to the Equity Plan.

The continuity of stock options for the three months ended December 31, 2023 is as follows:

| Expiry date | Exercise price | Balance, September 30, 2023 | Granted | Exercised | Expired/ Cancelled | Balance, December 31, 2023 |
|---------------------------------|-----------------------|------------------------------------|----------------|------------------|---------------------------|-----------------------------------|
| May 24, 2024 | \$ 0.90 | 180,000 | - | - | - | 180,000 |
| | | 180,000 | - | - | - | 180,000 |
| Weighted average exercise price | \$ 0.90 | \$ - | \$ - | \$ - | \$ - | \$ 0.90 |

As at December 31, 2023, all stock options outstanding were exercisable.

As at December 31, 2023, the weighted average remaining contractual life of the stock options outstanding was 0.40 years.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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(Unaudited – Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES

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 during the three months ended December 31, 2023 and 2022 were as follows:

| | Three months ended December 31, | |
|--------------------------|---------------------------------|-----------|
| | 2023 | 2022 |
| Consulting fees | | |
| Chief Executive Officer | \$ 43,500 | \$ 43,500 |
| Golden Oak * | 25,000 | 25,000 |
| | 68,500 | 68,500 |
| Share-based compensation | - | 13,529 |
| | \$ 68,500 | \$ 82,029 |

* Golden Oak Corporate Services Ltd. (“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.

Due to related parties

| | | December 31, | September 30, |
|-------------------------|-----------------|--------------|---------------|
| | | 2023 | 2023 |
| Chief Executive Officer | Consulting fees | \$ 265,500 | \$ 222,000 |
| Chief Executive Officer | Expenses | - | 255 |
| Golden Oak | Consulting fees | 92,500 | 66,250 |
| Golden Oak | Expenses | 210 | 9,773 |
| | | \$ 358,210 | \$ 298,278 |

9. SEGMENTED INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been defined as the Chief Executive Officer.

The Company operates in a single segment, being mineral exploration and evaluation in Canada.

All of the Company's assets are located in Canada.

AZARGA METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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(Unaudited – Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

| Financial Instruments | Category | December 31, 2023 | September 30, 2023 |
|------------------------------|-----------------|------------------------------|-------------------------------|
| Cash | Amortized cost | \$ 47,990 | \$ 123,135 |
| Trade and other payables | Amortized cost | 472,176 | 469,987 |
| Property payment obligations | Amortized cost | 550,000 | 540,144 |

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 cash 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 the property payment obligations are measured at amortized cost.

Risk Management

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended September 30, 2023.

AZARGA METALS CORP.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
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(Unaudited – Expressed in Canadian dollars)

11. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company completed the following:

- In January 2024, the Company entered into a side letter agreement to restructure the terms of the Marg project acquisition (Note 4) so that the property payment obligations (Note 6) are cancelled and replaced with option maintenance payments. The parties agreed to amend the Marg project acquisition agreement to an option to purchase agreement whereby if the Company does not complete the option maintenance payments and exercise the option to purchase on or before December 1, 2025, the option to purchase will expire and title to the Marg project will revert to the vendor.

In consideration for the vendor agreeing to enter into the side letter agreement, the Company increased the NSR royalty on the Marg project from 1% to 2%, with 1% continuing to be subject to the option to buy back for cash consideration of \$1,500,000.

Pursuant to the terms of the side letter agreement, the Company agreed to make the following option payments:

- issue 2,866,666 common shares (issued in January 2024).
- pay \$33,500 in cash or shares at the option of the Company on or before December 1, 2024.
- pay \$33,500 in cash or shares at the option of the Company on or before December 1, 2025, if the Company has not exercised the option before December 2, 2024.
- pay \$335,000 in cash on or before December 1, 2025 to exercise the option.

The Milestone payment remains unchanged.

- In January 2024, the Company granted 1,200,000 restricted share units (“RSUs”) to the three directors of the Company. The RSUs vest on the first anniversary of the grant date.
- In January 2024, the Company granted 800,000 stock options to certain officers of the Company exercisable at a price of \$0.07 per share for a period of 5 years.