2016

ANNUAL REPORT

For the year ended September 30, 2016

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2016

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Azarga Metals Corp.
(formerly European Uranium Resources Ltd.)

We have audited the accompanying consolidated financial statements of Azarga Metals Corp. (formerly European Uranium Resources Ltd.), which comprise the consolidated statement of financial position as at September 30, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency), and cash flows for the year 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 audit. We conducted our audit 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Azarga Metals Corp. (formerly European Uranium Resources Ltd.) as at September 30, 2016 and its financial performance and its cash flows for the year 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. (formerly European Uranium Resources Ltd.)'s ability to continue as a going concern.

Other Matters

The consolidated financial statements of Azarga Metals Corp. (formerly European Uranium Resources Ltd.) for the year ended September 30, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on January 27, 2016.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

January 25, 2017

AZARGA METALS CORP. (formerly European Uranium Resources Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note	September 30, 2016	September 30, 2015
ASSETS			
Current			
Cash	*4*	$ 1,587,046	$ 3,827
Receivables	*5*	70,031	4,468
Marketable securities	*6*	-	68,124
Prepaid expenses	*7*	45,404	2,649
		1,702,481	79,068
Equipment	*8*	-	4,324
Exploration and evaluation assets	*9*	2,634,403	-
		$ 4,336,884	$ 83,392
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Trade and other payables	*10*	$ 275,161	$ 640,110
Due to non-controlling interest shareholders	*11*	1,039,504	-
		1,314,665	640,110
Shareholders' equity (deficiency)			
Share capital	*13*	129,442,943	125,818,934
Obligation to issue shares	*13 & 21*	657,247	-
Share-based reserve		14,741,118	14,614,877
Foreign exchange reserve		-	22,349
Deficit		(141,813,939)	(141,012,878)
Equity (deficiency) attributable to Azarga shareholders		3,027,369	(556,718)
Non-controlling interest	*19*	(5,150)	-
		3,022,219	(556,718)
		$ 4,336,884	$ 83,392

Nature of operations and going concern	*1*
Subsequent events	*21*

These consolidated financial statements were approved for issue by the Board of Directors on January 25, 2017.

They are signed on the Company's behalf by:

"Alex Molyneux"
Alex Molyneux, Director

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

AZARGA METALS CORP. (formerly European Uranium Resources Ltd.)

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Note	Year ended September 30, 2016	2015
EXPENSES			
Administration		$ 19,843	$ 85,206
Depreciation		4,324	3,721
Employee salaries, fees to directors and contractors		235,949	371,924
Exploration and evaluation expenditures	*9*	675,025	127,992
Exploration and evaluation expenditure and other recoveries	*9*	-	(273,198)
Professional fees		55,051	56,888
Public, government and investor relations		8,815	35,942
Regulatory fees		55,817	32,972
Share-based compensation	*13*	159,888	-
Travel		43,639	32,395
		(1,258,351)	(473,842)
Forgiveness of trade and other payables	*10*	474,308	-
Foreign exchange gain (loss)		(29,370)	(40,124)
Gain on disposal of subsidiary	*9*	67,841	-
Impairment loss on marketable securities	*6*	-	(165,764)
Interest expense on due to NCI Shareholders	*11*	(33,897)	-
Interest expense on notes payable	*12*	(1,687)	-
Interest income		4,169	351
Loss on sale of marketable securities	*6*	(49,074)	(9,149)
Reversal of over-accrued liabilities	*10*	25,000	-
LOSS FOR THE YEAR		(801,061)	(688,528)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Foreign currency translation differences for foreign operations		(22,349)	8,911
COMPREHENSIVE LOSS FOR THE YEAR		$ (823,410)	$ (679,617)
NET LOSS ATTRIBUTABLE TO:			
Azarga shareholders		$ (801,061)	$ (688,528)
Non-controlling interest shareholders		-	-
		$ (801,061)	$ (688,528)
Basic and diluted loss per common share		$ (0.04)	$ (0.10)
Weighted average number of common shares outstanding		18,722,763	6,594,265

AZARGA METALS CORP. (formerly European Uranium Resources Ltd.)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended September 30, 2016	2015
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the year	$ (801,061)	$ (688,528)
Items not affecting cash:		
Depreciation	4,324	3,721
Share-based compensation	159,888	-
Forgiveness of trade and other payables	(474,308)	-
Gain on disposal of subsidiary	(67,841)	-
Impairment loss on marketable securities	-	165,764
Accrued interest expense on due to NCI shareholders	33,897	-
Loss on sale of marketable securities	49,074	9,149
Reversal of over-accrued liabilities	(25,000)	-
Obligation to issue shares	28,000	-
Unrealized foreign exchange gain	(21,899)	(3,028)
Change in non-cash working capital items:		
Receivables	(61,741)	83,465
Prepaid expenses	(42,755)	16,518
Trade and other payables	242,779	147,124
	(976,643)	(265,815)
INVESTING ACTIVITIES:		
Proceeds on sale of marketable securities	19,050	26,894
Unkur transaction costs, net of cash received	(43,422)	-
	(24,372)	26,894
FINANCING ACTIVITIES:		
Private placement	1,962,500	-
Share issue costs	(11,366)	-
Obligation to issue shares	595,600	-
Notes payable	68,875	-
Repayment of notes payable	(31,375)	-
	2,584,234	-
EFFECT OF FOREIGN EXCHANGE ON CASH	-	607
CHANGE IN CASH FOR THE YEAR	1,583,219	(238,314)
CASH, BEGINNING OF THE YEAR	3,827	242,141
CASH, END OF THE YEAR	$ 1,587,046	$ 3,827

Supplementary Cash Flow Information (Note 18)

AZARGA METALS CORP. (formerly European Uranium Resources Ltd.)
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Foreign exchange reserve	Deficit	Equity (deficiency) attributable to Azarga shareholders
Balance, September 30, 2014	6,594,012	$ 125,818,934	$ -	$ 14,614,877	$ 13,438	$ (140,324,350)	$ 122,899
Comprehensive loss for the year	-	-	-	-	8,911	(688,528)	(679,617)
Balance, September 30, 2015	6,594,012	125,818,934	-	14,614,877	22,349	(141,012,878)	(556,718)
Private placement	20,000,000	2,000,000	-	-	-	-	2,000,000
Finders' fees	32,500	3,250	-	-	-	-	3,250
Share issue costs	-	(14,616)	-	-	-	-	(14,616)
Shares for debt	577,572	57,757	-	-	-	-	57,757
Acquisition of Unkur project	15,776,181	1,577,618	-	-	-	-	1,577,618
Obligation to issue shares for private placement	-	-	595,600	-	-	-	595,600
Obligation to issue shares for services	-	-	28,000	-	-	-	28,000
Share-based compensation	-	-	33,647	126,241	-	-	159,888
Comprehensive loss for the year	-	-	-	-	(22,349)	(801,061)	(823,410)
Balance, September 30, 2016	42,980,265	$ 129,442,943	$ 657,247	$ 14,741,118	$ -	$ (141,813,939)	$ 3,027,369

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Azarga Metals Corp. (formerly European Uranium Resources Ltd.) (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.

On May 31, 2016, the Company changed its name from European Uranium Resources Ltd. to Azarga Metals Corp. and consolidated its shares on a 10 old for 1 new basis. All share and per share amounts in these consolidated financial statements have been retroactively restated.

On May 31, 2016, the Company completed: an initial acquisition of 60% of the outstanding shares of Azarga Metals Limited, holder of the Unkur Copper-Silver Project in eastern Russia (Note 9); a concurrent private placement of $2,000,000 (Note 13); and the settlement of certain related party debt (Note 10).

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. Management estimates that its working capital will not provide the Company with sufficient financial resources to carry out currently planned exploration and operations through the next twelve months. Accordingly, the Company may 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.

2. BASIS OF PRESENTATION (continued)

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 now dissolved US subsidiary was also the Canadian dollar. The functional currency of the Company's Slovakian subsidiary, Ludovika Mining s.r.o. is the Euro and the functional currency of the Company's now sold Slovakian subsidiary, Ludovika Energy s.r.o. was the Euro.

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 exploration and evaluation 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.

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions (continued)

(i) Critical accounting estimates (continued)

Recovery of deferred tax assets (continued)

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.

(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 now dissolved US subsidiary was also the Canadian dollar. The functional currency of the Company's Slovakian subsidiary, Ludovika Mining s.r.o. is the Euro and the functional currency of the Company's now sold Slovakian subsidiary, Ludovika Energy s.r.o. was the Euro.

Fair value of amounts due to non-controlling interest shareholders and embedded derivatives

The terms and conditions of financial liabilities may contain embedded derivatives that may or may not require embedded derivatives to be split apart and accounted for as a stand-alone derivative. These determinations require judgment. The Company considered the terms and conditions of the amounts due to non-controlling interest shareholders and determined the value of embedded derivatives was $Nil.

The Company has estimated the initial fair value of the amounts due to non-controlling interest shareholders financial liability at issuance based on market interest rates for financial liabilities with a 7 year term.

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.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation (continued)

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, 2016	Principal activity
Azarga Metals Limited [1]	BVI	60%	Holding company
Shilka Metals Ltd [1]	Cyprus	60%	Holding company
Tuva-Kobalt LLC [1]	Russia	60%	Operating mineral exploration company
Tournigan Energy USA Inc. [2]	Colorado	0%	Provision of exploration support services
Ludovika Energy s.r.o. [3]	Slovakia	0%	Dormant mineral exploration company
Ludovika Mining s.r.o. [4]	Slovakia	100%	Dormant mineral exploration company

[1] acquired on May 31, 2016 (Note 9)
[2] dissolved on February 29, 2016
[3] sold on October 19, 2015 (Note 9)
[4] deregistration pending

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.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a either a declining balance basis or straight-line basis over the estimated useful lives of each part of an item of equipment, the choice dependant on which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation rates are as follows: computer equipment 20%-30%; office and field equipment 12.5%-20%; software 50%; and vehicles 25%.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment (continued)

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

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.

The Company may occasionally enter into farm-out arrangements, whereby the Company transfers part of a mineral interest as consideration for an agreement by the transferee to meet certain exploration and evaluation expenditure commitments. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a recovery of exploration and evaluation assets.

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.

Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. As 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(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. Assets in this category include marketable securities.

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 method, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(iv) Impairment of financial assets (continued)

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 method, with interest expense recognized on an effective yield basis.

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 due to non-controlling interest 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 loss per share is calculated by dividing the earnings (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2016, 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.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective (continued)

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 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, 2016	September 30, 2015
Canadian dollar denominated deposits held in Canada	$ 1,102,036	$ 1,924
US dollar denominated deposits held in Canada	171,796	23
US dollar denominated deposits held in the USA	-	1,880
US dollar denominated deposits held in Cyprus	1,465	-
Euro denominated deposits held in Cyprus	1,278	-
US dollar denominated deposits held in Russia	310,126	-
Ruble denominated deposits held in Russia	345	-
Total	$ 1,587,046	$ 3,827

5. RECEIVABLES

	September 30, 2016	September 30, 2015
Amounts due from the Government of Canada pursuant to input tax credits	$ 372	$ 4,468
Amounts due from the Government of Russia pursuant to value added tax	67,909	-
Interest receivable	1,750	-
Total	$ 70,031	$ 4,468

In November 2016, the Company received $30,737 (1,536,864 Russian Rubles) related to the amounts due from the Government of Russia pursuant to value added tax.

(Expressed in Canadian dollars)

6. MARKETABLE SECURITIES

As at September 30, 2014, the Company held 456,903 common shares of Global Resources Investment Trust Plc ("GRIT") with a cost of $661,117 and a fair value of $269,931.

During the year ended September 30, 2015, the Company sold 61,009 of the GRIT shares for gross proceeds of $26,894 and recorded a loss on sale of marketable securities of $9,149. During the year ended September 30, 2015, the Company recorded an impairment loss of $165,764 due to the continued significant and prolonged decline in the value of the GRIT shares.

As at September 30, 2015, the Company held 395,894 common shares of GRIT with a cost of $587,348 and a fair value of $68,124.

On January 6, 2016, the Company sold the remaining GRIT shares for gross proceeds of $19,050 and accordingly recorded a loss on sale of marketable securities of $49,074.

7. PREPAID EXPENSES

	September 30, 2016	September 30, 2015
Prepaid expenses in Canada	$ 45,404	$ -
Prepaid expenses in the USA	-	2,649
Total	$ 45,404	$ 2,649

8. EQUIPMENT

	Canada	United States	Slovakia			
	Computer & Software	Computer & Software	Computer & Software	Office & Field Equipment	Vehicles	Total
Cost						
September 30, 2014	$ 220,265	$ 8,136	$ 38,851	$ 109,631	$ 36,214	$ 413,097
Write-off	(216,338)	-	(38,851)	(106,474)	(36,214)	(397,877)
Foreign exchange adjustment	-	-	-	(3,157)	-	(3,157)
September 30, 2015	3,927	8,136	-	-	-	12,063
Write-off	(3,927)	(8,136)	-	-	-	(12,063)
September 30, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Accumulated depreciation						
September 30, 2014	$ 216,509	$ 5,899	$ 37,645	$ 108,952	$ 36,057	$ 405,062
Depreciation	1,006	663	513	1,539	-	3,721
Write-off	(216,338)	-	(38,851)	(106,474)	(36,214)	(397,877)
Foreign exchange adjustment	-	-	693	(4,017)	157	(3,167)
September 30, 2015	1,177	6,562	-	-	-	7,739
Depreciation	2,750	1,574	-	-	-	4,324
Write-off	(3,927)	(8,136)	-	-	-	(12,063)
September 30, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Carrying amounts						
September 30, 2015	$ 2,750	$ 1,574	$ -	$ -	$ -	$ 4,324
September 30, 2016	$ -	$ -	$ -	$ -	$ -	$ -

(Expressed in Canadian dollars)

8. EQUIPMENT (continued)

During the year ended September 30, 2015, the Company wrote-off fully amortized equipment of $397,877.

On February 29, 2016, the Company dissolved its US subsidiary and accordingly wrote-off fully amortized equipment of $8,136.

During the year ended September 30, 2016, the Company fully amortized all equipment in Canada.

9. EXPLORATION AND EVALUATION ASSETS

Components of the Company's exploration and evaluation assets located in Russia are summarized below:

		Russia
		Unkur
September 30, 2014 and 2015	$	-
Acquisition of Unkur Project		2,634,403
September 30, 2016	$	2,634,403

Unkur Copper-Silver Project, eastern Russia

On May 31, 2016, the Company purchased 60% of the outstanding shares of Azarga Metals Limited ("Azarga BVI"), a British Virgin Islands corporation from its six shareholders (the "Non-Controlling Interest Shareholders" or "NCI Shareholders"). Azarga BVI owns all of the issued shares of Shilka Metals Ltd. ("Shilka"), a Cyprus corporation, and Shilka holds all the issued capital of Tuva-Kobalt LLC ("Tuva-Kobalt"), a Russian limited liability company. Tuva-Kobalt was awarded the Unkur mineral exploration and exploitation license via a bidding process on August 26, 2014 that is valid through December 31, 2039.

Subject to terms and conditions, the NCI Shareholders agreed to grant the Company the right to purchase the remaining 40% of the shares of Azarga BVI and the Company granted the NCI Shareholders the right to sell the remaining 40% of the shares of Azarga BVI to it. The fair value of that 40% interest will be negotiated at the time of exercise.

The acquisition of Azarga BVI was completed by way of the issuance of 15,776,181 common shares of the Company ("Consideration Shares") with a fair value of $1,577,618 and Deferred Cash Payments (as described below). The Consideration Shares are restricted from trading until May 31, 2018. In addition, the Company incurred closing costs of $43,902 to complete the transaction.

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

Unkur Copper-Silver Project, eastern Russia (continued)

Consideration given up		
Shares issued	$	1,577,618
Transaction costs		43,902
Total	$	1,621,520

Net assets received		
Cash	$	480
Receivables		3,822
Exploration and evaluation assets		2,634,403
Trade and other payables		(17,178)
Due to NCI Shareholders		(1,005,157)
Non-controlling interest in working capital deficiency		5,150
Total	$	1,621,520

IFRS requires that a determination is made as to whether an acquisition is a business combination by applying the definitions contained in IFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. Management has determined that this acquisition does not constitute the acquisition of a business, therefore, has treated it as an acquisition of a group of assets.

The Company has assumed the obligation to fund Azarga BVI to repay existing loans made by the NCI Shareholders to Azarga BVI of $844,827 (US$644,413) at May 31, 2016 that bear interest at the rate of 12% per annum. Interest of $160,330 (US$122,296) had accrued to May 31, 2016 so that the total amount owed at May 31, 2016 was $1,005,157 (US$766,709). The amount due to NCI Shareholders must be paid by May 31, 2023 (Note 11).

The NCI Shareholders 40% interest in Azarga BVI is free carried to initial production and profitability. The NCI Shareholders retain a 5% net smelter return royalty (“NSR”). The Company has the right to buy back up to 2% of the NSR at a cost of US$5 million per percentage point so that upon paying US$10 million the NSR will be reduced to 3%.

In addition, the Company agreed to the following commitments:

- to make deferred cash payments to the NCI Shareholders of US$1,680,000 (the “Deferred Cash Payments”) beginning with US$80,000 payable on June 1, 2017, with a payment on each annual anniversary that increases by US$80,000 a year so that the final payment of US$480,000 will be due on June 1, 2022. In the event of a change of control of the Company, the amount due to NCI Shareholders and the Deferred Cash Payments will become due and payable within five days.

- to spend a minimum of US$3,000,000 on exploration activities on the Unkur Project prior to June 30, 2019, and an additional US$6,000,000 between July 1, 2019 and June 30, 2023.

9. EXPLORATION AND EVALUATION ASSETS (continued)

Unkur Copper-Silver Project, eastern Russia (continued)

- 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 2 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 NCI Shareholders within 12-months notice that the Bonus Payment Threshold has been met.

If any of the above commitments are not met, then the Company would be subject to proportionate forfeiture of its 60% interest of Azarga BVI to the NCI Shareholders.

Kuriskova and Novoveska Huta Uranium Projects, Slovakia

The Kuriskova uranium project is located in Slovakia and is owned by Ludovika Energy s.r.o. ("LE"). The Novoveska Huta uranium project is also located in Slovakia and is owned by Ludovika Mining s.r.o. ("LM").

On July 31, 2014, the Company signed a participation interest purchase agreement with Forte Energy NL ("Forte") whereby Forte conditionally purchased 50% of the limited liability interest of each of the Company's Slovak subsidiaries for $500,000. The Forte interest was held through beneficial ownership of 50% of the limited liability interest of each of the Company's Slovak subsidiaries; LE and LM (jointly, the "Slovak Subsidiaries") which hold the mineral licenses and license applications comprising the Kuriskova and Novoveska Huta projects, respectively.

During the year ended September 30, 2015, Forte advanced the Company $273,198 to cover exploration and evaluation expenditures on the properties as well as to cover other related costs.

On October 2, 2015, Forte voluntarily withdrew from the agreement and forfeited their 50% beneficial interest in the Slovak Subsidiaries.

With Forte no longer funding ongoing operations and the Company not being in a financial position to fund the maintenance of LE, the Company came to an agreement on October 19, 2015 with an unrelated third party resident in Slovakia to acquire the Company's interests in LE in exchange for the Company retaining a 25% share of any future compensation paid to LE by the Slovak Government pursuant to the Court proceedings in respect of the non-renewal of the Kuriskova license by the Slovak Government. Upon the transfer of LE to this unrelated third party, the recorded net working capital deficit of $67,841 on the books of LE was unconsolidated from Azarga, and this gave rise to a gain on disposal of the subsidiary of $67,841.

The Novoveska Huta exploration license was not renewed by the Government of Slovakia and the Company let the mining license expire on October 3, 2016. LM is expected to be struck from the registry of companies in 2017.

(Expressed in Canadian dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

Kremnica Gold Project, Slovakia

The Company has a 2% NSR on the first one million ounces gold and silver produced and a 1% NSR on the second one million ounces gold and silver produced from the Kremnica Gold project in Slovakia, part of the Šturec Project, owned by Ortac Resources Limited ("Ortac"). In addition, under the terms of a sale agreement with Ortac, the Company would be paid US$15 per ounce in either shares of Ortac 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. Ortac may buy-down the 2% NSR royalty granted to the Company, to 1%, at any time by paying the Company US$1 million cash.

The Company recorded the following exploration and evaluation expenditures for the years ended September 30, 2016 and 2015:

	Year ended September 30, 2016			Year ended September 30, 2015		
	Russia			Slovakia		
	Unkur	Other	Total	Kuriskova	Other	Total
Drilling and assays	$ 643,444	$ -	$ 643,444	$ 15,981	$ 3,168	$ 19,149
Licenses and permits	3,621	-	3,621	505	929	1,434
Personnel, administration, and travel	27,960	-	27,960	50,655	56,416	107,071
Studies and evaluations	-	-	-	338	-	338
	$ 675,025	$ -	$ 675,025	$ 67,479	$ 60,513	$ 127,992

10. TRADE AND OTHER PAYABLES

	September 30, 2016	September 30, 2015
Trade and other payables in Canada	$ 99,840	$ 128,588
Trade and other payables in Cyprus	11,529	-
Trade and other payables in Russia	136,973	-
Trade and other payables in Slovakia	-	27,912
Consulting fees owing to related parties	-	72,568
Director fees owing to related parties	14,333	64,040
Reimbursement of expenses owing to related parties	12,486	30,143
Salaries owing to related parties	-	316,859
Total	$ 275,161	$ 640,110

On May 31, 2016, the Company entered into settlement agreements with certain current and past related parties to fully settle an aggregate of $532,065 debt recorded in the books of the Company by a forgiveness of $474,308 of the debts and the issue of 577,572 common shares at a price of $0.10 per share to settle the remainder of $57,757 (Note 13).

During the year ended September 30, 2016, the Company recorded a reversal of accrued liabilities of $25,000 for an over accrual of legal fees from a prior period.

(Expressed in Canadian dollars)

11. DUE TO NON-CONTROLLING INTEREST SHAREHOLDERS

	September 30, 2016	May 31, 2016 *(Acquisition date)*
Alexander Molyneux	$ 267,202	$ 267,060
Blake Steele	59,395	59,363
Eugene McCarthy	267,359	267,216
OC Management Group Ltd.	122,902	122,837
Swain Investments Limited *	128,419	128,351
Accrued interest	194,227	160,330
Total	$ 1,039,504	$ 1,005,157

* Nominee for a NCI Shareholder

On acquisition of the Azarga BVI (Note 9), the Company assumed the obligation to fund Azarga BVI to repay existing loans made by the NCI Shareholders of $844,827 (US$644,413) at May 31, 2016 that are unsecured and bear interest at the rate of 12% per annum. Interest of $160,330 (US$122,296) had accrued to May 31, 2016 so that the total amount at May 31, 2016 is $1,005,157 (US$766,709). The amount due to NCI Shareholders must be paid by May 31, 2023.

As at September 30, 2016, the amount due to NCI Shareholders totaled $1,039,504 (US$792,486) including interest of $194,227 (US$148,073). For the year ended September 30, 2016, the Company accrued $33,897 (US$25,777) of interest expense on the amount due to NCI Shareholders.

12. NOTES PAYABLE

On March 1, 2016, the Company entered into a loan agreement with three of the NCI Shareholders whereby the NCI Shareholders agreed to loan the Company up to $100,000 with a 12-month term and interest at the rate of 15% per annum. From March 2, 2016 to May 5, 2016, the Company was advanced a total of $68,875. In June 2016, the loans were repaid with interest of $1,687.

13. SHARE CAPITAL

a) Authorized

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

On May 31, 2016, the Company consolidated its shares on a 10 old for 1 new basis. All share and per share amounts in these consolidated financial statements have been retroactively restated.

b) Issued and Outstanding

As at September 30, 2016, the Company had 42,980,265 common shares issued and outstanding (2015 – 6,594,012).

13. SHARE CAPITAL (continued)

b) Issued and Outstanding (continued)

During the year ended September 30, 2016, the Company issued the following common shares:

- On May 31, 2016, the Company completed a non-brokered private placement through the issue of 20,000,000 common shares at a price of $0.10 per share for gross proceeds of $2,000,000, of which $37,500 was for the settlement of notes payable (Note 12). The Company also issued 32,500 common shares as finder's fees valued at $3,250 and incurred cash share issue costs of $11,366.

- On May 31, 2016, the Company issued 577,572 common shares to settle debts of $57,757 (Note 10).

- On May 31, 2016, the Company issued 15,776,181 common shares valued at $1,577,618 as partial consideration for the Unkur project (Note 9).

c) Obligation to issue shares

Effective June 1, 2016, the Company agreed to pay the three non-executive directors of the Company director fees of $1,500 a month payable in common shares of the Company. During the year ended September 30, 2016, the Company recorded $18,000 as an obligation to issue shares. Effective October 1, 2016, the Company agreed to increase these director fees to $5,000 per quarter.

Effective June 1, 2016, the Company entered into a six month consulting agreement with one of the NCI Shareholders whereby the Company agreed to pay the NCI Shareholder a monthly fee of $2,500 payable in common shares of the Company. During the year ended September 30, 2016, the Company recorded $10,000 as an obligation to issue shares. Effective October 1, 2016, the Company agreed to increase these fees to $3,000 per month. Effective December 1, 2016, the NCI shareholder was appointed a director of the Company and is now paid along with the other non-executive directors as described above.

All fees shall be paid in arrears on a quarterly basis by the issue of common shares of the Company upon receipt of TSX-V approval and priced in the context of the market on the last day of each calendar quarter. On October 25, 2016, the Company issued 63,635 common shares to settle the $28,000 obligation (Note 21).

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 Chief Financial Officer. The shares will be issued as to one-third each six months beginning six months from the date of award providing the continued engagement of the Chief Executive Officer and the Chief Financial Officer. During the year ended September 30, 2016, the Company recorded $30,788 as share-based compensation with a credit to obligation to issue shares. Subsequent to year-end, the Company issued 133,333 common shares to the Chief Executive Officer and 33,333 common shares to the Chief Financial Officer to satisfy the first third of this obligation (Note 21).

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. The shares will be issued as to one-third each six months beginning six months from the date of the agreement providing the continued engagement of the financial advisor. During the year ended September 30, 2016, the Company recorded $2,859 as share-based compensation with a credit to obligation to issue shares.

(Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

d) Warrants

The continuity of share purchase warrants for the year ended September 30, 2016, is as follows:

Expiry date	Exercise price	Balance, September 30, 2015	Issued	Exercised	Expired	Balance, September 30, 2016
April 16, 2016	$ 1.50	55,555	-	-	(55,555)	-
		55,555	-	-	(55,555)	-
Weighted average exercise price		$ 1.50	$ -	$ -	$ 1.50	$ -

The continuity of share purchase warrants for the year ended September 30, 2015, is as follows:

Expiry date	Exercise price	Balance, September 30, 2014	Issued	Exercised	Expired	Balance, September 30, 2015
January 3, 2015	$ 10.00	285,714	-	-	(285,714)	-
April 16, 2016	$ 1.50	55,555	-	-	-	55,555
		55,555	-	-	-	55,555
Weighted average exercise price		$ 8.60	$ -	$ -	$ 10.00	$ 1.50

e) Options

On April 29, 2016, the Company's shareholders approved the renewal of a rolling stock option plan applicable to directors, employees and consultants, under which the total outstanding stock options 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, 2016, is as follows:

Expiry date	*Exercise price*	Balance, September 30, 2015	Granted	Exercised	Expired	Balance, September 30, 2016
July 15, 2016	*$ 5.50*	41,500	-	-	(41,500)	-
November 19, 2017	*$ 2.20*	46,000	-	-	(22,000)	24,000
July 8, 2021	*$ 0.20*	-	2,100,000	-	-	2,100,000 *
August 9, 2021	*$ 0.20*	-	125,000	-	-	125,000 *
		87,500	2,225,000	-	(63,500)	2,249,000
Weighted average exercise price		$ 3.77	$ 0.20	$ -	$ 4.36	$ 0.22

* The options vest as to one-third each six months beginning six months from the date of grant.

As at September 30, 2016, 24,000 of the stock options were exercisable. As at September 30, 2016, the weighted average remaining contractual life of the options outstanding was 4.74 years.

(Expressed in Canadian dollars)

13. SHARE CAPITAL (continued)

e) Options (continued)

The continuity of stock options for the year ended September 30, 2015, is as follows:

Expiry date	*Exercise price*	Balance, September 30, 2014	Granted	Exercised	Expired	Balance, September 30, 2015
July 15, 2016	*$ 5.50*	41,500	-	-	-	41,500
November 19, 2017	*$ 2.20*	46,000	-	-	-	46,000
		87,500	-	-	-	87,500
Weighted average exercise price		$ 3.77	$ -	$ -	$ -	$ 3.77

f) Share-based compensation

During the year ended September 30, 2016, the Company recorded share-based compensation of $159,888 (2015 - $Nil).

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 or $0.20 per option, of which $121,804 was recorded as share-based compensation for the year ended September 30, 2016. The options vest as to one-third each six months beginning six months from the date of grant. 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 0.52%; an expected volatility of 158%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

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 Chief Financial Officer. During the year ended September 30, 2016, the Company recorded $30,788 as share-based compensation (Note 13c).

On August 9, 2016, the Company granted 125,000 stock options to a consultant at a fair value of $25,607 or $0.20 per option, of which $4,437 was recorded as share-based compensation for the year ended September 30, 2016. The options vest as to one-third each six months beginning six months from the date of grant. 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 0.54%; 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 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, 2016, the Company recorded $2,859 as share-based compensation (Note 13c).

(Expressed in Canadian dollars)

14. 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, 2016, the Company paid or accrued $61,667 (2015 - $100,000), to Golden Oak Corporate Services Ltd. ("Golden Oak"). Golden Oak is a consulting company controlled by the Chief Financial Officer of the Company. Golden Oak provides the services of a Chief Financial Officer, a 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, and the Chief Financial Officer. The aggregate compensation paid or accrued to key management personnel, which includes the amounts disclosed above, during the years ended September 30, 2016, and 2015 were as follows:

	Year ended September 30, 2016	Year ended September 30, 2015
Consulting fees	$ 61,667	$ 100,000
Director fees	18,000	-
Salaries and benefits	135,082	347,268
Share-based compensation	140,992	-
	$ 355,741	$ 447,268

Included in prepaid expenses as at September 30, 2016, was $18,007 (2015 - $Nil) related to payments made to the Chief Executive Officer for fees related to the next fiscal year.

15. SEGMENTED INFORMATION

The Company operates in one business and geographical segment being the exploration of mineral properties in Russia. In the prior year, the Company operated in one business and geographical segment being the exploration of mineral properties in Slovakia. Upon acquisition of the Unkur Project in eastern Russia on May 31, 2016, the Company abandoned its projects in Slovakia to focus on its projects in Russia. The total assets attributable to the geographical locations relate primarily to exploration and evaluation assets and have been disclosed in Note 9.

(Expressed in Canadian dollars)

16. 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 Instrument	Category		September 30, 2016		September 30, 2015
Cash	FVTPL	$	**1,587,046**	$	**3,827**
Receivables	Loans and receivables		**70,031**		**4,468**
Marketable securities	Available for sale		**-**		**68,124**
Trade and other payables	Other liabilities		**275,161**		**640,110**
Due to non-controlling interest shareholders	Other liabilities		**1,039,504**		**-**

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 and marketable securities was determined based on Level 1 of the fair value hierarchy. Amounts due to non-controlling interest shareholders are measured using the effective interest method.

Risk Management

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

<u>Credit Risk</u>

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 for its programs. 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.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management (continued)

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's cash is primarily on deposit in Canadian business accounts or guaranteed investment certificates which are available on demand.

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 non-controlling interest shareholders is fixed. The interest rate risks on cash and amounts due from non-controlling interest 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, 2016, the Company holds 31% of its cash in foreign currencies (Note 4). Management believes the foreign exchange risk related to currency conversions are 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, 2016 would be approximately $48,000.

(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 this mineral, 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 banking 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.

17. 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.

18. SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended September 30, 2016, the Company:

- issued 15,776,181 common shares valued at $1,577,618 as consideration for the Unkur project;
- issued 32,500 common shares as finder's fees valued at $3,250;
- issued 577,572 common shares to settle debts of $57,757; and
- included in the May 2016 private placement (Note 13) was $37,500 of proceeds related to the repayment of notes payable (Note 12).

There were no non-cash investing and financing activities in the year ended September 30, 2015.

During the year ended September 30, 2016, the Company paid interest of $1,687 (2015 - $Nil) in cash related to notes payable (Note 12).

During the year ended September 30, 2016, the Company paid income tax of $Nil (2015 - $Nil) in cash.

(Expressed in Canadian dollars)

19. NON-CONTROLLING INTEREST

The Company owns 60% of the shares of Azarga BVI. The Company is responsible for funding 100% of all costs related to the Unkur project until commencement of commercial production. The Company controls each of the entities and makes all decisions regarding work programs. Accordingly, the Company is reporting a non-controlling interest in the consolidated working capital items only and no share of the Azarga BVI group's operations.

		September 30, 2016		May 31, 2016 *(Acquisition date)*
NCI percentage		***40.0%***		***40.0%***
Current assets	$	4,302	$	4,302
Current liabilities		(17,178)		(17,178)
		(12,876)		(12,876)
Net working capital deficiency	$	(5,150)	$	(5,150)
Accumulated non-controlling interest	$	(5,150)	$	(5,150)

20. INCOME TAXES

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

	Year ended September 30,			
		2016		2015
Loss for the year	$	(801,061)	$	(688,528)
Expected income tax recovery	$	(208,000)	$	(179,000)
Change in statutory, foreign tax, foreign exchange rates and other		(158,000)		121,000
Permanent differences		75,000		60,000
Impact of dissolved and sold subsidiaries		3,574,000		-
Share issue costs		(5,000)		-
Adjustment to prior years provision versus statutory tax returns		(758,000)		-
Expiry of non-capital losses		1,036,000		-
Change in unrecognized deductible temporary differences		(3,556,000)		(2,000)
Total	$	-	$	-

(Expressed in Canadian dollars)

20. INCOME TAXES (continued)

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

		September 30, 2016		September 30, 2015
Deferred tax assets (liabilities)				
Exploration and evaluation assets	$	2,197,000	$	10,115,000
Equipment		55,000		21,000
Share issue costs		10,000		86,000
Marketable securities		-		72,000
Allowable capital losses		9,741,000		3,413,000
Non-capital losses available for future periods		6,122,000		7,974,000
Total unrecognized deferred tax assets	$	18,125,000	$	21,681,000

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, 2016	Expiry date range
Temporary differences			
Exploration and evaluation assets	$	8,626,000	no expiry date
Equipment		212,000	no expiry date
Share issue costs		40,000	2017-2020
Allowable capital losses		37,364,000	no expiry date
Non-capital losses available for future periods		23,681,000	2017 to 2036
Non-capital loss summary			
Canada	$	23,542,000	2017 to 2036
Cyprus		10,000	2021
Russia		129,000	2026

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

21. SUBSEQUENT EVENTS

Subsequent to September 30, 2016, the Company completed the following transactions:

- On October 5, 2016, the Company granted 225,000 stock options to employees and consultants at a price of $0.32 exercisable for a period of 5 years. The options vest as to one-third each six months beginning six months from the date of grant.

- On October 7, 2016, 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. 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 common shares issued in connection with the private placement are subject to a four-month hold period expiring on February 8, 2017. The Company paid finders' fees of $8,100. As at September 30, 2016, the Company had received $595,600 of these proceeds and recorded them as an obligation to issue shares.

21. SUBSEQUENT EVENTS (continued)

- On October 25, 2016, the Company issued 63,635 common shares to settle consulting and director fees of $28,000 which had been recorded as an obligation to issue shares as at September 30, 2016 (Note 13).

- On January 9, 2017, the Company issued 133,333 common shares to the Chief Executive Officer and 33,333 common shares to the Chief Financial Officer to satisfy an obligation to issue shares (Note 13).

- On January 16, 2017, the Company issued 107,934 common shares to settle consulting and director fees for the three months ended December 31, 2016 of $22,667.