CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2017

(Unaudited – Expressed in Canadian dollars)

Notice to Reader

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

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

	Note		December 31, 2017		September 30, 2017
ASSETS					
Current					
Cash	*4*	$	18,631	$	36,196
Receivables	*5*		778		14,296
Prepaid expenses	*6*		13,718		12,302
			33,127		62,794
Exploration and evaluation assets	*7*		2,732,117		2,732,117
		$	2,765,244	$	2,794,911
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Trade and other payables	*8*	$	271,830	$	180,109
Notes payable	*9*		35,295		-
			307,125		180,109
Due to non-controlling interest lenders	*10*		961,837		956,853
			1,268,962		1,136,962
Shareholders' equity					
Share capital	*11*		130,751,882		130,751,882
Obligation to issue shares	*11*		36,132		29,987
Share-based reserve	*11*		15,298,952		15,269,687
Deficit			(144,585,534)		(144,388,457)
Equity attributable to Azarga shareholders			1,501,432		1,663,099
Non-controlling interest			(5,150)		(5,150)
			1,496,282		1,657,949
		$	2,765,244	$	2,794,911

Nature of operations and going concern	*1*
Subsequent events	*7, 9 & 11*

These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Board of Directors on February 21, 2018.

They are signed on the Company's behalf by:

"Alexander Molyneux"
Alexander Molyneux, Director

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

AZARGA METALS CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian dollars)

		Three months ended December 31,	
	Note	**2017**	**2016**
EXPENSES			
Administration		$ 6,865	$ 12,766
Exploration and evaluation expenditures	*7*	41,413	755,123
Investor relations		10,152	16,916
Professional fees		14,654	8,803
Regulatory fees		9,496	4,502
Salaries and benefits		46,387	116,160
Share-based compensation	*11*	35,410	189,764
Travel		-	36,441
		(164,377)	(1,140,475)
Foreign exchange gain (loss)		(3,447)	17,559
Gain on forgiveness of trade and other payables		-	31,488
Interest expense on notes payable	*9*	(161)	-
Interest expense on due to NCI Lenders	*10*	(29,092)	(30,690)
Interest income		-	756
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (197,077)	$ (1,121,362)
Basic and diluted loss per common share		$ (0.00)	$ (0.02)
Weighted average number of common shares outstanding		48,231,804	46,417,765

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

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

	Three months ended December 31, 2017	2016
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	$ (197,077)	$ (1,121,362)
Items not affecting cash:		
Share-based compensation	35,410	189,764
Gain on forgiveness of trade and other payables	-	(31,488)
Accrued interest expense on notes payable	161	-
Accrued interest expense on due to NCI Lenders	29,092	30,690
Obligation to issue shares	-	22,667
Unrealized foreign exchange loss	5,184	19,976
Change in non-cash working capital items:		
Receivables	13,518	(49,030)
Prepaid expenses	(1,416)	(27,771)
Trade and other payables	62,268	(74,543)
	(52,860)	(1,041,097)
FINANCING ACTIVITIES:		
Private placement	-	504,400
Share issue costs	-	(14,450)
Notes payable	35,295	-
	35,295	489,950
DECREASE IN CASH FOR THE PERIOD	(17,565)	(551,147)
CASH, BEGINNING OF THE PERIOD	36,196	1,587,046
CASH, END OF THE PERIOD	$ 18,631	$ 1,035,899
Supplementary information		
Interest paid	$ -	$ -
Income taxes paid	-	-

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

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

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Deficit	Equity attributable to Azarga shareholders
Balance, September 30, 2016	42,980,265	$ 129,442,943	$ 657,247	$ 14,741,118	$ (141,813,939)	$ 3,027,369
Private placement	3,437,500	1,100,000	(595,600)	-	-	504,400
Share issue costs	-	(14,450)	-	-	-	(14,450)
Shares issued for director and consulting fees	63,635	28,000	(28,000)	-	-	-
Obligation to issue shares for director and consulting fees	-	-	22,667	-	-	22,667
Share-based compensation	-	-	30,861	158,903	-	189,764
Comprehensive loss for the period	-	-	-	-	(1,121,362)	(1,121,362)
Balance, December 31, 2016	46,481,400	$ 130,556,493	$ 87,175	$ 14,900,021	$ (142,935,301)	$ 2,608,388

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Deficit	Equity attributable to Azarga shareholders
Balance, September 30, 2017	48,231,804	$ 130,751,882	$ 29,987	$ 15,269,687	$ (144,388,457)	$ 1,663,099
Share-based compensation	-	-	6,145	29,265	-	35,410
Comprehensive loss for the period	-	-	-	-	(197,077)	(197,077)
Balance, December 31, 2017	48,231,804	$ 130,751,882	$ 36,132	$ 15,298,952	$ (144,585,534)	$ 1,501,432

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

These condensed consolidated interim financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. As at December 31, 2017, the Company had a working capital deficiency of $273,998. On December 6, 2017, the Company entered into a loan facility agreement with certain shareholders of the Company (Note 9) whereby the shareholders agreed to loan the Company up to $400,000 to be drawn in four equal advances over a period of nine months. As at December 31, 2017, the Company had been advanced $35,295 and in January 2018 received an additional $47,250. In addition, the shareholders may advance an additional amount of up to $150,000, in one draw and on the same terms as above, in the event of a proposed acquisition and/or commencement of a Preliminary Economic Assessment study on the Unkur project. On January 29, 2018, the Company received $86,485 (£50,000) to cancel a net smelter return ("NSR") royalty and certain deferred payments (Note 7). Although the loan facility and the sale of the NSR royalty will support the Company on a care and maintenance basis over the short-term, management estimates these funds 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 will need to seek additional sources of financing to carry on future operations. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

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

2. BASIS OF PRESENTATION

Statement of compliance

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

These condensed consolidated interim financial statements do not include all of the disclosures required for annual financial statements, and therefore should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2017.

Basis of measurement

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

2. BASIS OF PRESENTATION (continued)

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the parent company's functional currency as well as the functional currency of the Company's BVI, Cyprus, and Russian subsidiaries. The functional currency of the Company's one dormant Slovakian subsidiary is 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 acquisition costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

<u>Share-based compensation</u>

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

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

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

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods. The Company has not recorded any deferred tax assets.

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions (continued)

(ii) Critical accounting judgments

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

Determination of functional currency

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

Fair value of amounts due to non-controlling interest lenders 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 lenders 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 lenders financial liability at issuance based on market interest rates for financial liabilities with a seven-year term.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended September 30, 2017.

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, 2017 and have not been applied in preparing these condensed consolidated interim 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.

(Unaudited – 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

	December 31, 2017	September 30, 2017
Canadian dollar denominated deposits held in Canada	$ 9,614	$ 21,355
US dollar denominated deposits held in Canada	2,162	4,297
US dollar denominated deposits held in Cyprus	1,227	2
Euro denominated deposits held in Cyprus	24	-
Ruble denominated deposits held in Russia	5,604	10,542
Total	$ 18,631	$ 36,196

5. RECEIVABLES

	December 31, 2017	September 30, 2017
Amounts due from the Government of Canada pursuant to input tax credits	$ 778	$ 1,196
Amounts due from the Government of Russia pursuant to value added tax	-	13,100
Total	$ 778	$ 14,296

(Unaudited – Expressed in Canadian dollars)

6. PREPAID EXPENSES

		December 31, 2017		September 30, 2017
Prepaid expenses in Canada	$	11,585	$	11,792
Prepaid expenses in Russia		2,133		510
Total	$	13,718	$	12,302

Included in prepaid expenses as at December 31, 2017 is $2,604 (September 30, 2017 – $Nil) related to payments made to the Chief Executive Officer for benefits related to January 2018.

7. EXPLORATION AND EVALUATION ASSETS

		Russia
		Unkur
September 30, 2017	$	2,732,117
Additions		-
December 31, 2017	$	2,732,117

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 shareholders (the "Non-Controlling Interest Shareholders" or "NCI Shareholders"). As consideration, the Company issued the NCI Shareholders 15,776,181 common shares of the Company, agreed to pay deferred cash payments of US$1,680,000 (US$80,000 settled through the issuance of 514,283 common shares of the Company in June 2017), and assumed the obligation to repay existing loans made by certain of the NCI Shareholders (the "NCI Lenders") (Note 10).

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

On December 6, 2017, the Company entered into a binding letter agreement with the NCI Shareholders to acquire the remaining 40% of Azarga BVI. As consideration for the acquisition of the remaining 40% interest and the cancellation of the remaining $1,600,000 of deferred cash payments (as described above), the Company agreed to issue the NCI Shareholders 42,000,000 common shares of the Company.

The acquisition was subject the approval of the Company's disinterested shareholders, which was received in February 2018. The acquisition is still subject to the approval of the TSX-V.

Once the acquisition of the remaining 40% is complete, the Company will hold a 100% interest in the Unkur Project. The NCI Shareholders retain a 5% NSR royalty. The Company has the right to buy back up to 2% of the NSR royalty at a cost of US$5 million per percentage point so that upon paying US$10 million the NSR royalty will be reduced to 3%.

(Unaudited – Expressed in Canadian dollars)

7. 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.

The Company recorded the following exploration and evaluation expenditures on its Unkur Project in Russia for the three months ended December 31, 2017 and 2016:

	Three months ended December 31,			
		2017		**2016**
Drilling and assays	$	-	$	682,725
Licenses and permits		11,753		24,603
Personnel, administration, and travel		29,660		47,795
	$	41,413	$	755,123

Kremnica Gold Project, Slovakia

The Company had a 2% NSR royalty on the first one million ounces of gold and silver produced and a 1% NSR royalty on the second one million ounces of gold and silver produced from the Kremnica Gold project in Slovakia, part of the Šturec Project, owned by Ortac Resources Limited ("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 (the "Deferred Payments").

In February 2018, Ortac paid the Company $86,485 (£50,000) to cancel the NSR royalty and the Deferred Payments. In the event of a sale or disposal of the Kremnica project by Ortac within 12 months, Azarga will be entitled to 30% of the net proceeds received by Ortac for such sale or disposal.

8. TRADE AND OTHER PAYABLES

		December 31, 2017		September 30, 2017
Trade and other payables in Canada	$	84,312	$	57,844
Trade and other payables in Cyprus		13,562		10,875
Trade and other payables in Russia		9,453		15,054
Interest due on notes payable (Note 9)		161		-
Interest due to NCI Lenders (Note 10)		67,671		38,379
Director fees owing to a former director		14,333		14,333
Salaries and benefits owing to officers		68,815		30,716
Reimbursement of expenses owing to officers and directors		13,523		12,908
Total	$	271,830	$	180,109

(Unaudited – Expressed in Canadian dollars)

9. NOTES PAYABLE

On December 6, 2017, the Company entered into a loan facility agreement with certain shareholders of the Company whereby the shareholders agreed to loan the Company up to $400,000 to be drawn in four equal advances over a period of nine months. Advances will bear interest at a rate of 10% per annum and all advances must be repaid within 12 months of the first advance. As at December 31, 2017, the Company had been advanced $35,295. Subsequent to December 31, 2017, the Company received an additional $47,250.

The shareholders may advance an additional amount of up to $150,000, in one draw and on the same terms as above, in the event of a proposed acquisition and/or commencement of a Preliminary Economic Assessment study on the Unkur project.

For the three months ended December 31, 2017, the Company recorded $161 of interest expense on the amounts advanced.

10. DUE TO NON-CONTROLLING INTEREST LENDERS

	December 31, 2017	September 30, 2017
Alexander Molyneux	$ 305,337	$ 303,754
Eugene McCarthy	305,840	304,255
Blake Steele	67,908	67,557
OC Management Group Ltd.	138,168	137,452
Insignia Partners Limited	144,584	143,835
Total	$ 961,837	$ 956,853

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

As at December 31, 2017, the accrued interest due to the NCI Lenders totaled $67,671 (September 30, 2017 – $38,379) and is included in trade and other payables (Note 8).

For the three months ended December 31, 2017, the Company recorded $29,092 (2016 – $30,690) of interest expense on the amounts due to the NCI Lenders.

11. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

As at December 31, 2017, the Company had 48,231,804 common shares issued and outstanding (September 30, 2017 – 48,231,804).

(Unaudited – Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

c) Obligation to issue shares

On July 8, 2016, the Board of Directors of the Company awarded a one-time bonus of 400,000 common shares to the Chief Executive Officer and 100,000 common shares to the Corporate Secretary to be issued in three equal tranches beginning six months from the date of the award. In January 2017 and July 2017, the Company settled the first and second tranche of the award. On January 8, 2018, the Company settled the final tranche of the award through the issue of 166,668 common shares of the Company.

As at December 31, 2017, the obligation to issue shares related to the fair value of the 166,668 common shares described above and totalled $36,132 (September 30, 2017 – $29,987)

d) Warrants

The continuity of share purchase warrants for the three months ended December 31, 2017, is as follows:

Expiry date	Exercise price	Balance, September 30, 2017	Issued	Exercised	Expired	Balance, December 31, 2017
October 7, 2017	$ 0.40	1,718,749	-	-	(1,718,749)	-
		1,718,749	-	-	(1,718,749)	-
Weighted average exercise price		$ 0.40	$ -	$ -	$ 0.40	$ -

e) Options

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

The continuity of stock options for the three months ended December 31, 2017, is as follows:

Expiry date	*Exercise price*	Balance, September 30, 2017	Granted	Exercised	Expired	Balance, December 31, 2017	
November 19, 2017	*$ 2.20*	24,000	-	-	(24,000)	-	
July 8, 2021	*$ 0.20*	2,100,000	-	-	-	2,100,000	*
August 9, 2021	*$ 0.20*	125,000	-	-	-	125,000	*
October 5, 2021	*$ 0.32*	225,000	-	-	-	225,000	*
		2,474,000	-	-	(24,000)	2,450,000	
Weighted average exercise price		$ 0.23	$ -	$ -	$ 2.20	$ 0.21	

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

11. SHARE CAPITAL (continued)

e) Options (continued)

As at December 31, 2017, 1,633,333 of the stock options were exercisable. As at December 31, 2017, the weighted average remaining contractual life of the options outstanding was 3.55 years.

On January 5, 2018, the Company granted 2,320,000 stock options to directors, officers and consultants exercisable at a price of $0.15 per share to vest immediately.

f) Share-based compensation

During the three months ended December 31, 2017, the Company recorded share-based compensation of $35,410 (2016 - $189,764) of which $29,265 (2016 - $158,903) relates to the issuance of stock options as described below, $6,145 (2016 - $33,720) relates to shares to be issued for management bonus (Note 11c) and $Nil (2016 – ($2,859)) relates to the reversal of shares to be issued for consulting fees.

On October 5, 2016, the Company granted 225,000 stock options to consultants at a fair value of $71,113 or $0.32 per option, of which $3,987 was recorded as share-based compensation for the three months ended December 31, 2017 (2016 – $20,751).

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 $1,430 was recorded as share-based compensation for the three months ended December 31, 2017 (2016 – $7,850).

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 $23,848 was recorded as share-based compensation for the three months ended December 31, 2017 (2016 – $130,302).

12. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Consulting fees

During the three months ended December 31, 2017, the Company paid or accrued $12,500 (2016 - $25,000) to Golden Oak Corporate Services Ltd. ("Golden Oak"). Golden Oak is a consulting company controlled by the Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

(Unaudited – Expressed in Canadian dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the three months ended December 31, 2017 and 2016 were as follows:

	Three months ended December 31,	
	2017	**2016**
Consulting fees *, **	$ 12,500	$ 25,000
Director fees *	-	16,667
Salaries and benefits	33,887	63,493
Share-based compensation	27,722	151,612
	$ 74,109	$ 256,772

* included in salaries and benefits on the statement of loss and comprehensive loss
** paid to Golden Oak as described above

13. SEGMENTED INFORMATION

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

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss; 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	December 31, 2017	September 30, 2017
Cash	FVTPL	**$ 18,631**	**$ 36,196**
Receivables	Loans and receivables	**778**	**14,296**
Trade and other payables	Other liabilities	**271,830**	**180,109**
Notes payable	Other liabilities	**35,295**	**-**
Due to non-controlling interest lenders	Other liabilities	**961,837**	**956,853**

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments (continued)

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, trade and other payables and notes payable approximate their fair value due to their short-term nature. The fair value of cash is determined based on Level 1 of the fair value hierarchy. Amounts due to non-controlling interest lenders are measured using the effective interest method.

Risk Management

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended September 30, 2017.