



**MANAGEMENT DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS**

For the three months ended December 31, 2017

(Expressed in Canadian dollars)

AZARGA METALS CORP.

For the three months ended December 31, 2017

MANAGEMENT DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS

The following management discussion and analysis – quarterly highlights (“MD&A”) of the results of operations and financial condition of Azarga Metals Corp. (the “Company” or “Azarga”) for the three months ended December 31, 2017 and up to the date of this MD&A, has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management discussion and analysis for the fiscal year ended September 30, 2017 (the “Annual MD&A”).

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the year ended September 30, 2017, together with the notes thereto, and the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the three months ended December 31, 2017 (the “Financial Report”).

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

The effective date of this MD&A is February 21, 2018.

Description of the Business

Azarga is a publicly-traded company incorporated under the laws of the Province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) and trade under the symbol AZR.

The Company is engaged in the exploration and, if warranted, development of 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.

The Unkur Copper-Silver Project, located in the Zabaikalsky administrative region of eastern Russia, is the Company’s principal asset.

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.

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% net smelter return (“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%.

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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.

Unkur Preliminary Economic Assessment

As announced on February 1, 2018, the Company has engaged Tetra Tech Mining and Minerals (“Tetra Tech”) to complete a NI 43-101 compliant Preliminary Economic Assessment (“PEA”) on the Unkur Copper-Silver Project. Work on the PEA has begun, with completion expected to be mid 2018.

Azarga’s overall strategy remains to continue physical exploration at Unkur to increase mineralization. However, the Company engaged Tetra Tech in late 2017 to review the data associated with the Maiden Mineral Resource estimate announced in mid-2017 (see Technical Report for the Unkur Copper-Silver Deposit, Kodar-Udokan Area, Russian Federation dated March 31, 2017, available on the Company’s profile at www.sedar.com), and as a result of these discussions Azarga believes there is a strong chance that a PEA performed using existing data will indicate robust economics for project development at Unkur. The information gained from the PEA in terms of metallurgical processing options, infrastructure and operating costs in the region will greatly assist in refining the strategy for further exploration activities.

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.

Other

In addition to the PEA, Azarga has continued to move forward a number of initiatives including: (a) engaging with a number of potential strategic partners at both the Unkur project and parent level; (b) re-interpretation of the results of the 2016-2017 exploration program to refine plans for upcoming physical exploration works; and (c) reviewing potentially attractive acquisitions in the broader Chara-Aldan region within which Unkur is situated and for which the Company executed an exclusive Memorandum of Understanding with Azarga Resources Partners, OC Management Group and Insignia Partners Limited for cooperation on such opportunities.

Qualified Person

The Company’s President and Chief Executive Officer, Dorian L. (Dusty) Nicol, B.Sc. Geo, MA Geo, a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource disclosures contained in this MD&A.

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Trends

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

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

Financial Condition – three months ended December 31, 2017

The Company began the current fiscal period with cash of \$36,196. During the three months ended December 31, 2017, the Company spent \$52,860 on operating activities net of working capital changes and received \$35,295 from a loan facility with certain shareholders of the Company, to end at December 31, 2017 with \$18,631 cash.

Operating Activities

Exploration and evaluation expenditures for the three months ended December 31, 2017 totalled \$41,413 (2016 - \$755,123). Activity in the current quarter consisted of only land payments and general and administration expenses such as salaries and office expenses as the Company is currently operating on a care and maintenance basis.

Financing Activities

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. As at December 31, 2017, the Company had been advanced \$35,295.

Liquidity and Capital Resources

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 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 NSR royalty and certain deferred payments. 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.

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Related Party Transactions

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

Additional Disclosure for Venture Issuers without Significant Revenue

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

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

Authorized: an unlimited number of common shares without par value

	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Common Share Purchase Options
Balance December 31, 2017	48,231,804	-	2,450,000
Shares for management bonus – final tranche	166,668	-	-
Grant of options	-	-	2,320,000
Balance as at the date of this MD&A	48,398,472	-	4,770,000

Cautionary Note Regarding Forward-looking Statements

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

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

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

Other Information

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's web site www.azargametals.com.