



**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

For the three months ended December 31, 2020

(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's Discussion and Analysis.

AZARGA METALS CORP.**Condensed Consolidated Interim Statements of Financial Position**

(Unaudited – Expressed in Canadian dollars)

	<i>Note</i>	December 31, 2020	September 30, 2020
ASSETS			
Current assets			
Cash	4	\$ 530,290	\$ 775,220
Receivables	5	101,268	62,939
Prepaid expenses	6	3,500	11,125
		635,058	849,284
Exploration and evaluation assets	7	8,012,117	8,012,117
		\$ 8,647,175	\$ 8,861,401
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	8	\$ 181,589	\$ 263,833
		181,589	263,833
Convertible loan	9	4,502,179	4,257,836
Shareholder loans	10	1,396,277	1,431,912
		6,080,045	5,953,581
Shareholders' equity			
Share capital	11	136,735,791	136,543,461
Share-based reserve	11	16,752,357	16,752,357
Deficit		(150,921,018)	(150,387,998)
		2,567,130	2,907,820
		\$ 8,647,175	\$ 8,861,401
Nature of operations and going concern	1		

These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Board of Directors on March 1, 2021.

They are signed on the Company's behalf by:

"Michael Hopley"

Michael Hopley, Director

"Blake Steele"

Blake Steele, Director

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

(Unaudited – Expressed in Canadian dollars)

		Three months ended December 31,	
	Note	2020	2019
EXPENSES			
Consulting fees	12	\$ 64,924	\$ 65,173
Exploration and evaluation expenditures	7	90,735	824,266
Investor relations		25,987	37,415
Office expenses		4,971	11,612
Professional fees		11,149	7,219
Regulatory fees		2,615	4,151
Travel		-	7,367
		(200,381)	(957,203)
Change in fair value of derivative liability		-	870,012
Foreign exchange loss		(161,140)	(36,371)
Interest expense on convertible loan	9	(141,973)	(210,334)
Interest expense on shareholder loans	10	(29,526)	(30,120)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (533,020)	\$ (364,016)
Basic and diluted loss per common share		\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding		97,884,001	93,163,803

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,	
	2020	2019
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	\$ (533,020)	\$ (364,016)
Items not affecting cash:		
Change in fair value of derivative liability	-	(870,012)
Accrued interest expense on convertible loan	141,973	210,334
Accrued interest expense on shareholder loans	29,526	30,120
Unrealized foreign exchange loss (gain)	133,203	(68,556)
Change in non-cash working capital items:		
Receivables	(38,329)	(144,027)
Prepaid expenses	7,625	73,681
Trade and other payables	14,092	98,061
	(244,930)	(1,034,415)
DECREASE IN CASH FOR THE PERIOD	(244,930)	(1,034,415)
CASH, BEGINNING OF THE PERIOD	775,220	2,599,062
CASH, END OF THE PERIOD	\$ 530,290	\$ 1,564,647
Non-cash investing and financing activities		
Issuance of shares for convertible loan interest	\$ 192,330	\$ 88,227
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 Shareholders' Equity**

(Unaudited – Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based reserve	Deficit	Shareholders' equity
Balance, September 30, 2020	95,942,780	\$ 136,543,461	\$ 16,752,357	\$ (150,387,998)	\$ 2,907,820
Issuance of shares for convertible loan interest	2,747,575	192,330	-	-	192,330
Comprehensive loss for the period	-	-	-	(533,020)	(533,020)
Balance, December 31, 2020	98,690,355	\$ 136,735,791	\$ 16,752,357	\$ (150,921,018)	\$ 2,567,130

	Number of shares	Share capital	Share-based reserve	Deficit	Shareholders' equity
Balance, September 30, 2019	92,060,971	\$ 136,182,632	\$ 16,304,414	\$ (147,121,670)	\$ 5,365,376
Issuance of shares for convertible loan interest	1,470,443	88,227	-	-	88,227
Comprehensive loss for the period	-	-	-	(364,016)	(364,016)
Balance, December 31, 2019	93,531,414	\$ 136,270,859	\$ 16,304,414	\$ (147,485,686)	\$ 5,089,587

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

AZARGA METALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2020

(Unaudited – Expressed in Canadian dollars)

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.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse impacts of the outbreak and its effects on the Company’s business or ability to raise funds. To date, the COVID-19 pandemic has not affected the progress of the exploration program on the Unkur Project.

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, 2020, the Company had working capital of \$453,469. Management estimates that its working capital will not provide the Company with sufficient financial resources to carry out currently planned operations and exploration through the next twelve months. Additional financing will be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern.

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 (“IAS”) 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

These condensed 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, 2020.

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.

AZARGA METALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2020

(Unaudited – Expressed in Canadian dollars)

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 its subsidiaries.

Use of accounting estimates, judgments, and assumptions

Information about estimates and judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are included in Note 2 to the Company's September 30, 2020 consolidated annual consolidated financial statements.

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, 2020.

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, 2020 and have not been applied in preparing these condensed consolidated interim financial statements. In addition, none of these standards are applicable to the Company.

4. CASH

	December 31, 2020	September 30, 2020
Canadian dollar denominated deposits held in Canada	\$ 6,863	\$ 20,388
US dollar denominated deposits held in Canada	498,071	637,286
US dollar denominated deposits held in Cyprus	11,246	12,116
Ruble denominated deposits held in Russia	14,110	105,430
Total	\$ 530,290	\$ 775,220

5. RECEIVABLES

	December 31, 2020	September 30, 2020
Amounts due from the Government of Canada pursuant to input tax credits	\$ 1,415	\$ 1,839
Amounts due from the Government of Russia pursuant to value added tax	99,853	52,650
Other receivables	-	8,450
Total	\$ 101,268	\$ 62,939

AZARGA METALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2020

(Unaudited – Expressed in Canadian dollars)

6. PREPAID EXPENSES

	December 31, 2020	September 30, 2020
Prepaid insurance	\$ 3,500	\$ 6,125
Prepaid investor relations	-	5,000
Total	\$ 3,500	\$ 11,125

7. EXPLORATION AND EVALUATION ASSETS

	Russia
	Unkur
September 30, 2020	\$ 8,012,117
Additions	-
December 31, 2020	\$ 8,012,117

The Company's 100% owned Unkur Copper-Silver Project is located in eastern Russia. Details of the Company's Unkur Project are found in Note 7 of the September 30, 2020 annual consolidated financial statements.

The Company recorded the following exploration and evaluation expenditures on its Unkur Project for the three months ended December 31, 2020 and 2019.

	Three months ended December 31,	
	2020	2019
Drilling and assays	\$ -	\$ 721,266
Licenses and permits	18,556	36,945
Personnel, administration, and travel	47,721	28,941
Studies and evaluations	24,458	37,114
	\$ 90,735	\$ 824,266

8. TRADE AND OTHER PAYABLES

	December 31, 2020	September 30, 2020
Trade and other payables in Canada	\$ 51,929	\$ 44,178
Trade and other payables in Cyprus	4,571	4,789
Trade and other payables in Russia	27,318	18,656
Interest on Convertible Loan (Note 9)	83,175	181,556
Due to related parties (Note 12)	14,596	14,654
Total	\$ 181,589	\$ 263,833

AZARGA METALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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9. CONVERTIBLE LOAN

In April 2019, the Company and Baker Steel Resources Trust Ltd. (“BSRT”) completed a secured convertible loan facility pursuant to which BSRT loaned the Company US\$3,000,000 (the “Convertible Loan”). In April 2020, the Convertible Loan was increased to US\$3,500,000.

Details of the Convertible Loan are found in Note 9 of the September 30, 2020 annual consolidated financial statements.

In October 2020, the Company issued BSRT 2,747,575 common shares to settle the third semi-annual interest payment of \$192,330.

	Three months ended December 31, 2020
Opening balance	\$ 4,257,836
Amortization of financing costs	45,979
Foreign exchange	198,364
Closing balance	\$ 4,502,179

During the three months ended December 31, 2020, the Company recorded interest expense of \$141,973 (2019 – \$210,334), being \$95,994 (2019 - \$80,305) of interest expense on the Convertible Loan, accretion of \$Nil (2019 – \$111,418), and amortization of financing costs of \$45,979 (2019 – \$18,611).

10. SHAREHOLDER LOANS

		December 31, 2020	September 30, 2020
Shareholders	Relationship		
Principal payable			
Alexander Molyneux	Director	\$ 309,888	\$ 324,662
Eugene McCarthy	greater than 10% shareholder	310,399	325,197
Blake Steele	Director	68,921	72,207
OC Management Group Ltd.	Principal is a Director	140,227	146,913
Serhii Stefanowych		146,740	153,735
		976,175	1,022,714
Interest payable		420,102	409,198
Total		\$ 1,396,277	\$ 1,431,912

The amounts due are unsecured, bear interest at the rate of 12% per annum, and are payable by May 31, 2023. Accrued interest was due annually but as part of the financing with BSRT, all accrued interest is now payable once the Convertible Loan is settled (Note 9).

As at December 31, 2020, the amount owing to shareholders was \$1,396,277 (US\$1,096,667), being \$976,175 (US\$766,709) principal plus accrued interest of \$420,102 (US\$329,958).

During the three months ended December 31, 2020, the Company accrued interest of \$29,526 (2019 – \$30,120) on the shareholder loans.

AZARGA METALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2020

(Unaudited – Expressed in Canadian dollars)

11. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

In October 2020, the Company issued BSRT 2,747,575 common shares to settle the third semi-annual interest payment of \$192,330.

c) Warrants

The continuity of share purchase warrants for the three months ended December 31, 2020, is as follows:

Expiry date	Exercise price	Balance, September 30, 2020	Granted	Exercised	Expired	Balance, December 31, 2020
December 31, 2022	\$ 0.10	13,490,414	-	-	-	13,490,414
December 31, 2022	\$ 0.10	6,950,500	-	-	-	6,950,500
		20,440,914	-	-	-	20,440,914
Weighted average exercise price	\$ 0.10	\$ -	\$ -	\$ -	\$ -	\$ 0.10

As at December 31, 2020, the weighted average remaining contractual life of the share purchase warrants outstanding was 2.00 years.

AZARGA METALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2020

(Unaudited – Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

d) 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, 2020, is as follows:

Expiry date	Exercise price	Balance, September 30, 2020	Granted	Exercised	Expired	Balance, December 31, 2020
July 8, 2021	\$ 0.20	1,600,000	-	-	-	1,600,000
August 9, 2021	\$ 0.20	125,000	-	-	-	125,000
October 5, 2021	\$ 0.32	225,000	-	-	-	225,000
January 5, 2023	\$ 0.15	1,845,000	-	-	-	1,845,000
May 24, 2024	\$ 0.09	3,420,000	-	-	-	3,420,000
		7,215,000	-	-	-	7,215,000
Weighted average exercise price	\$ 0.14	\$ -	\$ -	\$ -	\$ -	\$ 0.14

As at December 31, 2020, all of the outstanding stock options were exercisable.

As at December 31, 2020, the weighted average remaining contractual life of the stock options outstanding was 2.27 years.

AZARGA METALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Unaudited – Expressed in Canadian dollars)

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:

Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the VP Exploration, 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, 2020 and 2019 were as follows:

		Three months ended December 31,	
		2020	2019
Consulting fees			
Michael Hopley	Chief Executive Officer	\$ 16,361	\$ 16,463
Alexander Yakubchuk	VP Exploration	23,563	23,710
Golden Oak *	Officers	25,000	25,000
		\$ 64,924	\$ 65,173

* Golden Oak Corporate Services Ltd. (“Golden Oak”) is a consulting company controlled by the Chief Financial Officer and Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

Due to related parties

As at September 30, 2020, the Company owed \$14,596 (September 30, 2019 – \$14,654) to related parties of which \$263 was owing to Golden Oak for the reimbursement of expenditures and \$14,333 was owing to a former director for director fees. All amounts are unsecured and non-interest bearing.

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.

AZARGA METALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three months ended December 31, 2020

(Unaudited – Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); fair value through other comprehensive income (“FVTOCI”); or at amortized cost. The carrying values of the Company’s financial instruments are classified into the following categories:

Financial Instruments	Category	December 31, 2020	September 30, 2020
Cash	FVTPL	\$ 530,290	\$ 775,220
Receivables	Amortized cost	101,268	62,939
Trade and other payables	Amortized cost	181,589	263,833
Convertible loan	Amortized cost	4,502,179	4,257,836
Shareholder loans	Amortized cost	1,396,277	1,431,912

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying values for receivables and trade and other payables approximate their fair value due to their short-term nature. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying value of cash is determined based on Level 1 of the fair value hierarchy.

The carrying values of the Convertible Loan and shareholder loans are measured at amortized cost.

Risk Management

The Company’s risk management objectives and policies are consistent with those disclosed by the Company for the year ended September 30, 2020.