



**MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS**

For the three months ended December 31, 2020

AZARGA METALS CORP.
For the three months ended December 31, 2020
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's 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, 2020 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management's discussion and analysis for the fiscal year ended September 30, 2020 (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, 2020, 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, 2020 (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 March 1, 2021.

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 the Company's 100% owned Unkur Copper-Silver project located 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.

Unkur Copper-Silver Project, eastern Russia

Azarga acquired control of the Unkur Copper-Silver Project, located in the Zabaikalsky administrative region of eastern Russia, in mid-2016 and then embarked on a successful initial exploration program. In 2016-2017, the Company completed 16 diamond core drill-holes at Unkur for 4,580 cumulative meters. A maiden Resource was published in April 2017 and then in March 2018 the Resource was enlarged and a preliminary economic assessment (“PEA”) was completed.

The PEA report was filed at the end of August 2018 (see: “Technical Report and Preliminary Economic Assessment for the Unkur Copper-Silver Project, Kodar-Udokan, Russian Federation” dated effective August 30, 2018 filed on SEDAR or the Company's website).

The PEA is based on the current Inferred Mineral Resource estimate of 62 million tonnes at 0.53% copper and 38.6 g/t silver, containing 328,600 tonnes (724 million pounds) of copper and 76.8 million troy ounces of silver. The PEA was positive, envisaging an 8-year mine life producing 13.2 kilo-tonnes of copper and 3.7 million ounces of silver per year and resulting in an estimated pre-tax net present value of US\$203.6 million (post-tax US\$147.5 million) and internal rate of return of 28.9% (post-tax 24.4%).

In 2019-2020, the Company completed a property-wide magnetic survey as well as a further 15 diamond core drill-holes, which both expanded and better defined the copper-silver mineralization. In addition, new and more extensive metallurgical test work was completed on both oxide and sulphide samples from the most recent drilling.

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Reconnaissance Geochemical Exploration

As announced on October 15, 2020, the Company started a reconnaissance geochemical exploration program with the object of identifying new areas of copper and silver mineralization outside of the known area of recent drilling by taking lithochemical samples just below the surface over widespread areas of the property; 180 rock-chip samples and 28 channel samples were taken at 6 locations.

The results of this program were announced on January 19, 2021 and showed significant zones of copper mineralization at surface on the east side of the Kemen River (known as the Kemen area) as well as areas on the southwestern side of the property (Unkur SW) – see Table 1 below.

In the Kemen area, several lithochemical samples showed more than 0.05% copper in three anomalies extending over strike lengths of 2 km, 1.1 km, and 0.9 km (using the >25ppm Cu value), possibly at different stratigraphic levels. Copper mineralization in outcrops was also found at several locations on which channel samples were taken (see Table 1 below). This is an important finding and confirms, for the first time, that mineralization is present on the eastern limb of the Unkur syncline.

In addition, new mineralization was discovered over an area of 250x160m at Unkur SW in four closely spaced outcrops on which channel samples were taken (see Table 1 below). This mineralization appears to be stratigraphically below the main Unkur mineralization and implies a second, perhaps parallel zone of mineralization to the known body hosting the current resources at Unkur.

Table 1 below shows results of channel sampling from the discovered outcrops at Kemen and Unkur SW with >0.1% Cu values. From experience the Company believes that the copper values in the channel samples are more indicative of underlying grade due to the greater mobility of silver over copper at surface.

Table 1. Results of 2020 channel sampling at Kemen and Unkur SW. All samples represent 1 m intervals.

Sampling site	WGS 84 coordinates	Pulkovo 42 coordinates	Sample ID	Cu ppm	Ag ppm	Intercept
AM200168 Kemen	56.841405	6303492.73	201681	461	0.2	2m @ 0.49% Cu 7.1 g/t Ag
	118.645723	20600384.87	201682	8045	11.0	
			201683	1760	3.1	
AM200064 Kemen	56.837931	6303112.086	200641	247	<0.2	1m @ 0.13% Cu 2.0 g/t Ag
	118.649904	20600649.32	200642	1280	2.0	
			200643	236	0.7	
AM200153 Unkur SW	56.815975	6300568.023	201531	2230	3.3	2m @ 0.19% Cu 2.8 g/t Ag
	118.580829	20596490.4	201532	1480	2.2	
AM200160 Unkur SW	56.81771	6300759.436	201601	526	<0.2	1m @ 0.64% Cu 3.2 g/t Ag
	118.57958	20596409.67	201602	6420	3.2	

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Updated PEA

On February 16, 2021, the Company announced that Wardell Armstrong International ("WAI") had been awarded a contract to complete an updated PEA. WAI will complete an updated Mineral Resource estimate ("MRE") for incorporation into the updated PEA, working jointly with SRK (Russia), which created detailed 3-D wire-frame models for Unkur. Based on the new MRE as well as the updated metallurgical test work, WAI will lead the completion of the updated PEA. This work is expected to be complete by mid-March 2021.

Qualified Person

The Company's President and Chief Executive Officer, Michael Hopley, a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource disclosures contained in this MD&A.

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 and evaluation expenditures is largely determined by the strength of resource capital and commodity markets and its ability to obtain investor support for its projects.

COVID-19

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.

Financial Condition and Results of Operations – three months ended December 31, 2020

The Company began the current fiscal period with cash of \$775,220. During the three months ended December 31, 2020, the Company spent \$244,930 on operating activities net of working capital changes, to end at December 31, 2020 with a cash balance of \$530,290.

The consolidated loss for the three months ended December 31, 2020 was \$533,020 compared to \$364,016 for the three months ended December 31, 2019.

The significant changes between the current period and the comparative period are discussed below.

Exploration and evaluation expenditures for the three months ended December 31, 2020 totalled \$90,735 (2019 - \$824,266) and relate to exploration work on the Unkur project. In the current period, the Company conducted a reconnaissance geochemical exploration program whereas in the prior period, the Company was drilling the Unkur project and incurred \$721,266 of drilling and assay expenditures.

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Foreign exchange loss for the three months ended December 31, 2020 totalled \$161,140 compared to \$36,371 in the prior period. The loss relates to foreign exchange fluctuations on the Company's US denominated convertible loan and shareholder loans, as the exchange rate at September 30, 2020 was 1.3339 compared to 1.2732 as at December 31, 2020.

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).

During the three months ended December 31, 2019, the Company recorded a gain in fair value of derivative liability of \$870,012. The derivative liability was a component of the convertible loan and was re-valued each reporting period using the Black-Scholes option pricing model by changing various assumptions including the share price, risk-free interest rate, expected volatility, and expected life, as at the end of the reporting period. There was no change in fair value of derivative liability in the current period since the convertible loan was amended in April 2020 to fix the conversion amount for the purposes of conversion of the shares.

Liquidity and Capital Resources

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.

On February 16 and 24, 2021, the Company announced a non-brokered private placement of up to 21,666,666 units at a price of \$0.06 per unit to raise proceeds of up to \$1,300,000 (the "Offering"). Each unit will consist of one common share and one-half of one share purchase warrant with each whole warrant entitling the holder thereof to purchase one common share of the Company at a price of \$0.12 per share for a period of two years from the closing of the Offering. The shares issued in connection with the Offering will be subject to a four-month and a day hold period. In addition, the Offering is subject to the approval of the TSX-V. Finder's fees will be payable on the Offering. The Company intends to use the proceeds of the Offering to fund the cost of the updated PEA on the Unkur project and for general working capital purposes.

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.

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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	Share Purchase Warrants	Stock Options
Balance as at December 31, 2020	98,690,355	20,440,914	7,215,000
Balance as at the date of this MD&A	98,690,355	20,440,914	7,215,000

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 address 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.

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 website www.azargametals.com.