



**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

For the six months ended March 31, 2021

(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)

	Note	March 31, 2021	September 30, 2020
ASSETS			
Current assets			
Cash	4	\$ 1,421,465	\$ 775,220
Receivables	5	58,368	62,939
Prepaid expenses	6	32,875	11,125
		1,512,708	849,284
Exploration and evaluation assets	7	8,012,117	8,012,117
		\$ 9,524,825	\$ 8,861,401
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	8	\$ 226,727	\$ 263,833
		226,727	263,833
Convertible loan	9	4,492,209	4,257,836
Shareholder loans	10	1,407,586	1,431,912
		6,126,522	5,953,581
Shareholders' equity			
Share capital	11	137,603,236	136,543,461
Share-based reserve	11	17,063,524	16,752,357
Deficit		(151,268,457)	(150,387,998)
		3,398,303	2,907,820
		\$ 9,524,825	\$ 8,861,401
Nature of operations and going concern	1		
Subsequent events	15		

These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Board of Directors on May 24, 2021.

They are signed on the Company's behalf by:

"Gordon Tainton"

Gordon Tainton, Director

"Blake Steele"

Blake Steele, Director

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

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

(Unaudited – Expressed in Canadian dollars)

		Three months ended March 31,		Six months ended March 31,	
	Note	2021	2020	2021	2020
EXPENSES					
Consulting fees	12	\$ 63,601	\$ 66,334	\$ 128,525	\$ 131,507
Exploration and evaluation expenditures	7	106,178	854,068	196,913	1,678,334
Investor relations		21,650	28,507	47,637	65,922
Office expenses		5,327	12,907	10,298	24,519
Professional fees		16,960	27,182	28,109	34,401
Regulatory fees		21,375	20,327	23,990	24,478
Travel		-	6,486	-	13,853
		(235,091)	(1,015,811)	(435,472)	(1,973,014)
Change in fair value of derivative liability		-	(207)	-	869,805
Foreign exchange gain (loss)		55,366	(260,014)	(105,774)	(296,385)
Interest expense on convertible loan	9	(139,186)	(216,791)	(281,159)	(427,125)
Interest expense on shareholder loans	10	(28,528)	(32,542)	(58,054)	(62,662)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (347,439)	\$ (1,525,365)	\$ (880,459)	\$ (1,889,381)
Basic and diluted loss per common share		\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding		100,079,244	93,531,414	98,969,561	93,346,604

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)

	Six months ended March 31,	
	2021	2020
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	\$ (880,459)	\$ (1,889,381)
Items not affecting cash:		
Change in fair value of derivative liability	-	(869,805)
Accrued interest expense on convertible loan	281,159	427,125
Accrued interest expense on shareholder loans	58,054	62,662
Unrealized foreign exchange loss	61,034	275,949
Change in non-cash working capital items:		
Receivables	4,571	(210,161)
Prepaid expenses	(21,750)	82,503
Trade and other payables	(34,976)	165,468
	(532,367)	(1,955,640)
FINANCING ACTIVITIES:		
Private placement	1,250,000	-
Share issuance costs	(71,388)	-
	1,178,612	-
CHANGE IN CASH FOR THE PERIOD	646,245	(1,955,640)
CASH, BEGINNING OF THE PERIOD	775,220	2,599,062
CASH, END OF THE PERIOD	\$ 1,421,465	\$ 643,422
Non-cash investing and financing activities		
Issuance of shares for convertible loan interest	\$ 192,330	\$ 88,227
Private placement - warrants	238,302	-
Share issuance costs - warrants	72,865	-
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
Private placement	20,833,329	1,011,698	238,302	-	1,250,000
Share issuance costs	-	(144,253)	72,865	-	(71,388)
Issuance of shares for convertible loan interest	2,747,575	192,330	-	-	192,330
Comprehensive loss for the period	-	-	-	(880,459)	(880,459)
Balance, March 31, 2021	119,523,684	\$ 137,603,236	\$ 17,063,524	\$ (151,268,457)	\$ 3,398,303

	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	-	-	-	(1,889,381)	(1,889,381)
Balance, March 31, 2020	93,531,414	\$ 136,270,859	\$ 16,304,414	\$ (149,011,051)	\$ 3,564,222

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 six months ended March 31, 2021
(Unaudited – Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Azarga Metals Corp. (the “Company”) 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 March 31, 2021, the Company had working capital of \$1,285,981. Management estimates that its working capital may not provide the Company with sufficient financial resources to carry out currently planned operations and exploration through the next twelve months. Additional financing may 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 six months ended March 31, 2021

(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 March 31, 2021 and have not been applied in preparing these condensed consolidated interim financial statements.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to IAS 1 Presentation of Financial Statements, clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The Company has not early adopted this revised standard and its adoption is not expected to have a material effect on the Company's consolidated financial statements.

4. CASH

	March 31, 2021	September 30, 2020
Canadian dollar denominated deposits held in Canada	\$ 1,090,293	\$ 20,388
US dollar denominated deposits held in Canada	273,279	637,286
US dollar denominated deposits held in Cyprus	6,851	12,116
Ruble denominated deposits held in Russia	51,042	105,430
Total	\$ 1,421,465	\$ 775,220

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

For the six months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)

5. RECEIVABLES

	March 31, 2021	September 30, 2020
Amounts due from the Government of Canada pursuant to input tax credits	\$ 5,916	\$ 1,839
Amounts due from the Government of Russia pursuant to value added tax	48,176	52,650
Other receivables	4,276	8,450
Total	\$ 58,368	\$ 62,939

6. PREPAID EXPENSES

	March 31, 2021	September 30, 2020
Prepaid insurance	\$ 875	\$ 6,125
Prepaid investor relations	32,000	5,000
Total	\$ 32,875	\$ 11,125

7. EXPLORATION AND EVALUATION ASSETS

	Russia
	Unkur
September 30, 2020	\$ 8,012,117
Additions	-
March 31, 2021	\$ 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 and six months ended March 31, 2021 and 2020.

	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
Drilling and assays	\$ -	\$ 785,673	\$ -	\$ 1,387,108
Licenses and permits	4,430	14,341	22,986	51,286
Personnel, administration, and travel	49,100	54,054	96,821	84,410
Studies and evaluations	52,648	-	77,106	155,530
	\$ 106,178	\$ 854,068	\$ 196,913	\$ 1,678,334

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

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(Unaudited – Expressed in Canadian dollars)

8. TRADE AND OTHER PAYABLES

	March 31, 2021	September 30, 2020
Trade and other payables in Canada	\$ 1,322	\$ 44,178
Trade and other payables in Cyprus	4,514	4,789
Trade and other payables in Russia	20,297	18,656
Interest on Convertible Loan (Note 9)	177,381	181,556
Due to related parties (Note 12)	23,213	14,654
Total	\$ 226,727	\$ 263,833

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.

	Six months ended March 31, 2021
Opening balance	\$ 4,257,836
Amortization of financing costs	90,959
Foreign exchange	143,414
Closing balance	\$ 4,492,209

During the six months ended March 31, 2021, the Company recorded interest expense of \$281,159 (2020 – \$427,125), being \$190,200 (2020 - \$163,984) of interest expense on the Convertible Loan (included in trade and other payables), accretion of \$Nil (2020 – \$225,477), and amortization of financing costs of \$90,959 (2020 – \$37,664).

During the three months ended March 31, 2021, the Company recorded interest expense of \$139,186 (2020 – \$216,791), being \$94,206 (2020 - \$83,679) of interest expense on the Convertible Loan (included in trade and other payables), accretion of \$Nil (2020 – \$114,059), and amortization of financing costs of \$44,980 (2020 – \$19,053).

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

For the six months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)

10. SHAREHOLDER LOANS

		March 31, 2021	September 30, 2020
Shareholders	Relationship		
Principal payable			
Alexander Molyneux	Director	\$ 306,066	\$ 324,662
Eugene McCarthy	greater than 10% shareholder	306,571	325,197
Blake Steele	Director	68,071	72,207
OC Management Group Ltd.	Principal is a Director	138,498	146,913
Serhii Stefanovych		144,930	153,735
		964,136	1,022,714
Interest payable		443,450	409,198
Total		\$ 1,407,586	\$ 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 March 31, 2021, the amount owing to shareholders was \$1,407,586 (US\$1,119,353), being \$964,136 (US\$766,709) principal plus accrued interest of \$443,450 (US\$352,644).

During the three and six months ended March 31, 2021, the Company accrued interest of \$28,528 and \$58,054 respectively (2020 – \$32,542 and \$62,662 respectively) on the shareholder loans.

11. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

During the six months ended March 31, 2021, the Company completed the following:

- In October 2020, the Company issued BSRT 2,747,575 common shares to settle the third semi-annual interest payment of \$192,330 (Note 9).
- In March 2021, the Company completed a non-brokered private placement through the issuance 20,833,329 units at a price of \$0.06 per unit for gross proceeds of \$1,250,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.12 per share until March 25, 2023. The share purchase warrants were valued at \$238,302 using the relative fair value approach. The Company paid cash finder's fees of \$71,388 and issued 1,189,797 finder's warrants valued at \$72,865 on the same terms as the share purchase warrants. The fair value of the share purchase warrants and the finder's warrants were determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.23%; an expected volatility of 84%; an expected life of 2 years; a forfeiture rate of zero; and an expected dividend of zero.

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

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(Unaudited – Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

c) Warrants

The continuity of share purchase warrants for the six months ended March 31, 2021, is as follows:

Expiry date	Exercise price	Balance, September 30, 2020	Granted	Exercised	Expired	Balance, March 31, 2021
December 31, 2022	\$ 0.10	20,440,914	-	-	-	20,440,914
March 25, 2023	\$ 0.12	-	11,606,461	-	-	11,606,461
		20,440,914	11,606,461	-	-	32,047,375
Weighted average exercise price	\$ 0.10	\$ 0.12	\$ -	\$ -	\$ -	\$ 0.11

As at March 31, 2021, the weighted average remaining contractual life of the share purchase warrants outstanding was 1.84 years.

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 six months ended March 31, 2021, is as follows:

Expiry date	Exercise price	Balance, September 30, 2020	Granted	Exercised	Expired	Balance, March 31, 2021
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 March 31, 2021, all of the outstanding stock options were exercisable.

As at March 31, 2021, the weighted average remaining contractual life of the stock options outstanding was 2.03 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 and six months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31,		Six months ended March 31,	
	2021	2020	2021	2020
Consulting fees				
Chief Executive Officer	\$ 15,818	\$ 16,938	\$ 32,179	\$ 33,401
VP Exploration	22,783	24,396	46,346	48,106
Golden Oak *	25,000	25,000	50,000	50,000
	\$ 63,601	\$ 66,334	\$ 128,525	\$ 131,507

* 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 March 31, 2021, the Company owed \$23,213 (September 30, 2020 – \$14,654) to related parties of which \$8,880 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 six months ended March 31, 2021

(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	March 31, 2021	September 30, 2020
Cash	FVTPL	\$ 1,421,465	\$ 775,220
Receivables	Amortized cost	58,368	62,939
Trade and other payables	Amortized cost	226,727	263,833
Convertible loan	Amortized cost	4,492,209	4,257,836
Shareholder loans	Amortized cost	1,407,586	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.

AZARGA METALS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended March 31, 2021

(Unaudited – Expressed in Canadian dollars)

15. SUBSEQUENT EVENTS

Subsequent to March 31, 2021, the Company completed the following:

- In April 2021, the Company issued BSRT 1,505,730 common shares to settle the fourth semi-annual interest payment of \$188,216.
- In April 2021, the Company issued 63,000 common shares on exercise of stock options for gross proceeds of \$5,670.
- In April 2021, the Company granted 3,000,000 stock options to an officer of the Company at an exercise price of \$0.13 until April 23, 2026. The stock options vest 500,000 on October 16, 2021 and 500,000 every six months thereafter.