AZARGA METALS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended March 31, 2023

(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, 2023	September 30, 2022
ASSETS			
Current assets			
Cash	4	$ 184,733	$ 184,074
Restricted cash		-	47,284
Receivables	5	4,225	56,827
Prepaid expenses	6	58,417	112,107
		247,375	400,292
Exploration and evaluation assets	7	869,083	869,083
		$ 1,116,458	$ 1,269,375
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Trade and other payables	8	$ 432,086	$ 410,280
Property payment obligation	9	521,356	200,000
Shareholder loans	10	1,763,842	1,723,637
		2,717,284	2,333,917
Property payment obligation	9	-	303,700
		2,717,284	2,637,617
Shareholders' deficiency			
Share capital	11	143,190,951	143,044,165
Share-based reserve	11	17,492,233	17,430,897
Deficit		(162,284,010)	(161,843,304)
		(1,600,826)	(1,368,242)
		$ 1,116,458	$ 1,269,375
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 May 24, 2023.

They are signed on the Company's behalf by:

"Gordon Tainton"	*"Blake Steele"*
Gordon Tainton, Director	Blake Steele, Director

AZARGA METALS CORP.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian dollars)

	Note	Three months ended March 31, 2023	Three months ended March 31, 2022	Six months ended March 31, 2023	Six months ended March 31, 2022
EXPENSES					
Consulting fees	*12*	$ 68,500	$ 91,200	$ 137,000	$ 182,528
Exploration and evaluation expenditures	*7*	44,230	29,507	226,065	101,282
Investor relations		32,981	18,926	70,773	45,851
Office expenses		10,353	7,507	22,172	17,066
Professional fees		14,836	22,615	30,351	139,631
Regulatory fees		13,516	10,343	15,385	19,834
Share-based compensation	*11 & 12*	12,093	28,578	25,622	61,378
Travel		3,597	5,980	4,380	16,651
		(200,106)	(214,656)	(531,748)	(584,221)
Accretion on property payment obligation	*9*	(8,856)	(7,907)	(17,656)	(7,907)
Foreign exchange gain		616	55,794	46,544	96,783
Gain on sale of subsidiaries	*7*	108,372	-	108,372	-
Gain (loss) on settlement of trade and other payables	*8*	15,892	-	15,892	(18,741)
Interest expense on shareholder loans	*10*	(30,701)	(28,630)	(62,110)	(58,031)
Interest expense on convertible loan		-	(139,229)	-	(283,346)
Impairment of exploration and evaluation assets		-	(8,012,117)	-	(8,012,117)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (114,783)	$ (8,346,745)	$ (440,706)	$ (8,867,580)
Basic and diluted loss per common share		$ (0.00)	$ (0.06)	$ (0.00)	$ (0.07)
Weighted average number of common shares outstanding		205,507,987	130,503,915	204,032,530	127,964,895

AZARGA METALS CORP.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited – Expressed in Canadian dollars)

	Six months ended March 31, 2023	2022
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	$ (440,706)	$ (8,867,580)
Items not affecting cash:		
Share-based compensation	25,622	61,378
Accretion on property payment obligation	17,656	7,907
Accrued interest expense on shareholder loans	62,110	58,031
Accrued interest expense on convertible loan	-	283,346
Gain on sale of subsidiaries	(108,372)	-
Loss (gain) on settlement of trade and other payables	(15,892)	18,741
Impairment of exploration and evaluation assets	-	8,012,117
Unrealized foreign exchange gain	(21,905)	(107,046)
Change in non-cash working capital items:		
Restricted cash	31,910	-
Receivables	29,299	34,831
Prepaid expenses	53,690	27,698
Trade and other payables	159,172	36,469
	(207,416)	(434,108)
INVESTING ACTIVITIES		
Cash received on sale of subsidiaries	102,075	-
	102,075	-
FINANCING ACTIVITIES:		
Private placement	106,000	-
	106,000	-
CHANGE IN CASH FOR THE PERIOD	659	(434,108)
CASH, BEGINNING OF THE PERIOD	184,074	862,851
CASH, END OF THE PERIOD	$ 184,733	$ 428,743
Non-cash investing and financing activities		
Issuance of private placement warrants	$ 33,553	$ -
Issuance of finder's warrants	2,161	-
Issuance of shares to settle trade and other payables	80,000	-
Accrued share issuance costs	3,500	-
Issuance of shares for convertible loan interest	-	205,907
Issuance of shares for exploration and evaluation assets	-	340,065
Accrued exploration and evaluation assets	-	479,018
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 (Deficiency)
(Unaudited – Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based reserve	Deficit	Shareholders' deficiency
Balance, September 30, 2022	197,012,750	$ 143,044,165	$ 17,430,897	$ (161,843,304)	$ (1,368,242)
Private placement	7,066,666	72,447	33,553	-	106,000
Share issuance costs	-	(5,661)	2,161	-	(3,500)
Issuance of shares for trade and other payables	4,000,000	80,000	-	-	80,000
Share-based compensation	-	-	25,622	-	25,622
Comprehensive loss for the period	-	-	-	(440,706)	(440,706)
Balance, March 31, 2023	208,079,416	$ 143,190,951	$ 17,492,233	$ (162,284,010)	$ (1,600,826)

	Number of shares	Share capital	Share-based reserve	Deficit	Shareholders' equity (deficiency)
Balance, September 30, 2021	121,092,414	$ 137,752,269	$ 17,144,994	$ (152,253,441)	$ 2,643,822
Issuance of shares for convertible loan interest	3,743,755	205,907	-	-	205,907
Issuance of shares for exploration and evaluation assets	5,219,985	313,199	-	-	313,199
Issuance of shares - finder's fee	447,761	26,866	-	-	26,866
Share-based compensation	-	-	61,378	-	61,378
Comprehensive loss for the period	-	-	-	(8,867,580)	(8,867,580)
Balance, March 31, 2022	130,503,915	$ 138,298,241	$ 17,206,372	$ (161,121,021)	$ (5,616,408)

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

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 mineral resource projects. 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 March 31, 2023, the Company had a working capital deficit of $2,469,909. The Company needs to complete a financing in order 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 condensed consolidated interim 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 annual consolidated financial statements for the year ended September 30, 2022.

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.

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.

2. BASIS OF PRESENTATION (continued)

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, 2022 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, 2022.

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, 2023 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 impact on the Company's consolidated financial statements.

(Unaudited – Expressed in Canadian dollars)

4. CASH

		March 31, 2023		**September 30, 2022**
Canadian dollar denominated deposits held in Canada	$	77,396	$	163,037
US dollar denominated deposits held in Canada		107,337		18,781
US dollar denominated deposits held in Cyprus		-		2,256
Total	$	184,733	$	184,074

5. RECEIVABLES

		March 31, 2023		**September 30, 2022**
Amounts due from the Government of Canada pursuant to input tax credits	$	4,225	$	12,862
Amounts due from the Government of Russia pursuant to value added tax		-		27,336
Other receivables		-		16,629
Total	$	4,225	$	56,827

6. PREPAID EXPENSES

		March 31, 2023		**September 30, 2022**
Prepaid insurance	$	2,917	$	20,417
Prepaid investor relations		55,500		82,500
Prepaid other		-		5,800
Expense advance to related party (Note 12)		-		3,390
Total	$	58,417	$	112,107

(Unaudited – Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

		Canada		Russia		
		Marg		**Unkur**		**Total**
September 30, 2022	$	869,083	$	-	$	869,083
Additions		-		-		-
March 31, 2023	$	869,083	$	-	$	869,083

Details on the Company's exploration and evaluation assets are found in Note 7 of the September 30, 2022 consolidated financial statements and new items are noted below.

In February 2023, the Company entered into a share purchase agreement with a non-sanctioned third-party buyer to sell its wholly-owned subsidiaries, Azarga Metals Limited, Shilka Metals Ltd., and Tuva-Kobalt LLC, the owner of the Unkur project. As consideration, the buyer paid the Company $1 (US$1) for the Unkur project and $102,074 (US$74,999) for the assignment and assumption of the intercompany debt, as well as contingent consideration equal to half of the net proceeds paid to the buyer from any subsequent sale of the Unkur project ("Contingent Consideration"). The Contingent Consideration has not been recorded as management has determined that it is not likely to be received.

Pursuant to the option agreement between the Company and Baker Steel Resources Trust Ltd. ("BSRT") as disclosed in the consolidated financial statements for the year ended September 30, 2022, the Company and BSRT have agreed that any Contingent Consideration paid to the Company will be split as follows: 90% to BSRT and 10% to the Company for any amount up to US$3.5 million and 80% to BSRT and 20% to the Company for any amount above US$3.5 million.

Consideration received		
Cash	$	102,075
Total	$	102,075

Net assets sold		
Restricted cash	$	15,374
Receivables		23,303
Trade and other payables		(44,974)
Total	$	(6,297)
Gain on sale of subsidiaries	$	108,372

(Unaudited – Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

The Company recorded the following exploration and evaluation expenditures during the three and six months ended March 31, 2023 and 2022.

	Three months ended March 31, 2023	Three months ended March 31, 2022	Six months ended March 31, 2023	Six months ended March 31, 2022
Marg Project				
IP Survey	$ 33,834	$ -	$ 150,512	$ -
Camp and other	10,396	-	27,727	-
	44,230	-	178,239	-
Unkur Project				
Personnel, administration, and travel	-	29,507	47,826	67,572
Studies and evaluations	-	-	-	33,710
	-	29,507	47,826	101,282
	$ 44,230	$ 29,507	$ 226,065	$ 101,282

8. TRADE AND OTHER PAYABLES

	March 31, 2023	September 30, 2022
Trade and other payables in Canada	$ 218,336	$ 255,500
Trade and other payables in Cyprus	-	166
Trade and other payables in Russia	-	76,685
Due to related parties (Note 12)	213,750	77,929
Total	$ 432,086	$ 410,280

In January 2023, the Company issued 4,000,000 common shares valued at $80,000 (Note 11) to settle trade and other payables of $95,892. Accordingly, the Company recorded a gain on settlement of trade and other payables of $15,892.

(Unaudited – Expressed in Canadian dollars)

9. PROPERTY PAYMENT OBLIGATIONS

		March 31, 2023		**September 30, 2022**
Opening balance	$	303,700	$	-
Addition		-		279,018
Accretion		17,656		24,682
Closing balance	$	321,356	$	303,700

As part of the consideration payable for the acquisition of the Marg project, the Company was obligated to pay $200,000 on the first anniversary of closing, being December 6, 2022. The Company has not made this payment to date and is in discussions with the vendor regarding this payment.

In addition, the Company is also obligated to pay the vendor $350,000 on the second anniversary of closing, being December 6, 2023. This payment was discounted at a rate of 12% over a period of two years for an initial present value of $279,018.

During the three and six months ended March 31, 2023, the Company recorded accretion of $8,856 (2022 - $7,907) and $17,656 (2022 - $7,907) respectively, on the property payment obligation.

10. SHAREHOLDER LOANS

			March 31, 2023		**September 30, 2022**
Shareholders	Relationship				
Principal payable					
Alexander Molyneux	Former Director	$	329,384	$	333,619
Eugene McCarthy			329,927		334,168
Blake Steele	Director		73,256		74,198
Vladimir Pakhomov	Former Director		74,525		75,483
Denis Tsesarenko			74,525		75,483
Serhii Stefanovych			155,971		157,977
			1,037,588		1,050,928
Interest payable			726,254		672,709
Total		$	1,763,842	$	1,723,637

The amounts due include principal of $1,037,585 (US$766,709) and interest of $726,254 (US$536,654) and are unsecured, bear interest at the rate of 12% per annum, and are payable by May 31, 2023. Subject to receipt of approval of the TSX-V, the unpaid balance of the principal and interest may be converted at any time, at the sole option of the lenders (on an individual basis) into common shares at the market price in effect on conversion.

During the three and six months ended March 31, 2023, the Company accrued interest of $30,701 (2022 - $28,630) and $62,110 (2022 - $58,031) respectively, on the shareholder loans.

(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

During the six months ended March 31, 2023, the Company completed the following:

- In November 2022, the Company completed the second and final tranche of a non-brokered private placement through the issuance of 7,066,666 units at a price of $0.015 per unit for gross proceeds of $106,000. Each unit consisted of one common share and one share purchase warrant exercisable into one common share at a price of $0.05 per share until November 7, 2025. The share purchase warrants were valued at $33,553 using the relative fair value approach.

  The Company paid cash finder's fees of $3,500 and issued 233,333 finder's warrants valued at $2,161 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 3.87%; an expected volatility of 102%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

- In January 2023, the Company issued 4,000,000 common shares valued at $80,000 to settle trade and other payables of $95,892. Accordingly, the Company recorded a gain on settlement of trade and other payables of $15,892 (Note 8).

c) Warrants

The continuity of share purchase warrants for the six months ended March 31, 2023 is as follows:

Expiry date	Exercise price	Balance, September 30, 2022	Granted	Exercised	Expired	Balance, March 31, 2023
December 31, 2022	$ 0.10	20,440,914	-	-	(20,440,914)	-
March 25, 2023	$ 0.12	11,606,461	-	-	(11,606,461)	-
September 15, 2025	$ 0.05	19,700,001	-	-	-	19,700,001
November 7, 2025	$ 0.05	-	7,299,999	-	-	7,299,999
		51,747,376	7,299,999	-	(32,047,375)	27,000,000
Weighted average exercise price		$ 0.09	$ 0.05	$ -	$ 0.11	$ 0.05

As at March 31, 2023, the weighted average remaining contractual life of the share purchase warrants outstanding was 2.50 years.

(Unaudited – Expressed in Canadian dollars)

11. SHARE CAPITAL (continued)

d) Share-based compensation

In July 2022, the Company's shareholders approved a new replacement stock option plan (the "New Option Plan"). The New Option Plan is a 10% "rolling" stock option plan which governs the granting of stock options to directors, officers, employees and consultants of the Company for the purchase of up to 10% of the issued and outstanding common shares of the Company from time to time and supersedes the current stock option plan (the "Superseded Option Plan"). Any stock options currently outstanding under the Superseded Option Plan will remain outstanding, however new stock option grants will be subject to the New Option Plan. The maximum term of stock options is ten years from the grant date. The exercise price and vesting terms are at the discretion of the directors.

In addition, the shareholders approved a new equity incentive plan (the "Equity Plan") which governs the granting of any restricted share units, performance share units, or deferred share units granted under the Equity Plan, to directors, officers, employees and consultants of the Company. The Company has reserved for issuance up to 13,050,291 common shares, being 10% of the issued and outstanding common shares of the Company at that time, pursuant to the Equity Plan.

The continuity of stock options for the six months ended March 31, 2023 is as follows:

Expiry date	Exercise price	Balance, September 30, 2022	Granted	Exercised	Expired/ Cancelled	Balance, March 31, 2023
January 5, 2023	$ 0.15	1,275,000	-	-	(1,275,000)	-
May 24, 2024	$ 0.09	2,700,000	-	-	-	2,700,000
April 23, 2026	$ 0.13	3,000,000	-	-	-	3,000,000
April 21, 2027	$ 0.05	4,500,000	-	-	-	4,500,000
		11,475,000	-	-	(1,275,000)	10,200,000
Weighted average exercise price		$ 0.09	$ -	$ -	$ 0.15	$ 0.08

As at March 31, 2023, 8,700,000 stock options were exercisable with a weighted average exercise price of $0.08.

As at March 31, 2023, the weighted average remaining contractual life of the stock options outstanding was 3.00 years.

On April 23, 2021, the Company granted 3,000,000 stock options to the Chief Executive Officer of the Company at a fair value of $236,760 or $0.08 per option. The stock options vest 500,000 every six months. During the three and six months ended March 31, 2023, the Company recorded share-based compensation of $12,093 (2022 - $28,578) and $25,622 (2022 - $61,378) respectively related to this option grant.

(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 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, 2023 and 2022 were as follows:

	Three months ended March 31,		Six months ended March 31,	
	2023	**2022**	**2023**	**2022**
Consulting fees				
Chief Executive Officer	$ 43,500	$ 43,500	$ 87,000	$ 87,000
Golden Oak *	25,000	25,000	50,000	50,000
Former VP Exploration	-	22,700	-	45,538
	68,500	91,200	137,000	182,538
Share-based compensation	12,093	28,578	25,622	61,378
	$ 80,593	$ 119,778	$ 162,622	$ 243,916

* 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.

Prepaid expenses

In September 2022, the Company advanced the Chief Executive Officer $8,500 towards future expenses. As at September 30, 2022, $5,110 of expenses had been applied against this advance leaving an amount in prepaid expenses of $3,390. The remaining advance was applied against expenses during the six months ended March 31, 2023.

Due to related parties

		March 31, 2023	September 30, 2022
Chief Executive Officer	Consulting fees	$ 135,000	$ 48,000
Golden Oak	Consulting fees	78,750	26,250
Golden Oak	Expenses	-	3,679
		$ 213,750	$ 77,929

(Unaudited – Expressed in Canadian dollars)

13. SEGMENTED INFORMATION

The Company operates in one business and geographical segment being the exploration of mineral properties in Canada. The Company previously operated in Russia until the Unkur project was sold in February 2023. 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 ("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, 2023		September 30, 2022
Cash	FVTPL	$	184,733	$	184,074
Restricted cash	FVTPL		-		47,284
Receivables	Amortized cost		4,225		56,827
Trade and other payables	Amortized cost		432,086		410,280
Property payment obligation	Amortized cost		521,356		503,700
Shareholder loans	Amortized cost		1,763,842		1,723,637

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 and restricted cash is determined based on Level 1 of the fair value hierarchy. The carrying values of the property payment obligation 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, 2022.