AZARGA METALS

CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended March 31, 2024

(Unaudited – Expressed in Canadian dollars)

Notice to Reader

These condensed 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 interim financial statements, notes to the financial statements or the related quarterly Management's Discussion and Analysis.

AZARGA METALS CORP.
Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)

	Note	March 31, 2024	September 30, 2023
ASSETS			
Current assets			
Cash		$ 34,414	$ 123,135
Receivables		1,812	2,723
Prepaid expenses		1,000	7,000
		37,226	132,858
Exploration and evaluation assets	*4*	533,398	869,083
		$ 570,624	$ 1,001,941
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Trade and other payables	*5*	$ 542,621	$ 469,987
Property payment obligations	*6*	-	540,144
		542,621	1,010,131
Shareholders' equity (deficiency)			
Share capital	*7*	145,191,966	145,048,633
Share-based reserve	*7*	17,549,563	17,515,616
Deficit		(162,713,526)	(162,572,439)
		28,003	(8,190)
		$ 570,624	$ 1,001,941
Nature of operations and going concern	*1*		

These condensed interim financial statements were approved for issue by the Audit Committee of the Board of Directors on May 23, 2024.

They are signed on the Company's behalf by:

"Gordon Tainton"
Gordon Tainton, Director

"Blake Steele"
Blake Steele, Director

AZARGA METALS CORP.

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited – Expressed in Canadian dollars)

	Note	Three months ended March 31, 2024	Three months ended March 31, 2023	Six months ended March 31, 2024	Six months ended March 31, 2023
EXPENSES					
Consulting fees	*8*	$ 68,500	$ 68,500	$ 137,000	$ 137,000
Exploration and evaluation expenditures		-	44,230	-	226,065
Marketing and promotion		-	32,981	-	70,773
Office expenses		5,608	10,353	10,678	22,172
Professional fees		56	14,836	551	30,351
Share-based compensation		33,947	12,093	33,947	25,622
Transfer agent and filing fees		12,378	13,516	16,208	15,385
Travel		819	3,597	4,012	4,380
		(121,308)	(200,106)	(202,396)	(531,748)
Accretion on property payment obligations	*6*	-	(8,856)	(9,856)	(17,656)
Foreign exchange gain		605	616	183	46,544
Gain on reversal of property payment obligations	*6*	70,982	-	70,982	-
Gain on sale of subsidiaries		-	108,372	-	108,372
Gain on settlement of trade and other payables		-	15,892	-	15,892
Interest expense on shareholder loans		-	(30,701)	-	(62,110)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (49,721)	$ (114,783)	$ (141,087)	$ (440,706)
Basic and diluted loss per common share		$ (0.00)	$ (0.01)	$ (0.00)	$ (0.02)
Weighted average number of common shares outstanding		34,648,806	20,550,799	34,648,806	20,403,253

AZARGA METALS CORP.
Condensed Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian dollars)

	Six months ended March 31, 2024	2023
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	$ (141,087)	$ (440,706)
Items not affecting cash:		
Share-based compensation	33,947	25,622
Accretion on property payment obligations	9,856	17,656
Gain on reversal of property payment obligations	(70,982)	-
Accrued interest expense on shareholder loans	-	62,110
Gain on sale of subsidiaries	-	(108,372)
Gain on settlement of trade and other payables	-	(15,892)
Unrealized foreign exchange gain	-	(21,905)
Change in non-cash working capital items:		
Restricted cash	-	31,910
Receivables	911	29,299
Prepaid expenses	6,000	53,690
Trade and other payables	72,634	159,172
	(88,721)	(207,416)
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	(88,721)	659
CASH, BEGINNING OF THE PERIOD	123,135	184,074
CASH, END OF THE PERIOD	$ 34,414	$ 184,733
Non-cash investing and financing activities		
Shares issued for exploration and evaluation assets	$ 143,333	$ -
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
Supplementary information		
Interest paid	$ -	$ -
Income taxes paid	-	-

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

AZARGA METALS CORP.
Condensed Interim Statements of Changes in Shareholders' Equity (Deficiency)
(Unaudited – Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based reserve	Deficit	Shareholders' equity (deficiency)
Balance, September 30, 2023	33,505,273	$ 145,048,633	$ 17,515,616	$ (162,572,439)	$ (8,190)
Shares issued for exploration and evaluation assets	2,866,666	143,333	-	-	143,333
Share-based compensation	-	-	33,947	-	33,947
Comprehensive loss for the period	-	-	-	(141,087)	(141,087)
Balance, March 31, 2024	36,371,939	$ 145,191,966	$ 17,549,563	$ (162,713,526)	$ 28,003

	Number of shares	Share capital	Share-based reserve	Deficit	Shareholders' equity (deficiency)
Balance, September 30, 2022	19,701,275	$ 143,044,165	$ 17,430,897	$ (161,843,304)	$ (1,368,242)
Private placement	706,667	72,447	33,553	-	106,000
Share issuance costs	-	(5,661)	2,161	-	(3,500)
Issuance of shares for trade and other payables	400,000	80,000	-	-	80,000
Share-based compensation	-	-	25,622	-	25,622
Comprehensive loss for the period	-	-	-	(440,706)	(440,706)
Balance, March 31, 2023	20,807,942	$ 143,190,951	$ 17,492,233	$ (162,284,010)	$ (1,600,826)

The accompanying notes form an integral part of these condensed 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 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 in Canada. 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.

On June 27, 2023, the Company completed a 10 for 1 share consolidation. All share and per share amounts in these condensed interim financial statements have been restated to reflect this share consolidation.

These condensed 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, 2024, the Company had a working capital deficit of $505,395. 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 cast significant doubt upon the Company's ability to continue as a going concern.

These condensed 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 interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using accounting policies consistent with IFRS Accounting Standards as issued by the International Accounting Standards Board.

These condensed 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, 2023.

Basis of measurement

These condensed 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 interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

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 these condensed interim financial statements are included in Note 2 to the Company's September 30, 2023 annual consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company as at and for the year ended September 30, 2023, except for the following:

Equity plan

The equity plan allows the Company to award restricted share units, performance share units, or deferred share units to directors, officers, employees and consultants of the Company. The fair value is measured at the award date using the closing share price and recognized using the straight-line method over the period during which the units vest.

New accounting policy

The following amendments to existing standards have been adopted by the Company commencing October 1, 2023:

IAS 1, Presentation of Financial Statements

The amendments changed the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policies are material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements. The adoption of these amendments did not materially impact these condensed interim consolidated financial statements.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of March 31, 2024 and have not been applied in preparing these condensed interim financial statements.

Effective for annual periods beginning on or after January 1, 2024:

- 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 financial statements.

(Unaudited – Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS

		Canada
		Marg
September 30, 2023	$	869,083
Additions		143,333
Reversal of property payment obligations		(479,018)
March 31, 2024	$	533,398

In December 2021, the Company completed the acquisition of the Marg copper project, located in the Yukon Territory of Canada.

As consideration, the Company paid a non-refundable deposit of $50,000 and issued 521,999 common shares valued at $313,199. The Company also paid a finder's fee to a third-party through the issuance of 44,776 common shares valued at $26,866.

The Company was also obligated to pay $200,000 on the first anniversary of closing and $350,000 on the second anniversary of closing. The second anniversary payment of $350,000 was discounted at a rate of 12% over a period of two years for an initial present value of $279,018. These amounts were accrued as part of the consideration payable for the Marg project (Note 6).

Cash	$	50,000
Shares issued		313,199
Shares issued for finder's fee		26,866
Property payment obligation - first anniversary		200,000
Property payment obligation - second anniversary		279,018
Total	$	869,083

Upon a final decision to mine (the "Milestone") by the Company, an additional payment of $300,000 is due in cash or shares at the vendor's discretion. Finder's fees would be payable on this payment.

The Marg project is subject to a 1% net smelter return ("NSR") royalty which the Company has the option to buy back for cash consideration of $1,500,000.

In January 2024, the Company entered into a side letter agreement to restructure the terms of the Marg project acquisition so that the property payment obligations (Note 6) were cancelled and replaced with option maintenance payments. The parties amended the Marg project acquisition agreement to an option to purchase agreement whereby if the Company does not complete the option maintenance payments and exercise the option to purchase the Marg project on or before December 1, 2025, the option to purchase the Marg project will expire and title to the project will revert back to the vendor.

In consideration for the vendor agreeing to enter into the side letter agreement, the Company increased the NSR royalty on the Marg project from 1% to 2%, with 1% continuing to be subject to the option to buy back for cash consideration of $1,500,000.

Accordingly, the Company reversed the exploration and evaluation assets of $479,018, included as original consideration, and the property payments obligations of $550,000 (Note 6) and recorded a gain on reversal of property payment obligations of $70,982 to the statement of comprehensive loss.

(Unaudited – Expressed in Canadian dollars)

4. EXPLORATION AND EVALUATION ASSETS (continued)

Pursuant to the terms of the side letter agreement, the Company agreed to make the following option payments:

- issue 2,866,666 common shares (issued in January 2024 at a value of $143,333 (Note 7)).
- pay $33,500 in cash or shares at the option of the Company on or before December 1, 2024.
- pay $33,500 in cash or shares at the option of the Company on or before December 1, 2025, if the Company has not exercised the option before December 2, 2024.
- pay $335,000 in cash on or before December 1, 2025 to exercise the option.

The Milestone payment remains unchanged.

5. TRADE AND OTHER PAYABLES

		March 31, 2024		September 30, 2023
Trade and other payables in Canada	$	114,250	$	171,709
Due to related parties (Note 8)		428,371		298,278
Total	$	542,621	$	469,987

6. PROPERTY PAYMENT OBLIGATIONS

		March 31, 2024		September 30, 2023
Opening balance	$	540,144	$	503,700
Accretion		9,856		36,444
Reversal		(550,000)		-
Closing balance	$	-	$	540,144

As part of the consideration payable for the acquisition of the Marg project (Note 4), the Company was obligated to pay $200,000 on the first anniversary of closing, being December 6, 2022.

In addition, the Company was 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 six months ended March 31, 2024, the Company recorded accretion of $9,856 (2023 - $17,656) on this property payment obligation.

In January 2024, the terms of the Marg project acquisition agreement were amended so that the property payment obligations were cancelled and replaced with option maintenance payments. Accordingly, the Company reversed the property payment obligations of $550,000 and the exploration and evaluation assets of $479,018 (Note 4) and recorded a gain on reversal of property payment obligations of $70,982 to the statement of comprehensive loss.

(Unaudited – Expressed in Canadian dollars)

7. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

In January 2024, the Company issued 2,866,666 common shares valued at $143,333 for exploration and evaluation assets (Note 4).

c) Warrants

The continuity of share purchase warrants for the six months ended March 31, 2024 is as follows:

Expiry date	Exercise price	Balance, September 30, 2023	Granted	Exercised	Expired	Balance, March 31, 2024
September 15, 2025	$ 0.50	1,970,000	-	-	-	1,970,000
November 7, 2025	$ 0.50	730,000	-	-	-	730,000
		2,700,000	-	-	-	2,700,000
Weighted average exercise price		$ 0.50	$ -	$ -	$ -	$ 0.50

As at March 31, 2024, the weighted average remaining contractual life of the share purchase warrants outstanding was 1.50 years.

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 1,305,029 common shares, being 10% of the issued and outstanding common shares of the Company at that time, pursuant to the Equity Plan.

(Unaudited – Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

d) Share-based compensation (continued)

Stock options

The continuity of stock options for the six months ended March 31, 2024 is as follows:

Expiry date	Exercise price	Balance, September 30, 2023	Granted	Exercised	Expired/ Cancelled	Balance, March 31, 2024
May 24, 2024	$ 0.90	180,000	-	-	-	180,000
January 5, 2029	$ 0.07	-	800,000	-	-	800,000
		180,000	800,000	-	-	980,000
Weighted average exercise price		$ 0.90	$ 0.07	$ -	$ -	$ 0.22

As at March 31, 2024, all stock options outstanding were exercisable with a weighted average remaining contractual life of 3.92 years.

On January 5, 2024, the Company granted 800,000 stock options to two officers of the Company at a fair value of $22,668 or $0.03 per option, all of which was recorded as share-based compensation for the six months ended March 31, 2024. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.44%; an expected volatility of 105%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

Restricted Share Units ("RSUs")

The continuity of RSUs for the six months ended March 31, 2024 is as follows:

Issue date	Balance, September 30, 2023	Granted	Released	Forfeited	Balance, March 31, 2024
January 5, 2024	-	1,200,000	-	-	1,200,000
	-	1,200,000	-	-	1,200,000

On January 5, 2024, the Company granted 1,200,000 RSUs to the three directors of the Company at a fair value of $48,000, of which $11,279 was recorded as share-based compensation for the six months ended March 31, 2024. The RSUs vest on the first anniversary of the grant date.

(Unaudited – Expressed in Canadian dollars)

8. RELATED PARTY TRANSACTIONS AND BALANCES

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, 2024 and 2023 were as follows:

	Three months ended March 31,		Six months ended March 31,	
	2024	**2023**	**2024**	**2023**
Consulting fees				
Chief Executive Officer	$ 43,500	$ 43,500	$ 87,000	$ 87,000
Golden Oak *	25,000	25,000	50,000	50,000
	68,500	68,500	137,000	137,000
Share-based compensation	33,947	12,093	33,947	25,622
	$ 102,447	$ 80,593	$ 170,947	$ 162,622

* 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

		March 31, 2024	September 30, 2023
Chief Executive Officer	Consulting fees	$ 309,000	$ 222,000
Chief Executive Officer	Expenses	-	255
Golden Oak	Consulting fees	118,750	66,250
Golden Oak	Expenses	621	9,773
		$ 428,371	$ 298,278

9. SEGMENTED INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments has been defined as the Chief Executive Officer.

The Company operates in a single segment, being mineral exploration and evaluation in Canada.

All of the Company's assets are located in Canada.

(Unaudited – Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss; fair value through other comprehensive income; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category		March 31, 2024		September 30, 2023
Cash	Amortized cost	$	34,414	$	123,135
Trade and other payables	Amortized cost		542,621		469,987
Property payment obligations	Amortized cost		-		540,144

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 cash 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 the property payment obligations 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, 2023.