CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended June 30, 2019

(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		June 30, 2019		September 30, 2018
ASSETS					
Current					
Cash	4	$	343,862	$	20,449
Receivables	5		14,743		4,663
Prepaid expenses	6		31,658		5,349
			390,263		30,461
Exploration and evaluation assets	7		8,012,117		8,012,117
		$	8,402,380	$	8,042,578
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Trade and other payables	8	$	179,211	$	681,834
Shareholder loans	9		-		258,750
			179,211		940,584
Convertible loan - liability component	10		426,940		-
Convertible loan - derivative component	10		569,944		-
Shareholder loans	11		1,254,103		992,505
			2,430,198		1,933,089
Shareholders' equity					
Share capital	12		136,093,965		136,038,548
Share-based reserve	12		16,304,414		15,629,747
Deficit			(146,426,197)		(145,558,806)
			5,972,182		6,109,489
		$	8,402,380	$	8,042,578
Nature of operations and going concern	1				
Subsequent events	16				

These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Board of Directors on August 27, 2019.

They are signed on the Company's behalf by:

"Michael Hopley"	*"Blake Steele"*
Michael Hopley, 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 June 30, 2019	Three months ended June 30, 2018	Nine months ended June 30, 2019	Nine months ended June 30, 2018
EXPENSES					
Administration		$ 8,554	$ 5,297	$ 31,822	$ 20,945
Exploration and evaluation expenditures	*7*	22,801	163,440	75,335	300,846
Investor relations		-	241	-	11,580
Professional fees		25,241	5,703	47,376	33,527
Regulatory fees		29,242	2,338	43,785	33,371
Salaries and benefits		43,134	48,770	141,729	146,205
Share-based compensation	*12*	282,695	-	282,695	366,739
Travel		9,100	1,177	9,100	2,586
		(420,767)	(226,966)	(631,842)	(915,799)
Change in fair value of derivative liability	*10*	182,873	-	182,873	-
Financing costs	*10*	-	-	(278,426)	-
Foreign exchange loss		(67,370)	(5,240)	(103,883)	(26,683)
Gain on sale of project interest		-	-	-	86,485
Gain on settlement of trade and other payables	*8*	171,552	-	171,552	-
Interest expense on convertible loan	*10*	(92,119)	-	(92,119)	-
Interest expense on shareholders loans - current	*9*	(1,615)	(4,171)	(23,576)	(6,375)
Interest expense on shareholders loans - non-current	*11*	(30,019)	(30,205)	(91,970)	(88,549)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (257,465)	$ (266,582)	$ (867,391)	$ (950,921)
Basic and diluted loss per common share		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding		90,843,023	90,398,472	90,546,656	64,510,498

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

	Nine months ended June 30, 2019	2018
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	$ (867,391)	$ (950,921)
Items not affecting cash:		
Share-based compensation	282,695	366,739
Change in fair value of derivative liability	(182,873)	-
Financing costs	278,426	-
Gain on sale of project interest	-	(86,485)
Gain on settlement of trade and other payables	(171,552)	-
Accrued interest expense on convertible loan	92,119	-
Accrued interest shareholders loans - current	23,576	6,375
Accrued interest shareholders loans - non-current	91,970	88,549
Unrealized foreign exchange loss	1,322	52,750
Change in non-cash working capital items:		
Receivables	(10,080)	9,851
Prepaid expenses	(26,309)	4,257
Trade and other payables	(183,719)	237,933
	(671,816)	(270,952)
INVESTING ACTIVITIES:		
Proceeds on sale of project interest	-	86,485
Transaction costs on acquisition of 40% of Unkur	-	(30,000)
	-	56,485
FINANCING ACTIVITIES:		
Proceeds on convertible loan, net of financing costs	1,289,337	-
Shareholder loans	232,650	182,000
Repayment of shareholder loans	(526,758)	-
	995,229	182,000
CHANGE IN CASH FOR THE PERIOD	323,413	(32,467)
CASH, BEGINNING OF THE PERIOD	20,449	36,196
CASH, END OF THE PERIOD	$ 343,862	$ 3,729
Non-cash investing and financing activities		
Shares issued for financing costs	$ 55,417	$ -
Issuance of warrants for financing costs	391,972	-
Shares issued for acquisition of 40% of Unkur project	-	5,250,000
Shares issued for management bonus	-	36,666
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 Equity
(Unaudited – Expressed in Canadian dollars)

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Deficit	Shareholders' equity
Balance, September 30, 2018	90,398,472	$ 136,038,548	$ -	$ 15,629,747	$ (145,558,806)	$ 6,109,489
Shares issued for financing costs	554,166	55,417	-	-	-	55,417
Issuance of warrants for financing costs	-	-	-	391,972	-	391,972
Share-based compensation	-	-	-	282,695	-	282,695
Comprehensive loss for the period	-	-	-	-	(867,391)	(867,391)
Balance, June 30, 2019	90,952,638	$ 136,093,965	$ -	$ 16,304,414	$ (146,426,197)	$ 5,972,182

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Deficit	Shareholders' equity
Balance, September 30, 2017	48,231,804	$ 130,751,882	$ 29,987	$ 15,269,687	$ (144,388,457)	$ 1,663,099
Shares issued for acquisition of 40% of Unkur project	42,000,000	5,250,000	-	-	-	5,250,000
Shares issued for management bonus	166,668	36,666	(36,666)	-	-	-
Share-based compensation	-	-	6,679	360,060	-	366,739
Comprehensive loss for the period	-	-	-	-	(950,921)	(950,921)
Balance, June 30, 2018	90,398,472	$ 136,038,548	$ -	$ 15,629,747	$ (145,339,378)	$ 6,328,917

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" 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 April 2019, the Company and Baker Steel Resources Trust Ltd. ("BSRT") executed a secured convertible loan facility agreement pursuant to which BSRT loaned the Company US$3,000,000 in two tranches of US$1,000,000 in April 2019 and US$2,000,000 in August 2019 (Note 10).

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 June 30, 2019, the Company had working capital of $211,052. Subsequent to June 30, 2019, the Company received the second and final tranche of the secured convertible loan of US$2,000,000 (Note 10). Management estimates that these funds will provide the Company with sufficient financials resources to carry out currently planned operations and exploration through the next twelve months. However, should the Company change its current exploration plans, 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, 2018.

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.

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 the Company's BVI, Cyprus, and Russian subsidiaries. The functional currency of the Company's one dormant Slovakian subsidiary is the Euro.

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, 2018 consolidated annual financial statements, except as noted below:

Convertible loan

The terms and conditions of financial liabilities may contain embedded derivatives. In April 2019, the Company completed a secured convertible loan facility (Note 10). The Company evaluated whether the convertible loan contained an embedded derivative and determined that the conversion feature does not qualify as equity as it does not satisfy the "fixed for fixed" requirement. The number of potential common shares to be issued is contingent on a variable carrying amount for the financial liability. The liability is variable because the functional currency of the Company is Canadian dollars and the convertible loan is denominated in US dollars, therefore the amount to be settled depends on the foreign exchange rate at the date of settlement. Consequently, the conversion feature is classified as a derivative liability recorded at fair value and is separated from the debt host instrument. The derivative value was determined using the Black-Scholes option pricing model and the residual value was attributed to the host loan component.

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, 2018, except as noted below.

Convertible loan

A convertible loan is considered to be a compound financial instrument which requires assessment to determine if it contains a liability and an equity component related to the conversion feature. When the conversion feature is for a variable number of shares, there is no equity component but rather is a potential embedded derivative.

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, or other variable.

The host instrument is accounted for as a compound instrument with a debt component and a separate embedded derivative component classified as a liability. The initial carrying amount of the host instrument is the residual amount after separating the embedded derivative which is measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Convertible loan (continued)

The debt component is subsequently accounted for at amortized cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at each reporting date, with gains and losses in fair value recognized in profit or loss.

Transaction costs that relate to the issue of the convertible loan are allocated to the liability component and embedded derivative component in proportion to the allocation of the gross proceeds. Transaction costs relating to the embedded derivative liability component are expensed directly in profit and loss and transaction costs relating to the financial liability component are included in the carrying amount of the liability component and are amortized over the expected lives of the convertible loan using the effective interest method.

Financial instruments

IFRS 9 Financial Instruments ("IFRS 9") replaced IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39") and all previous versions of IFRS 9. There was no material impact to the Company's consolidated financial statements as a result of transitioning to IFRS 9 on October 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

Fair value through other comprehensive income ("FVTOCI")

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Fair value through profit or loss ("FVTPL")

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

Certain financial liabilities and contracts may contain both a derivative and non-derivative host component (referred to as hybrid instruments). In such cases the derivative component is termed an embedded derivative. An embedded derivative is only separated and reported at FVTPL when its risks and characteristics are not closely related to the host contracts, its terms meet the definition of a stand-alone derivative and the financial liability or combined contract is not recorded at FVTPL.

The following table summarizes the classification of the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39	IFRS 9
Financial assets		
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Financial liabilities		
Trade and other payables	Other financial liabilities	Amortized cost
Convertible loan - liability component	Other financial liabilities	Amortized cost
Convertible loan - derivative component	Held-for-trading	FVTPL
Shareholder loans	Other financial liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of June 30, 2019 and have not been applied in preparing these condensed consolidated interim financial statements.

Effective for annual periods beginning on or after January 1, 2019:

- IFRS 16, Leases

  All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize assets and liabilities. A lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

  The Company does not currently have any leases and accordingly this new standard is not expected to have a material effect on the consolidated financial statements.

In addition, the Company has not early adopted any of the other new standards, amendments to standards and interpretations and none of these standards are expected to have a material effect on the consolidated financial statements.

(Unaudited – Expressed in Canadian dollars)

4. CASH

		June 30, 2019		September 30, 2018
Canadian dollar denominated deposits held in Canada	$	31,735	$	8,111
US dollar denominated deposits held in Canada		210,240		4,363
US dollar denominated deposits held in Cyprus		1,713		129
Ruble denominated deposits held in Russia		100,174		7,846
Total	$	343,862	$	20,449

5. RECEIVABLES

		June 30, 2019		September 30, 2018
Amounts due from the Government of Canada pursuant to input tax credits	$	2,812	$	4,471
Amounts due from the Government of Russia pursuant to value added tax		265		192
Other receivables		11,666		-
Total	$	14,743	$	4,663

6. PREPAID EXPENSES

		June 30, 2019		September 30, 2018
Prepaid expenses in Canada	$	27,547	$	3,235
Prepaid expenses in Russia		4,111		2,114
Total	$	31,658	$	5,349

(Unaudited – Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

		Russia
		Unkur
September 30, 2018	$	8,012,117
Additions		-
June 30, 2019	$	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, 2018 annual consolidated financial statements.

The Company recorded the following exploration and evaluation expenditures on its Unkur Project in Russia for the three and nine months ended June 30, 2019 and 2018.

	Nine months ended June 30,			
		2019		**2018**
Licenses and permits	$	6,118	$	39,408
Personnel, administration, and travel		40,114		87,987
Studies and evaluations		29,103		173,451
	$	75,335	$	300,846

	Three months ended June 30,			
		2019		**2018**
Licenses and permits	$	73	$	13,415
Personnel, administration, and travel		16,717		30,379
Studies and evaluations		6,011		119,646
	$	22,801	$	163,440

(Unaudited – Expressed in Canadian dollars)

8. TRADE AND OTHER PAYABLES

		June 30, 2019		**September 30, 2018**
Trade and other payables in Canada	$	29,172	$	276,534
Trade and other payables in Cyprus		29,902		15,517
Trade and other payables in Russia		76,448		13,406
Interest due to shareholders (Note 9)		-		11,782
Interest on convertible loan (Note 10)		23,170		-
Interest due to shareholders (Note 11)		-		158,910
Director fees owing to a former director		14,333		14,333
Salaries and benefits owing to officers		-		184,595
Reimbursement of expenses owing to officers and directors		6,186		6,757
Total	$	179,211	$	681,834

On April 16, 2019, the Company paid $46,763 (US$35,000) to the former Chief Executive Officer of the Company to settle fees and expenses totalling $188,415 (US$141,018) and accordingly recorded a gain on settlement of $141,652.

On May 16, 2019, the Company paid $10,000 to settle outstanding trade and other payables of $39,900 and accordingly recorded a gain on settlement of $29,900.

9. SHAREHOLDER LOANS – CURRENT

			June 30, 2019		**September 30, 2018**
Related shareholders	Relationship				
Alexander Molyneux	Director	$	-	$	60,750
Eugene McCarthy	greater than 10% shareholder		-		19,500
Blake Steele	Director		-		13,500
OC Management Group Ltd.	Principal is a Director		-		67,500
Insignia Partners Limited	Principal is an Officer		-		67,500
Golden Oak Corporate Services Ltd.	Controlled by Officers		-		-
			-		228,750
Non-related shareholder			-		30,000
Total		$	-	$	258,750

On December 6, 2017, the Company entered into a loan facility agreement with certain shareholders of the Company whereby the shareholders agreed to loan the Company up to $550,000. The advances bore interest at a rate of 10% per annum.

During the nine months ended June 30, 2019, the Company was advanced $232,650. During the three and nine months ended June 30, 2019, the Company accrued interest of $1,615 and $23,576 respectively, on the amounts advanced by shareholders (2018 - $4,171 and $6,375 respectively). On April 15, 2019, the Company paid $526,758, being $491,400 of principal and $35,358 of interest, in full and final settlement of the shareholders loans.

10. CONVERTIBLE LOAN

On April 12, 2019, the Company and BSRT completed a secured convertible loan facility pursuant to which BSRT loaned the Company US$3,000,000 (the "Convertible Loan"). The first advance of $1,336,100 (US$1,000,000) was received on signing and the second advance of US$2,000,000 was drawn and received subsequent to June 30, 2019 (Note 16).

The Convertible Loan bears interest at 8% per annum, payable semi-annually, and matures on December 31, 2022. BSRT is permitted to convert some or all of the principal amount of the Convertible Loan into common shares of the Company at a conversion price of $0.14 per common share. Azarga is permitted to convert the interest owing under the Convertible Loan into common shares of the Company at a conversion price equal to the market price on the day of the interest election notice.

The Convertible Loan is secured against the shares of the Company's wholly owned subsidiary Azarga Metals Limited, the beneficial owner of the Unkur Copper-Silver Project. While the Convertible Loan is outstanding, any equity issuance will require the consent of BSRT.

On closing of the Convertible Loan, the Company:

- issued BSRT 13,490,414 common share purchase warrants exercisable at a price of $0.17 until April 12, 2021. The common share purchase warrants were valued at $391,972 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.67%; an expected volatility of 79.85%; an expected life of 2 years; a forfeiture rate of zero; and an expected dividend of zero;
- issued 554,166 common shares valued at $55,417 as a finder's fee on the first advance; and
- paid cash financing costs of $46,763.

The Company determined that the Convertible Loan contained an embedded derivative and that the conversion feature does not qualify as equity as it does not satisfy the "fixed for fixed" requirement as the number of potential common shares to be issued is contingent on a variable carrying amount for the financial liability. The financial liability is variable because the functional currency of the Company is Canadian dollars and the Convertible Loan is denominated in US dollars, therefore the amount of common shares to be issued depends on the foreign exchange rate at the date of settlement. Consequently, the conversion feature is classified as a derivative liability.

The Company allocated the proceeds of $1,336,100 first to the derivative component for $752,817, with the residual value to the liability component for $583,283. The derivative component was valued on initial recognition using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.67%; an expected volatility of 137.5%; an expected life of 3.72 years; a forfeiture rate of zero; and an expected dividend of zero.

As described above, financing costs totalled $494,152 and were allocated on a pro-rata basis to the derivative and liability components using the same ratio as the allocation of the proceeds being $278,426 to the derivative component and $215,726 to the liability component. The financing costs allocated to the liability component are amortized over the life of the Convertible Loan using the effective interest method while the financing costs allocated to the derivative component were expensed to the statement of loss and comprehensive loss for the nine months ended June 30, 2019.

During the nine months ended June 30, 2019, the Company recorded interest expense of $23,170 on the Convertible Loan which is included in trade and other payables as at June 30, 2019. Also included in interest expense for the nine months ended June 30, 2019 is accretion of $56,389 and amortization of financing costs of $12,560.

(Unaudited – Expressed in Canadian dollars)

10. CONVERTIBLE LOAN (continued)

(a) Liability component

	June 30, 2019	September 30, 2018
Value on initial recognition	$ 583,283	$ -
Financing costs - cash	(20,415)	-
Financing costs - warrants	(171,118)	-
Financing costs - common shares	(24,193)	-
Value on initial recognition, net of transaction costs	367,557	-
Accretion	56,389	-
Amortization of financing costs	12,560	-
Foreign exchange	(9,566)	-
	$ 426,940	$ -

(b) Derivative component

	June 30, 2019	September 30, 2018
Value on initial recognition	$ 752,817	$ -
Change in fair value of derivative liability	(182,873)	-
	$ 569,944	$ -

The derivative component is re-valued each reporting period. Accordingly, as at June 30, 2019, the derivative component was revalued at $569,944 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.42%; an expected volatility of 124.9%; an expected life of 3.51 years; a forfeiture rate of zero; and an expected dividend of zero. Accordingly, the Company recorded a change in the fair value of the derivative liability of $182,873.

11. SHAREHOLDER LOANS – NON-CURRENT

Related shareholders	Relationship	June 30, 2019	September 30, 2018
Principal payable			
Alexander Molyneux	Director	$ 318,528	$ 315,072
Eugene McCarthy	greater than 10% shareholder	319,053	315,591
Blake Steele	Director	70,843	70,074
OC Management Group Ltd.	Principal is a Director	144,138	142,574
Insignia Partners Limited	Principal is an Officer	150,831	149,194
		1,003,393	992,505
Interest payable		250,710	-
Total		$ 1,254,103	$ 992,505

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 10). Accordingly, accrued interest totalling $220,691 was reclassified from trade and other payables.

(Unaudited – Expressed in Canadian dollars)

11. SHAREHOLDER LOANS – NON-CURRENT (continued)

As at June 30, 2019, the principal amount owing to shareholders was $1,003,393 (US$766,709) (September 30, 2018 – $992,505 (US$766,709)) plus accrued interest of $250,710 (US$191,572) (September 30, 2018 – $158,910 (US$122,757)).

During the three and nine months ended June 30, 2019, the Company accrued interest of $30,019 and $91,970, respectively (2018 – $30,205 and $88,549, respectively) on the shareholder loans.

12. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

As at June 30, 2019, the Company had 90,952,638 common shares issued and outstanding (September 30, 2018 – 90,398,472).

In April 2019, the Company issued 554,166 common shares valued at $55,417 as a finder's fee on the first advance of the Convertible Loan (Note 10).

c) Warrants

The continuity of share purchase warrants for the nine months ended June 30, 2019, is as follows:

Expiry date	Exercise price	Balance, September 30, 2018	Granted	Exercised	Expired	Balance, June 30, 2019
April 12, 2021	$ 0.17	-	13,490,414	-	-	13,490,414
		-	13,490,414	-	-	13,490,414
Weighted average exercise price		$ -	$ 0.17	$ -	$ -	$ 0.17

As at June 30, 2019, the weighted average remaining contractual life of the share purchase warrants outstanding was 1.79 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.

(Unaudited – Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

d) Options (continued)

The continuity of stock options for the nine months ended June 30, 2019, is as follows:

Expiry date	Exercise price	Balance, September 30, 2018	Granted	Exercised	Expired	Balance, June 30, 2019
July 8, 2021	$ 0.20	2,100,000	-	-	-	2,100,000
August 9, 2021	$ 0.20	125,000	-	-	-	125,000
October 5, 2021	$ 0.32	225,000	-	-	-	225,000
January 5, 2023	$ 0.15	2,320,000	-	-	-	2,320,000
May 24, 2024	$ 0.09	-	3,420,000	-	-	3,420,000
		4,770,000	3,420,000	-	-	8,190,000
Weighted average exercise price		$ 0.18	$ 0.09	$ -	$ -	$ 0.11

As at June 30, 2019, all of the outstanding stock options were exercisable.

As at June 30, 2019, the weighted average remaining contractual life of the stock options outstanding was 3.66 years.

e) Share-based compensation

On May 24, 2019, the Company granted 3,420,000 stock options to directors, officers, employees and consultants at a fair value of $282,695 or $0.08 per option, all of which was recorded as share-based compensation for the nine months ended June 30, 2019. 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 1.59%; an expected volatility of 93.9%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

(Unaudited – Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS AND BALANCES

Except as disclosed elsewhere in these condensed consolidated interim financial statements, the Company incurred the following related party transactions:

a) Consulting fees

During the three and nine months ended June 30, 2019, the Company accrued $22,917 (2018 – $12,500) and $47,917 (2018 – $37,500), respectively, of consulting fees to Golden Oak Corporate Services Ltd. ("Golden Oak"). 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.

b) 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, which includes the amounts disclosed above, during the three and nine months ended June 30, 2019 and 2018 were as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2019	**2018**	**2019**	**2018**
Consulting fees *	$ 43,134	$ 12,500	$ 68,134	$ 37,500
Salaries and benefits	-	36,271	73,595	108,705
Share-based compensation	282,695	-	282,695	340,150
	$ 325,829	$ 48,771	$ 424,424	$ 486,355

* included in salaries and benefits on the statement of loss and comprehensive loss

14. 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.

(Unaudited – Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	June 30, 2019	September 30, 2018
Cash	FVTPL	$ 343,862	$ 20,449
Receivables	Amortized cost	14,743	4,663
Trade and other payables	Amortized cost	179,211	681,834
Shareholder loan - current	Amortized cost	-	258,750
Convertible loan - liability component	Amortized cost	426,940	-
Convertible loan - derivative component	FVTPL	569,944	-
Shareholder loan - non-current	Amortized cost	1,254,103	992,505

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, trade and other payables and shareholder loans (current) 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 convertible loans (liability component) and shareholders loans (non-current) are measured at amortized cost. The carrying value of convertible loans (derivative component) is determined based on Level 3 of the fair value hierarchy.

Risk Management

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended September 30, 2018.

16. SUBSEQUENT EVENTS

Subsequent to June 30, 2019, the Company completed the following:

- 975,000 stock options were forfeited in July 2019.
- On August 12, 2019, the Company received the second and final tranche of US$2,000,000 from BSRT (Note 10). On August 22, 2019, the Company issued 1,108,333 common shares as a finder's fee on the second advance.