



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

**For the nine months ended June 30, 2019**

(Expressed in Canadian dollars)

**AZARGA METALS CORP.**  
**For the nine months ended June 30, 2019**  
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The following is management's discussion and analysis – quarterly highlights (“MD&A”) of the results of operations and financial condition of Azarga Metals Corp. (the “Company” or “Azarga”) for the nine months ended June 30, 2019 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management's discussion and analysis for the fiscal year ended September 30, 2018 (the “Annual MD&A”).

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the year ended September 30, 2018, together with the notes thereto, and the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the nine months ended June 30, 2019 (the “Financial Report”).

All financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this MD&A is August 27, 2019.

**Description of the Business**

Azarga is a publicly traded company incorporated under the laws of the Province of British Columbia. The Company's shares are listed on the TSX Venture Exchange (“TSX-V”) and trade under the symbol AZR.

The Company is engaged in the exploration and, if warranted, development of the Company's 100% owned Unkur Copper-Silver project located in eastern Russia. The Company is considered to be in the exploration stage as it has not placed any of its exploration and evaluation assets into production nor has it generated any revenues from operations.

**Leadership team**

On May 15, 2019, the Company announced the appointment of Michael Hopley as President and Chief Executive Officer and Dr. Alexander Yakubchuk as Vice President, Exploration.

Michael Hopley is the longest serving director of the Company. He has over 35 years of international experience as a geologist and exploration manager for resource companies in the precious metals and base metals sector. For the past 20 years he has managed a number of publicly traded junior resource companies and held a number of executive and board positions with companies conducting mineral exploration. Mr. Hopley was most recently President & CEO of Sunridge Gold Corp. which concluded a successful exploration and development program on the copper-zinc-gold Asmara Project in Eritrea culminating in the sale of the Asmara Project to a large Chinese company in 2016.

Dr. Alexander Yakubchuk brings more than 30 years of operational and executive experience in the Former Soviet Union (FSU), including Russia, Kazakhstan, Kyrgyzstan, and Uzbekistan, as well as Australia, Mongolia, China, Canada, and several European countries. He is currently the Exploration Director of Orsu Metals Corp. (TSX-V:OSU), which is the holder of the Sergeevskoe gold project in the same area of Russia as the Company's Unkur Project. During 2003-07 he held the position of Exploration Manager for Europe and FSU for Gold Fields. Dr. Yakubchuk has previously worked and consulted for companies such as BHP-Billiton, Norilsk Nickel, Goldcorp, Rio Tinto, World Bank and Inco as well as lectured at the Lomonosov Moscow State University.

**2019/2020 Unkur Project Exploration Program**

The next phase of exploration, which is anticipated to include the largest drilling campaign yet performed on the Unkur project, will be conducted over the second half of 2019 and the first half of 2020.

Magnetic survey data exists over the northwest part (representing about 20%) of the Unkur property – where all of the previous drilling and all of the current resources are located. There is an obvious and

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strong spatial correlation between zones of copper-silver mineralization at Unkur with zones of contrast between magnetic highs and lows and this correlation was used successfully in guiding the 2016/2017 drilling program (see details in the June 26, 2019 AZR news release) which is the basis of the current resources (see below for more detail). It is therefore important to have the remaining part of the property covered with a magnetic survey in order to guide the upcoming drilling program expected to start this autumn.

The geophysical survey will also include a 28 line-kilometers induced polarization survey that is expected to define new zones of copper-silver mineralization and assist in designing the upcoming drilling program.

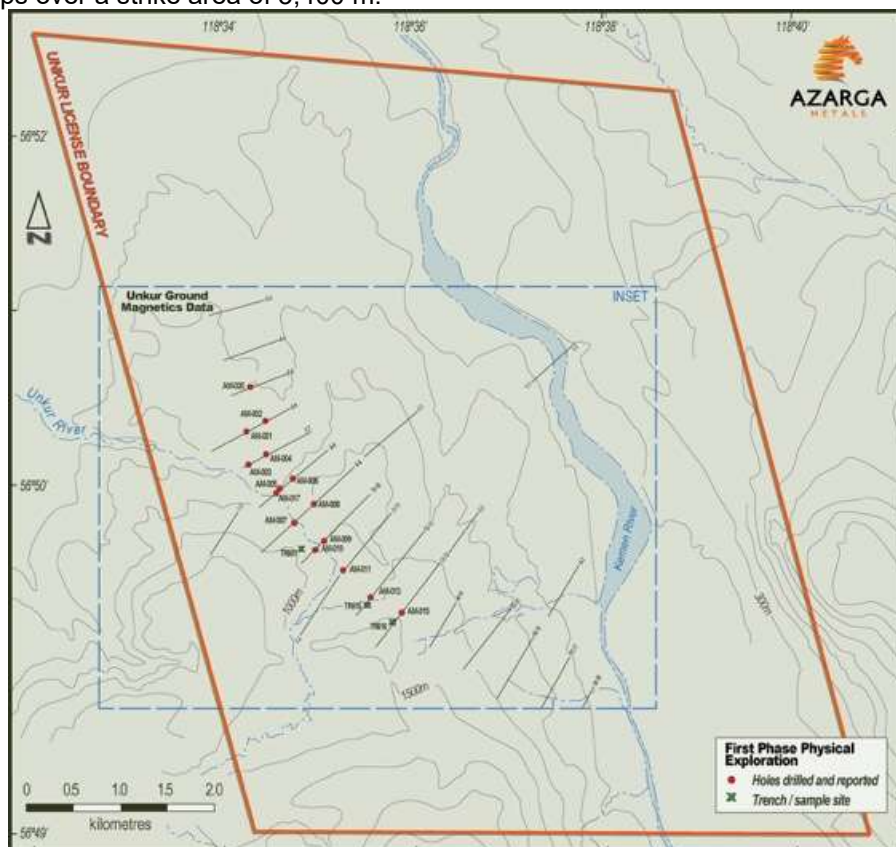
The sub-contractor should finish the geophysical surveys by the end of September 2019, although partial results will be made available to the Company periodically.

Other ongoing field operations currently underway at Unkur include detailed re-logging of the drill core from the 2016–2017 season for a more complete understanding of the controls of mineralization and the relationship between the sedimentary rocks hosting the copper-silver mineralization and the highly magnetic hematite-magnetite rich sedimentary units.

A diamond drilling program will follow with the expectation of discovering additional copper and silver mineralization from at least three target concepts:

- (i) along strike or down dip from currently defined mineralization;
- (ii) confirming the presence of at least one additional mineralized zone postulated to occur stratigraphically below the currently defined Zone 1 and Zone 2; and
- (iii) drilling new targets expected to be generated by planned geophysical surveys.

The 2016/2017 program comprised 16 diamond core drill-holes (4,580m), four trenches and sampling of various outcrops over a strike area of 3,400 m.



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**BSRT Transaction**

On April 12, 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"). The first advance of US\$1,000,000 was received on signing and the second advance of US\$2,000,000 was drawn and received on August 12, 2019.

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 share 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.

In connection with the Convertible Loan, the Company:

- issued BSRT 13,490,414 share purchase warrants exercisable at a price of \$0.17 until April 12, 2021; and
- issued a total of 1,662,499 common shares as a finder's fee.

**Unkur Copper-Silver Project, eastern Russia**

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

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

The PEA is based on the current Inferred Mineral Resource estimate of 62 million tonnes at 0.53% copper and 38.6 g/t silver, containing 328,600 tonnes (724 million pounds) of copper and 76.8 million troy ounces of silver. The PEA was positive, envisaging an 8-year mine life producing 13.2 kt of copper and 3.7 million oz of silver per year and resulting in an estimated pre-tax net present value of US\$206.3 million (post-tax US\$147.5 million) and internal rate of return of 28.9%.

Mineralization at the Unkur project remains open in both directions along strike and at depth.

**Qualified Person**

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

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**Trends**

The Company is an exploration company. At this time, issues of seasonality or market fluctuations have had a minor impact on the expenditure patterns. The Company expenses its exploration, project investigation and general and administration costs, and these amounts are included in the net income (loss) for each quarter. The Company's treasury, in part, determines the levels of exploration.

The level of the Company's exploration and evaluation expenditures is largely determined by the strength of resource capital and commodity markets and its ability to obtain investor support for its projects.

**Financial Condition and Results of Operations – nine months ended June 30, 2019**

The Company began the current fiscal period with cash of \$20,449. During the nine months ended June 30, 2019, the Company spent \$671,816 on operating activities net of working capital changes and received \$1,289,337 net proceeds from the issuance of the Convertible Loan, received \$232,650 from shareholder loans, and re-paid \$526,758 of shareholder loans, to end at June 30, 2019 with a cash balance of \$343,862. Subsequent to the quarter end, the Company drew and received the final tranche of US\$2,000,000 from BSRT.

The consolidated loss for the nine months ended June 30, 2019 was \$867,391 compared to \$950,921 for the nine months ended June 30, 2018.

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

Exploration and evaluation expenditures totalled \$75,335 for the current period compared to \$300,846 in the comparative period and all relates to exploration work on the Unkur project.

Non-cash share-based compensation totalled \$282,695 for the current period compared to \$366,739 in the comparative period.

During the nine months ended June 30, 2019, the Company recorded the following items related to the Convertible Loan:

- The derivative component of the Convertible Loan is re-valued each reporting period. Accordingly, as at June 30, 2019, the derivative component was revalued, and the Company recorded a change in the fair value of the derivative liability of \$182,873.
- Financing costs on the Convertible Loan totaled \$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. The financing costs allocated to the derivative component were \$278,426 and were expensed in the period.
- The Company recorded interest expense of \$92,119 on the Convertible Loan, being \$23,170 of interest expense, accretion of \$56,389, and amortization of financing costs of \$12,560.

During the nine months ended June 30, 2019 the Company recorded interest expense of \$23,576 (2018 – \$6,375) on shareholder loans (current) and interest expense of \$91,970 (2018 – \$88,549) on shareholder loans (non-current). Shareholder loans (current) were settled in full in April 2019.

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During the nine months ended June 30, 2019, the Company recorded a gain on settlement of trade and other payables of \$171,552 related to the following:

- 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.

**Liquidity and Capital Resources**

As at June 30, 2019, the Company had working capital of \$211,052. In April 2019, the Company executed the Convertible Loan, of which US\$1,000,000 was received on signing and US\$2,000,000 was received in August 2019 (see BSRT Transaction section in this MD&A). However, additional financing will be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

**Related Party Transactions**

The Company had no other related party transactions other than those incurred in the normal course of business as disclosed in the Financial Report.

**Additional Disclosure for Venture Issuers without Significant Revenue**

The components of exploration and evaluation assets are described in Note 7 to the Financial Report.

**Outstanding Share Data as at the date of this MD&A**

Authorized: an unlimited number of common shares without par value

	<b>Common Shares Issued and Outstanding</b>	<b>Share Purchase Warrants</b>	<b>Stock Options</b>
<b>Balance as at June 30, 2019</b>	90,952,638	13,490,414	8,190,000
BSRT Transaction – finder's fee (Tranche 2)	1,108,333	-	-
Options forfeited	-	-	(975,000)
<b>Balance as at the date of this MD&amp;A</b>	<b>92,060,971</b>	<b>13,490,414</b>	<b>7,215,000</b>

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**Cautionary Note Regarding Forward-looking Statements**

This MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that address activities, events or developments that Azarga or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Azarga and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although Azarga believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of Azarga is subject to a number of risks and uncertainties, including those risk factors discussed under "Risk Management" in the above documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, of Azarga may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by Azarga will be realized or, even if substantially realized, that they will have the expected consequences for Azarga.

Forward-looking statements are based on the beliefs, estimates and opinions of Azarga's management on the date the statements are made. Unless otherwise required by law, Azarga expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Azarga does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.

**Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.azargametals.com](http://www.azargametals.com).