



**CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS**

For the nine months ended June 30, 2022

(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)

	<i>Note</i>	June 30, 2022	September 30, 2021
ASSETS			
Current assets			
Cash	4	\$ 257,014	\$ 862,851
Receivables	5	41,512	74,880
Prepaid expenses	6	30,228	31,359
		328,754	969,090
Exploration and evaluation assets	7	869,083	8,012,117
Deferred acquisition costs	7	-	50,000
		\$ 1,197,837	\$ 9,031,207
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	8	\$ 178,351	\$ 260,678
Property payment obligation	9	200,000	-
Shareholder loans	10	1,590,515	-
		1,968,866	260,678
Convertible loan	11	-	4,641,767
Property payment obligation	9	295,147	-
Shareholder loans	10	-	1,484,940
		2,264,013	6,387,385
Shareholders' equity (deficiency)			
Share capital	12	142,727,286	137,752,269
Share-based reserve	12	17,336,749	17,144,994
Deficit		(161,130,211)	(152,253,441)
		(1,066,176)	2,643,822
		\$ 1,197,837	\$ 9,031,207
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 August 24, 2022.

They are signed on the Company's behalf by:

"Gordon Tainton"

Gordon Tainton, Director

"Blake Steele"

Blake Steele, Director

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

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

(Unaudited – Expressed in Canadian dollars)

		Three months ended June 30,		Nine months ended June 30,	
	Note	2022	2021	2022	2021
EXPENSES					
Consulting fees	13	\$ 91,526	\$ 95,696	\$ 274,054	\$ 224,221
Exploration and evaluation expenditures	7	36,583	79,992	137,865	276,905
Investor relations		17,690	24,965	63,541	72,602
Office expenses		10,984	5,281	28,050	15,579
Professional fees		21,251	28,318	160,882	56,427
Regulatory fees		21,168	13,127	41,002	37,117
Share-based compensation	12	130,377	36,838	191,755	36,838
Travel		4,956	392	21,607	392
		(334,535)	(284,609)	(918,756)	(720,081)
Foreign exchange gain (loss)		221,022	47,916	317,805	(57,858)
Impairment of exploration and evaluation assets	7	-	-	(8,012,117)	-
Accretion on property payment obligation	9	(8,222)	-	(16,129)	-
Interest expense on shareholder loans	10	(29,558)	(28,429)	(87,589)	(86,483)
Gain on settlement of convertible loan interest	11	259,676	-	240,935	-
Interest expense on convertible loan	11	(117,573)	(139,656)	(400,919)	(420,815)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (9,190)	\$ (404,778)	\$ (8,876,770)	\$ (1,285,237)
Basic and diluted loss per common share		\$ (0.00)	\$ (0.00)	\$ (0.07)	\$ (0.01)
Weighted average number of common shares outstanding		133,254,127	120,781,217	131,561,448	106,240,113

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

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

	Nine months ended June 30,	
	2022	2021
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	\$ (8,876,770)	\$ (1,285,237)
Items not affecting cash:		
Share-based compensation	191,755	36,838
Impairment of exploration and evaluation assets	8,012,117	-
Accretion on property payment obligation	16,129	-
Accrued interest expense on shareholder loans	87,589	86,483
Gain on settlement of convertible loan interest	(240,935)	-
Accrued interest expense on convertible loan	400,919	420,815
Unrealized foreign exchange (gain) loss	(323,178)	(22,575)
Change in non-cash working capital items:		
Receivables	33,368	21,882
Prepaid expenses	1,131	(17,837)
Trade and other payables	92,038	(35,578)
	(605,837)	(795,209)
FINANCING ACTIVITIES:		
Private placement	-	1,250,000
Share issuance costs	-	(71,388)
Exercise of options	-	5,670
	-	1,184,282
CHANGE IN CASH FOR THE PERIOD	(605,837)	389,073
CASH, BEGINNING OF THE PERIOD	862,851	775,220
CASH, END OF THE PERIOD	\$ 257,014	\$ 1,164,293
Non-cash investing and financing activities		
Issuance of shares for convertible loan interest	\$ 205,907	\$ 380,546
Issuance of shares for settlement of convertible loan	4,429,045	-
Issuance of shares for exploration and evaluation assets	340,065	-
Convertible loan interest waived	259,675	-
Accrued exploration and evaluation assets	479,018	-
Private placement - warrants	-	238,302
Share issuance costs - warrants	-	72,865
Supplementary information		
Interest paid	\$ -	\$ -
Income taxes paid	-	-

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

AZARGA METALS CORP.**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)**

(Unaudited – Expressed in Canadian dollars)

	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
Issuance of shares on settlement of convertible loan	46,925,500	4,429,045	-	-	4,429,045
Share-based compensation	-	-	191,755	-	191,755
Comprehensive loss for the period	-	-	-	(8,876,770)	(8,876,770)
Balance, June 30, 2022	177,429,415	\$ 142,727,286	\$ 17,336,749	\$ (161,130,211)	\$ (1,066,176)

	Number of shares	Share capital	Share-based reserve	Deficit	Shareholders' equity
Balance, September 30, 2020	95,942,780	\$ 136,543,461	\$ 16,752,357	\$ (150,387,998)	\$ 2,907,820
Private placement	20,833,329	1,011,698	238,302	-	1,250,000
Share issuance costs	-	(144,253)	72,865	-	(71,388)
Issuance of shares for convertible loan interest	4,253,305	380,546	-	-	380,546
Exercise of options	63,000	10,878	(5,208)	-	5,670
Share-based compensation	-	-	36,838	-	36,838
Comprehensive loss for the period	-	-	-	(1,285,237)	(1,285,237)
Balance, June 30, 2021	121,092,414	\$ 137,802,330	\$ 17,095,154	\$ (151,673,235)	\$ 3,224,249

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

AZARGA METALS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Azarga Metals Corp. (the “Company”) is a publicly traded company incorporated under the laws of the Province of British Columbia. The Company’s shares are listed on the TSX Venture Exchange (“TSX-V”) and trade under the symbol AZR. The corporate office of the Company is located at Unit 1 - 15782 Marine Drive, White Rock, B.C., V4B 1E6.

The Company is engaged in the exploration and, if warranted, development of 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.

In December 2021, the Company completed the acquisition of the Marg Copper project located in the Yukon Territory of Canada (Note 7).

In early 2022, countries around the world imposed a number of sanctions on Russia in response to its invasion of Ukraine. These sanctions included, but were not limited to, removing certain Russian banks from the Society for Worldwide Interbank Financial Telecommunication (“SWIFT”) messaging system, which may affect the Company’s ability to fund its operations in Russia. The Company has some cash reserves in Russia, but prolonged sanctions may impact the Company’s ability to send additional cash to fund operations in Russia, and specifically its ability to maintain the Unkur license in good standing. During the nine months ended June 30, 2022, the Company recorded an impairment of the Unkur project (Note 7).

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, 2022, the Company had a working capital deficit of \$1,640,112. 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.

In March 2020, the World Health Organization declared COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, economies, and financial markets globally. It is not possible for the Company to predict the duration or magnitude of the adverse impacts of the outbreak and its effects on the Company’s business or ability to raise funds. To date, the COVID-19 pandemic has had a minimal affect on the Company’s operations.

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

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, 2021.

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.

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, 2021 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, 2021.

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, 2022 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 significant effect on the Company’s condensed consolidated interim financial statements.

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

4. CASH

	June 30, 2022	September 30, 2021
Canadian dollar denominated deposits held in Canada	\$ 165,343	\$ 698,772
US dollar denominated deposits held in Canada	7,764	66,409
US dollar denominated deposits held in Cyprus	5,162	15,327
Ruble denominated deposits held in Russia	78,745	82,343
Total	\$ 257,014	\$ 862,851

5. RECEIVABLES

	June 30, 2022	September 30, 2021
Amounts due from the Government of Canada pursuant to input tax credits	\$ 3,002	\$ 1,840
Amounts due from the Government of Russia pursuant to value added tax	20,836	59,259
Other receivables	17,674	13,781
Total	\$ 41,512	\$ 74,880

6. PREPAID EXPENSES

	June 30, 2022	September 30, 2021
Prepaid insurance	\$ 29,167	\$ 7,044
Prepaid investor relations	-	18,475
Prepaid other	1,061	5,840
Total	\$ 30,228	\$ 31,359

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

	Canada		Russia		
	Marg		Unkur		Total
September 30, 2021	\$	-	\$	8,012,117	\$ 8,012,117
Additions		869,083		-	869,083
Impairment		-		(8,012,117)	(8,012,117)
June 30, 2022	\$	869,083	\$	-	\$ 869,083

Marg Copper Project, Yukon, Canada

In December 2021, the Company completed the acquisition of the Marg copper project, located in the Yukon Territory of Canada, from Golden Predator Mining Corp. (“Golden Predator”).

As consideration, the Company paid Golden Predator a non-refundable deposit of \$50,000 in July 2021 on signing of a letter of intent (this amount was recorded as deferred acquisition costs as at September 30, 2021 and allocated to exploration and evaluation assets on closing) and issued Golden Predator 5,219,985 common shares valued at \$313,199. The Company also paid a finder’s fee to a third-party through the issuance of 447,761 common shares valued at \$26,866.

The Company is also obligated to pay Golden Predator \$200,000 on the first anniversary of closing and \$350,000 on the second anniversary of closing. The second anniversary payment of \$350,000 has been discounted at a rate of 12% over a period of two years for an initial present value of \$279,018. These amounts have also been accrued as part of the consideration payable for the Marg project (Note 9).

Consideration given up

Cash	\$	50,000
Shares issued		313,199
Shares issued for finder’s fee		26,866
Property payment obligation - current		200,000
Property payment obligation - non-current		279,018
Total	\$	869,083

Net assets received

Exploration and evaluation assets	\$	869,083
Total	\$	869,083

Management has determined that the acquisition does not constitute the acquisition of a business, as defined under IFRS 3, Business Combinations, therefore the acquisition was accounted for as an asset acquisition.

AZARGA METALS CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Marg Copper Project, Yukon, Canada (continued)

Upon a final decision to mine by the Company, an additional payment of \$300,000 is due in cash or shares at Golden Predator's discretion.

Finder's fees between 5% and 7.5% are payable to a third-party upon payment of any future amounts to Golden Predator.

The Marg project is subject to a 1% net smelter return ("NSR") royalty to Golden Predator for all metals extracted from the Marg project. The Company has the option to buy back 100% of the NSR royalty for cash consideration of \$1,500,000.

Unkur Copper-Silver Project, Russia

The Company's 100% owned Unkur copper-silver project is located in eastern Russia. The mineral exploration and exploitation license for the Unkur project is valid through December 31, 2039.

The Unkur project is subject to a 5% NSR royalty. The Company has the right to buy back up to 2% of the NSR royalty at a cost of US\$5,000,000 per percentage point so that upon paying US\$10,000,000 the NSR royalty will be reduced to 3%.

As part of the acquisition of the Unkur project, the Company agreed to make a payment of US\$6,200,000 if at any time, a mineral resource (adding measured, indicated and inferred resources of all deposits within the Unkur project area) is estimated to contain copper and silver to the equivalent of two million tonnes or more of copper where measured plus indicated resources comprise at least 70% of that estimate, taking the value of silver as copper equivalent. In April 2022, the Company and the original vendors of the Unkur project agreed to cancel the rights to this milestone payment.

In early 2022, countries around the world imposed a number of sanctions on Russia in response to its invasion of Ukraine. These sanctions included, but were not limited to, removing certain Russian banks from the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") messaging system, which may affect the Company's ability to fund its operations in Russia. The Company has some cash reserves in Russia, but prolonged sanctions may impact the Company's ability to send additional cash to fund operations in Russia, and specifically its ability to maintain the Unkur license in good standing.

During the nine months ended June 30, 2022, the Company determined that these events cast significant uncertainty over the Company's Russian operations and accordingly, the Company recorded an impairment of exploration and evaluation assets of \$8,012,117 on the Unkur project.

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)*Unkur Copper-Silver Project, Russia (continued)*

In June 2022, the Company granted Baker Steel Resources Trust Ltd. (“BSRT”) the option to acquire the Unkur project for US\$1.00 (the “Unkur Option”) until December 31, 2023 (the “Unkur Option Period”) in exchange for BSRT agreeing to convert its outstanding convertible loan (Note 11).

Pursuant to the agreement, the Company will use its best efforts (while recognizing that sanctions and other force majeure circumstances may prevent these efforts), to maintain the corporate existence of its subsidiaries and its licences, including the Unkur project on a care and maintenance basis during the Unkur Option Period.

If the Unkur Option is exercised by BSRT and the Unkur project is subsequently sold to an arms length third party within two years of the date of the exercise of the Unkur Option by BSRT, proceeds from the sale of the Unkur project will be shared between the Company and BSRT based on an agreed upon formula as follows:

- 1) the Company will be reimbursed the cost of care and maintenance until the Unkur Option is exercised;
- 2) BSRT will be reimbursed the cost of care and maintenance incurred from the date of the Unkur Option exercise to the date of the sale to a third party;
- 3) BSRT will be paid US\$3.5 million; and
- 4) BSRT and the Company will share any residual consideration on an 80/20 basis, respectively.

The Company has also granted BSRT a right of first refusal to match any third party offer received by the Company for the Unkur project and the parties have agreed to use reasonable efforts to work together during the Unkur Option Period to find potential buyers for the Unkur project.

The Company recorded the following exploration and evaluation expenditures on its Unkur project for the three and nine months ended June 30, 2022 and 2021.

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Licenses and permits	\$ -	\$ 6,644	\$ -	\$ 29,630
Personnel, administration, and travel	34,358	73,348	101,930	170,169
Studies and evaluations	2,225	-	35,935	77,106
	\$ 36,583	\$ 79,992	\$ 137,865	\$ 276,905

8. TRADE AND OTHER PAYABLES

	June 30, 2022	September 30, 2021
Trade and other payables in Canada	\$ 108,480	\$ 55,952
Trade and other payables in Cyprus	4,332	-
Trade and other payables in Russia	40,237	12,915
Interest on Convertible Loan (Note 11)	-	174,365
Due to related parties (Note 13)	25,302	17,446
Total	\$ 178,351	\$ 260,678

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

9. PROPERTY PAYMENT OBLIGATIONS*Current*

As part of the consideration payable for the Marg project (Note 7), the Company is obligated to pay Golden Predator \$200,000 on the first anniversary of closing, being December 6, 2022.

Non-Current

	June 30, 2022	September 30, 2021
Opening balance	\$ -	\$ -
Addition	279,018	-
Accretion	16,129	-
Closing balance	\$ 295,147	\$ -

The Company is also obligated to pay Golden Predator \$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 nine months ended June 30, 2022, the Company recorded accretion on the property payment obligation of \$8,222 and \$16,129, respectively.

10. SHAREHOLDER LOANS

		June 30, 2022	September 30, 2021
Shareholders	Relationship		
Principal payable			
Alexander Molyneux	Former Director	\$ 313,636	\$ 310,107
Eugene McCarthy	Shareholder	314,153	310,618
Blake Steele	Director	69,755	68,970
OC Management Group Ltd.	Principal is a Former Director	141,924	140,326
Serhii Stefanovych		148,514	146,843
		987,982	976,864
Interest payable		602,533	508,076
Total		\$ 1,590,515	\$ 1,484,940

The amounts due are unsecured, bear interest at the rate of 12% per annum, and are payable by May 31, 2023.

During the three and nine months ended June 30, 2022, the Company accrued interest of \$29,558 (2021 - \$28,429) and \$87,589 (2021 – \$86,483) respectively, on the shareholder loans.

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

11. CONVERTIBLE LOAN

	June 30, 2022	September 30, 2021
Opening balance	\$ 4,641,767	\$ 4,257,836
Amortization of financing costs	128,442	182,417
Foreign exchange	(341,164)	201,514
Settlement	(4,429,045)	-
Closing balance	\$ -	\$ 4,641,767

In April 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”). In April 2020, the Convertible Loan was increased to US\$3,500,000.

The Convertible Loan bore interest at 8% per annum, payable semi-annually, and was to mature on December 31, 2022. Full details of the Convertible Loan are found in Note 9 of the September 30, 2021 annual consolidated financial statements.

In October 2021, the Company issued BSRT 3,743,755 common shares valued at \$205,907 to settle its semi-annual interest payment of \$187,166 and accordingly recorded a loss on settlement of convertible loan interest of \$18,741.

During the three months ended June 30, 2022, the Company recorded interest expense of \$117,573 (2021 – \$139,656), being \$80,090 (2021 - \$94,177) of interest expense on the Convertible Loan and amortization of financing costs of \$37,483 (2021 – \$45,479).

During the nine months ended June 30, 2022, the Company recorded interest expense of \$400,919 (2021 – \$420,815), being \$272,477 (2021 - \$284,377) of interest expense on the Convertible Loan and amortization of financing costs of \$128,442 (2021 – \$136,438).

In June 2022, the Company granted BSRT the option to acquire the Unkur project (Note 7) in exchange for BSRT agreeing to settle the Convertible Loan. As a result, the Company issued BSRT 46,925,500 common shares in full and final settlement of the Convertible Loan of \$4,429,045.

In addition, BSRT agreed to waive all accrued interest totalling \$259,676, which the Company recorded a gain on settlement of convertible loan interest.

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

12. 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 nine months ended June 30, 2022, the Company completed the following:

- In October 2021, the Company issued BSRT 3,743,755 common shares valued at \$205,907 to settle its semi-annual interest payment of \$187,166 and accordingly recorded a loss on settlement of \$18,741 (Note 11).
- In December 2021, the Company issued 5,219,985 common shares valued at \$313,199 for the Marg Project. In addition, the Company issued 447,761 common shares valued at \$26,866 for a finder's fee (Note 7).
- In June 2022, the Company issued BSRT 46,925,500 common shares in full and final settlement of the Convertible Loan of \$4,429,045 (Note 11).

c) Warrants

The continuity of share purchase warrants for the nine months ended June 30, 2022, is as follows:

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

As at June 30, 2022, the weighted average remaining contractual life of the share purchase warrants outstanding was 0.59 years.

d) Security 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.

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)**d) Security based compensation (continued)**

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, pursuant to the Equity Plan.

The New Option Plan and Equity Plan follow the new security based compensation policy adopted by the TSX-V in November 2021.

The continuity of stock options for the nine months ended June 30, 2022, is as follows:

Expiry date	Exercise price	Balance, September 30, 2021	Granted	Exercised	Expired/Cancelled	Balance, June 30, 2022		
October 5, 2021	\$ 0.32	225,000	-	-	(225,000)	-		
January 5, 2023	\$ 0.15	1,845,000	-	-	(335,000)	1,510,000		
May 24, 2024	\$ 0.09	3,357,000	-	-	(432,000)	2,925,000		
April 23, 2026	\$ 0.13	3,000,000	-	-	-	3,000,000		
April 21, 2027	\$ 0.05	-	4,500,000	-	-	4,500,000		
		8,427,000	4,500,000	-	(992,000)	11,935,000		
Weighted average exercise price	\$	0.12	\$	0.05	\$	0.16	\$	0.09

As at June 30, 2022, 9,935,000 stock options were exercisable.

As at June 30, 2022, the weighted average remaining contractual life of the stock options outstanding was 3.30 years.

e) Share-based compensation

During the three and nine months ended June 30, 2022, the Company recorded share-based compensation of \$130,377 (2021 - \$36,838) and \$191,755 (2021 - \$36,838) respectively for options that vested during the period.

On April 21, 2022, the Company granted 4,500,000 stock options to directors and officers of the Company at a fair value of \$109,749 or \$0.02 per option, which was recorded as share-based compensation for the three and nine months ended June 30, 2022. 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 2.78%; an expected volatility of 79%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

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, of which \$20,628 (2021 - \$36,838) and \$82,006 (2021 - \$36,838) was recorded as share-based compensation for the three and nine months ended June 30, 2022 respectively.

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

For the nine months ended June 30, 2022

(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:

Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the former VP Exploration, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel during the three and nine months ended June 30, 2022 and 2021 were as follows:

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	2022	2021
Consulting fees				
Chief Executive Officer	\$ 43,500	\$ 43,500	\$ 130,500	\$ 43,500
Golden Oak *	25,000	25,000	75,000	75,000
Former VP Exploration	23,026	22,047	68,554	68,393
Former Chief Executive Officer	-	5,148	-	37,327
Share-based compensation	130,377	36,838	191,755	36,838
	\$ 221,903	\$ 132,533	\$ 465,809	\$ 261,058

* 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

		June 30,	September 30,
		2022	2021
Chief Executive Officer	Fees	\$ 14,500	\$ -
Chief Executive Officer	Expenses	1,345	306
Former VP Exploration	Fees	7,731	-
Former VP Exploration	Expenses	17	-
Golden Oak	Expenses	1,709	2,807
Former Director	Fees	-	14,333
		\$ 25,302	\$ 17,446

14. SEGMENTED INFORMATION

The Company operates in one business and two geographical segments being the exploration of mineral properties in Canada and Russia. The total assets attributable to the geographical location relate primarily to exploration and evaluation assets and have been disclosed in Note 7.

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

For the nine months ended June 30, 2022

(Unaudited – Expressed in Canadian dollars)

15. 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	June 30, 2022	September 30, 2021
Cash	FVTPL	\$ 257,014	\$ 862,851
Receivables	Amortized cost	41,512	74,880
Trade and other payables	Amortized cost	178,351	260,678
Property payment obligation	Amortized cost	495,147	-
Shareholder loans	Amortized cost	1,590,515	1,484,940
Convertible loan	Amortized cost	-	4,641,767

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying values for receivables and trade and other payables approximate their fair value due to their short-term nature. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The carrying value of cash is determined based on Level 1 of the fair value hierarchy. The carrying values of the Convertible Loan, 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, 2021.