CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2017

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Azarga Metals Corp.

We have audited the accompanying consolidated financial statements of Azarga Metals Corp., which comprise the consolidated statements of financial position as at September 30, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Azarga Metals Corp. as at September 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Azarga Metals Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Professional Accountants

January 24, 2018

AZARGA METALS CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	Note		September 30, 2017		September 30, 2016
ASSETS					
Current					
Cash	*4*	$	36,196	$	1,587,046
Receivables	*5*		14,296		70,031
Prepaid expenses	*7*		12,302		45,404
			62,794		1,702,481
Exploration and evaluation assets	*8*		2,732,117		2,634,403
		$	2,794,911	$	4,336,884
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current					
Trade and other payables	*9*	$	180,109	$	275,161
Due to non-controlling interest lenders	*10*		956,853		1,039,504
			1,136,962		1,314,665
Shareholders' equity					
Share capital	*12*		130,751,882		129,442,943
Obligation to issue shares	*12*		29,987		657,247
Share-based reserve	*12*		15,269,687		14,741,118
Deficit			(144,388,457)		(141,813,939)
Equity attributable to Azarga shareholders			1,663,099		3,027,369
Non-controlling interest	*18*		(5,150)		(5,150)
			1,657,949		3,022,219
		$	2,794,911	$	4,336,884
Nature of operations and going concern	*1*				
Subsequent events	*20*				

These consolidated financial statements were approved for issue by the Board of Directors on January 24, 2018.

They are signed on the Company's behalf by:

"Alexander Molyneux" *"Dorian L. Nicol"*

Alexander Molyneux, Director Dorian L. Nicol, Director

AZARGA METALS CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	Year ended September 30, 2017	2016
EXPENSES			
Administration		$ 41,845	$ 19,843
Depreciation		-	4,324
Exploration and evaluation expenditures	*8*	1,223,558	675,025
Investor relations		80,117	8,815
Professional fees		84,993	55,051
Regulatory fees		53,477	55,817
Salaries and benefits		381,918	235,949
Share-based compensation	*12*	432,571	159,888
Travel		143,565	43,639
		(2,442,044)	(1,258,351)
Foreign exchange loss		(11,973)	(29,370)
Gain on disposal of subsidiary	*8*	-	67,841
Gain on forgiveness of trade and other payables	*9*	31,488	474,308
Interest expense on due to NCI Lenders	*10*	(131,506)	(33,897)
Interest expense on notes payable	*11*	-	(1,687)
Interest income		2,656	4,169
Loss on sale of marketable securities	*6*	-	(49,074)
Loss on settlement of director and consulting fees	*12*	(12,493)	-
Loss on settlement of interest due to NCI Lenders	*12*	(10,646)	-
Reversal of over-accrued liabilities	*9*	-	25,000
LOSS FOR THE YEAR		(2,574,518)	(801,061)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS			
Foreign currency translation differences for foreign operations		-	(22,349)
COMPREHENSIVE LOSS FOR THE YEAR		$ (2,574,518)	$ (823,410)
LOSS ATTRIBUTABLE TO:			
Azarga shareholders		$ (2,574,518)	$ (801,061)
Non-controlling interest shareholders		-	-
		$ (2,574,518)	$ (801,061)
Basic and diluted loss per common share		$ (0.05)	$ (0.04)
Weighted average number of common shares outstanding		47,064,101	18,722,763

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

AZARGA METALS CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended September 30, 2017	2016
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the year	$ (2,574,518)	$ (801,061)
Items not affecting cash:		
Depreciation	-	4,324
Share-based compensation	432,571	159,888
Gain on disposal of subsidiary	-	(67,841)
Gain on forgiveness of trade and other payables	(31,488)	(474,308)
Accrued interest expense on due to NCI Lenders	131,506	33,897
Loss on sale of marketable securities	-	49,074
Loss on settlement of director and consulting fees	12,493	-
Loss on settlement of interest due to NCI Lenders	10,646	-
Reversal of over-accrued liabilities	-	(25,000)
Obligation to issue shares	42,667	28,000
Unrealized foreign exchange gain	(53,524)	(21,899)
Change in non-cash working capital items:		
Receivables	55,735	(61,741)
Prepaid expenses	33,102	(42,755)
Trade and other payables	(99,990)	242,779
	(2,040,800)	(976,643)
INVESTING ACTIVITIES:		
Proceeds on sale of marketable securities	-	19,050
Unkur transaction costs, net of cash received	-	(43,422)
	-	(24,372)
FINANCING ACTIVITIES:		
Private placement	504,400	1,962,500
Share issue costs	(14,450)	(11,366)
Obligation to issue shares	-	595,600
Notes payable	-	68,875
Repayment of notes payable	-	(31,375)
	489,950	2,584,234
INCREASE (DECREASE) IN CASH FOR THE YEAR	(1,550,850)	1,583,219
CASH, BEGINNING OF THE YEAR	1,587,046	3,827
CASH, END OF THE YEAR	$ 36,196	$ 1,587,046

Supplementary cash flow information (Note 17)

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

AZARGA METALS CORP.
Consolidated Statements of Changes in Equity (Deficiency)
(Expressed in Canadian dollars)

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Foreign exchange reserve	Deficit	Equity attributable to Azarga shareholders
Balance, September 30, 2015	6,594,012	$ 125,818,934	$ -	$ 14,614,877	$ 22,349	$ (141,012,878)	$ (556,718)
Private placement	20,000,000	2,000,000	-	-	-	-	2,000,000
Finder's fees	32,500	3,250	-	-	-	-	3,250
Share issue costs	-	(14,616)	-	-	-	-	(14,616)
Shares for debt	577,572	57,757	-	-	-	-	57,757
Acquisition of Unkur project	15,776,181	1,577,618	-	-	-	-	1,577,618
Obligation to issue shares for private placement	-	-	595,600	-	-	-	595,600
Obligation to issue shares for director and consulting fees	-	-	28,000	-	-	-	28,000
Share-based compensation	-	-	33,647	126,241	-	-	159,888
Comprehensive income for the period	-	-	-	-	(22,349)	(801,061)	(823,410)
Balance, September 30, 2016	42,980,265	$ 129,442,943	$ 657,247	$ 14,741,118	$ -	$ (141,813,939)	$ 3,027,369

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Foreign exchange reserve	Deficit	Equity attributable to Azarga shareholders
Balance, September 30, 2016	42,980,265	$ 129,442,943	$ 657,247	$ 14,741,118	$ -	$ (141,813,939)	$ 3,027,369
Private placement	3,437,500	934,328	(595,600)	165,672	-	-	504,400
Share issue costs	-	(14,450)	-	-	-	-	(14,450)
Shares issued for director and consulting fees	256,673	83,160	(70,667)	-	-	-	12,493
Shares issued for management bonus	333,332	73,334	(73,334)	-	-	-	-
Shares issued for Deferred Payment	514,283	97,714	-	-	-	-	97,714
Shares issued for interest due to NCI Lenders	709,751	134,853	-	-	-	-	134,853
Obligation to issue shares for director and consulting fees	-	-	42,667	-	-	-	42,667
Share-based compensation	-	-	69,674	362,897	-	-	432,571
Comprehensive loss for the period	-	-	-	-	-	(2,574,518)	(2,574,518)
Balance, Septmber 30, 2017	48,231,804	$ 130,751,882	$ 29,987	$ 15,269,687	$ -	$ (144,388,457)	$ 1,663,099

The accompanying notes form an integral part of these consolidated 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.

These consolidated 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 September 30, 2017, the Company had a working capital deficiency of $117,315. 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 $400,000 to be drawn in four equal advances over a period of nine months. To date, the Company has received a total of $82,545. In addition, the shareholders will advance an amount of up to $150,000, in one draw and on the same terms as above, in the event of a proposed acquisition and/or commencement of a Preliminary Economic Assessment study on the Unkur project (Note 20). Although the loan facility is expected to support the Company on a care and maintenance basis over the short-term management estimates these funds will not provide the Company with sufficient financial resources to carry out currently planned exploration and operations through the next twelve months. Accordingly, the Company will need to seek additional sources of financing to carry on future operations. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These consolidated 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.

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are, but are not limited to, the following:

Carrying value and recoverability of exploration and evaluation assets

Management has determined that acquisition costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and other technical information, scoping and feasibility studies, accessibility of facilities and existing permits.

Share-based compensation

The fair value of stock options issued are subject to the limitation of the Black-Scholes option pricing model which incorporates market data and which involves uncertainty and subjectivity in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in the subjective input assumptions can materially affect the fair value estimate.

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

The Company has not recorded any deferred tax assets.

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions (continued)

(ii) Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are, but are not limited to, the following:

Determination of functional currency

The functional currency for each of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of the parent Company as well as the functional currency of the Company's BVI, Cyprus, and Russian subsidiaries is the Canadian dollar. The functional currency of the Company's one dormant Slovakian subsidiary is the Euro.

Fair value of amounts due to non-controlling interest lenders and embedded derivatives

The terms and conditions of financial liabilities may contain embedded derivatives that may or may not require embedded derivatives to be split apart and accounted for as a stand-alone derivative. These determinations require judgment. The Company considered the terms and conditions of the amounts due to non-controlling interest lenders and determined the value of embedded derivatives was $Nil.

The Company has estimated the initial fair value of the amounts due to non-controlling interest lenders financial liability at issuance based on market interest rates for financial liabilities with a seven-year term.

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of Azarga and its subsidiaries, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation.

For partially owned subsidiaries, the interest attributable to non-controlling shareholders is reflected in non-controlling interest. Adjustments to non-controlling interest are accounted for as transactions with owners and adjustments that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation (continued)

Name of subsidiary	Place of incorporation	Ownership interest at September 30, 2017	Principal activity
Azarga Metals Limited [1]	BVI	60%	Holding company
Shilka Metals Ltd [1]	Cyprus	60%	Holding company
Tuva-Kobalt LLC [1]	Russia	60%	Operating mineral exploration company
Tournigan Energy USA Inc. [2]	Colorado	0%	Provision of exploration support services
Ludovika Energy s.r.o. [3]	Slovakia	0%	Dormant mineral exploration company
Ludovika Mining s.r.o. [4]	Slovakia	100%	Dormant mineral exploration company

[1] acquired on May 31, 2016 (Note 8)
[2] dissolved on February 29, 2016
[3] sold on October 19, 2015 (Note 8)
[4] deregistration pending

Foreign currency translation

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognized in profit or loss.

On consolidation, for subsidiaries with functional currencies other than the Canadian dollar, the assets and liabilities are translated into Canadian dollars using the exchange rate at the reporting date, while the operations and cash flows are translated into Canadian dollars using the average rates of exchange for the period. Exchange adjustments arising when the non-monetary assets are translated into Canadian dollars are taken into a separate component of equity and reported in accumulated other comprehensive income (loss) in the cumulative translation account.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognized in operations on a either a declining balance basis or straight-line basis over the estimated useful lives of each part of an item of equipment, the choice dependant on which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Depreciation rates are as follows: computer equipment 20%-30%; office and field equipment 12.5%-20%; software 50%; and vehicles 25%.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment (continued)

An item of equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Exploration and evaluation assets and expenditures

Upon acquiring the legal right to explore a property, all direct costs related to the acquisition of mineral property interests are capitalized as exploration and evaluation assets. Exploration and evaluation expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

The Company may occasionally enter into farm-out arrangements, whereby the Company transfers part of a mineral interest as consideration for an agreement by the transferee to meet certain exploration and evaluation expenditure commitments. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a recovery of exploration and evaluation assets.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method upon reaching production. When there is little prospect of further work on a property being carried out by the Company, the remaining deferred costs associated with that property are charged to operations during the period such determination is made.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

Restoration, rehabilitation and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount.

Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. As the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional asset retirement costs).

The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated. Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are changed to profit or loss. The Company has no restoration, rehabilitation or environmental obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

The carrying amounts of the Company's non-financial assets, other than deferred income tax assets if any, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Financial assets

(i) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as FVTPL unless they are designed as effective hedges. Assets in this category include cash.

Financial assets at FVTPL are initially recognized, and subsequently carried, at fair value with changes recognized in profit or loss. Attributable transaction costs are recognized in profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(ii) Financial assets available for sale ("AFS")

Financial assets available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost, in which case the changes in fair value are recognized in profit or loss.

Attributable acquisition transaction costs, if any, are recognized in the initial fair value.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months or those that are expected to be settled after 12 months from the end of the reporting period, which are classified as non-current assets. Assets in this category include receivables.

Loans and receivables are initially recognized at fair value plus any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is used to determine the amortized cost of loans and receivables and to allocate interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by any impairment loss. The carrying amount of receivables is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(iv) Impairment of financial assets (continued)

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses were recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(v) De-recognition of financial assets

Financial assets are de-recognized when the rights to receive cash flows from the assets expire or the financial assets are transferred and the Company has transferred substantially all of the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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 fair value through profit and loss 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 fair value through profit and loss.

The Company has classified trade and other payables and due to non-controlling interest shareholders as other financial liabilities.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Warrants

The Company accounts for warrants issued in unit offerings comprising a common share and warrant (or portion thereof) using the relative fair value method. Under this method, the fair value of common shares and warrants are measured at the issuance date and the proceeds raised are allocated to the common shares and warrants proportionately. The fair value of common shares is measured based on the quoted market price of the Company's stock and the warrant issued is measured at the issue date using the Black-Scholes valuation model. The warrant is recorded as share capital if and when the warrants are exercised.

Loss per share

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is calculated by dividing the profit or loss by the weighted average number of common shares outstanding assuming that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options and share purchase warrants on loss per share would be anti-dilutive.

Share-based compensation

The stock option plan allows Company directors, employees, and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based compensation expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based reserve to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and there is the intention to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is probable that the related tax benefit will be realized.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2017, and have not been applied in preparing these consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2018:

- New standard IFRS 9, Financial Instruments

  IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the current measurement model for financial instruments under IFRS and establishes two measurement categories for financial assets: amortized cost and fair value. The existing IAS 39 categories of loans and receivables, held to maturity investments, and available for sale financial assets will be eliminated.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments not yet effective (continued)

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

- New standard 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 has not early adopted these new standards and none of these standards are expected to have a material effect on the consolidated financial statements.

4. CASH

	September 30, 2017	September 30, 2016
Canadian dollar denominated deposits held in Canada	$ 21,355	$ 1,102,036
US dollar denominated deposits held in Canada	4,297	171,796
US dollar denominated deposits held in Cyprus	2	1,465
Euro denominated deposits held in Cyprus	-	1,278
US dollar denominated deposits held in Russia	-	310,126
Ruble denominated deposits held in Russia	10,542	345
Total	$ 36,196	$ 1,587,046

5. RECEIVABLES

	September 30, 2017	September 30, 2016
Amounts due from the Government of Canada pursuant to input tax credits	$ 1,196	$ 372
Amounts due from the Government of Russia pursuant to value added tax	13,100	67,909
Other	-	1,750
Total	$ 14,296	$ 70,031

(Expressed in Canadian dollars)

6. MARKETABLE SECURITIES

As at September 30, 2015, the Company held 395,894 common shares of Global Resources Investment Trust Plc ("GRIT") with a cost of $587,348 and a fair value of $68,124.

On January 6, 2016, the Company sold all its GRIT shares for gross proceeds of $19,050 and accordingly recorded a loss on sale of marketable securities of $49,074.

7. PREPAID EXPENSES

		September 30, 2017		September 30, 2016
Prepaid expenses in Canada	$	11,792	$	45,404
Prepaid expenses in Russia		510		-
Total	$	12,302	$	45,404

Included in prepaid expenses as at September 30, 2017 was $Nil (2016 – $18,007) related to payments made to the Chief Executive Officer for salaries and benefits related to the next fiscal year.

8. EXPLORATION AND EVALUATION ASSETS

Components of the Company's exploration and evaluation assets located in Russia are summarized below:

		Russia
		Unkur
September 30, 2015	$	-
Acquisition of Unkur Project		2,634,403
September 30, 2016		2,634,403
Additions		97,714
September 30, 2017	$	2,732,117

Unkur Copper-Silver Project, eastern Russia

On May 31, 2016, the Company purchased 60% of the outstanding shares of Azarga Metals Limited ("Azarga BVI"), a British Virgin Islands corporation from its shareholders (the "Non-Controlling Interest Shareholders" or "NCI Shareholders"). Azarga BVI owns all of the issued and outstanding shares of Shilka Metals Ltd. ("Shilka"), a Cyprus corporation, and Shilka holds all of the issued and outstanding shares of Tuva-Kobalt LLC ("Tuva-Kobalt"), a Russian limited liability company. Tuva-Kobalt holds the Unkur mineral exploration and exploitation license that is valid through December 31, 2039.

Subject to terms and conditions, the NCI Shareholders agreed to grant the Company the right to purchase the remaining 40% of the shares of Azarga BVI and the Company granted the NCI Shareholders the right to sell the remaining 40% of the shares of Azarga BVI to it. The fair value of that 40% interest will be negotiated at the time of exercise (Note 20).

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Unkur Copper-Silver Project, eastern Russia (continued)

The acquisition of the 60% interest in Azarga BVI was completed by way of the issuance of 15,776,181 common shares (Note 12b) of the Company ("Consideration Shares") with a fair value of $1,577,618 and Deferred Cash Payments (as described below). The Consideration Shares are restricted from trading until May 31, 2018. In addition, the Company incurred closing costs of $43,902 to complete the transaction.

Consideration given up		
Shares issued	$	1,577,618
Transaction costs		43,902
Total	$	1,621,520

Net assets received		
Cash	$	480
Receivables		3,822
Exploration and evaluation assets		2,634,403
Trade and other payables		(17,178)
Due to NCI Lenders		(1,005,157)
Non-controlling interest in working capital deficiency		5,150
Total	$	1,621,520

IFRS requires that a determination is made as to whether an acquisition is a business combination by applying the definitions contained in IFRS 3, which requires that the assets acquired and liabilities assumed constitute a business. Management has determined that this acquisition does not constitute the acquisition of a business, therefore, has treated it as an acquisition of a group of assets.

On acquisition of Azarga BVI, the Company assumed the obligation to repay existing loans made by certain of the NCI Shareholders (the "NCI Lenders"). The amount due to NCI Lenders is unsecured, bears interest at the rate of 12% per annum, and must be paid by May 31, 2023 (Note 10).

The NCI Shareholders 40% interest in Azarga BVI is free carried to initial production and profitability.

The NCI Shareholders retain a 5% net smelter return ("NSR") royalty. The Company has the right to buy back up to 2% of the NSR royalty at a cost of US$5 million per percentage point so that upon paying US$10 million the NSR royalty will be reduced to 3%.

In addition, the Company agreed to the following commitments:

- to make deferred cash payments to the NCI Shareholders of US$1,680,000 (the "Deferred Payments") beginning with US$80,000 ($97,714) on June 1, 2017 (settled with common shares of the Company on June 7, 2017 – Note 12b), with a payment on each annual anniversary that increases by US$80,000 a year so that the final payment of US$480,000 will be due on June 1, 2022. In the event of a change of control of the Company, the amount due to NCI Lenders (Note 10) and the Deferred Payments will become due and payable within five days.

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Unkur Copper-Silver Project, eastern Russia (continued)

- to spend a minimum of US$3,000,000 on exploration activities on the Unkur Project prior to June 30, 2019, and an additional US$6,000,000 between July 1, 2019 and June 30, 2023.

- if at any time, a Resource (adding Measured, Indicated and Inferred of all combined deposits within the Unkur Project area) is estimated to contain copper and silver to the equivalent of 2 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 (the "Bonus Payment Threshold"), an additional US$6,200,000 will be payable to the NCI Shareholders within 12-months notice that the Bonus Payment Threshold has been met.

If any of the above commitments are not met, then the Company would be subject to proportionate forfeiture of its 60% interest of Azarga BVI to the NCI Shareholders.

The Company recorded the following exploration and evaluation expenditures on its Unkur Project in Russia for the years ended September 30, 2017 and 2016:

	Year ended September 30, 2017		Year ended September 30, 2016	
Drilling and assays	$	975,185	$	643,444
Licenses and permits		34,946		3,621
Personnel, administration, and travel		165,209		27,960
Studies and evaluations		48,218		-
	$	1,223,558	$	675,025

Kuriskova and Novoveska Huta Uranium Projects, Slovakia

The Kuriskova uranium project is located in Slovakia and is owned by Ludovika Energy s.r.o. ("LE"). The Novoveska Huta uranium project is also located in Slovakia and is owned by Ludovika Mining s.r.o. ("LM").

The Company came to an agreement on October 19, 2015, with an unrelated third party resident in Slovakia to sell the Company's interests in LE in exchange for the Company retaining a 25% share of any future compensation paid to LE by the Slovak Government pursuant to the Court proceedings in respect of the non-renewal of the Kuriskova license by the Slovak Government. Upon the transfer of LE to this unrelated third party, the recorded net working capital deficit of $67,841 on the books of LE was unconsolidated from Azarga, and this gave rise to a gain on disposal of the subsidiary of $67,841.

The Novoveska Huta exploration license was not renewed by the Government of Slovakia and the Company let the mining license expire on October 3, 2016. LM is expected to be struck from the registry of companies in the next 12 months.

(Expressed in Canadian dollars)

8. EXPLORATION AND EVALUATION ASSETS (continued)

Kremnica Gold Project, Slovakia

The Company has a 2% NSR on the first one million ounces of gold and silver produced and a 1% NSR on the second one million ounces of gold and silver produced from the Kremnica Gold project in Slovakia, part of the Šturec Project, owned by Ortac Resources Limited ("Ortac"). In addition, under the terms of a sale agreement with Ortac, the Company would be paid US$15 per ounce in either shares of Ortac or cash on the first 250,000 ounces of gold equivalent resource defined as proven and probable reserve in a bankable feasibility study which would be payable within 60 days of all required permits being obtained to allow commercial production at the Kremnica property. Ortac may buy-down the 2% NSR royalty granted to the Company, to 1%, at any time by paying the Company US$1 million cash.

9. TRADE AND OTHER PAYABLES

	September 30, 2017	September 30, 2016
Trade and other payables in Canada	$ 57,844	$ 99,840
Trade and other payables in Cyprus	10,875	11,529
Trade and other payables in Russia	15,054	136,973
Interest due to NCI Lenders (Note 10)	38,379	-
Director fees owing to a former director	14,333	14,333
Salaries and benefits owing to officers	30,716	-
Reimbursement of expenses owing to officers and directors	12,908	12,486
Total	$ 180,109	$ 275,161

During the year ended September 30, 2017, the Company settled outstanding payables of $62,988 through the payment of $31,500 and accordingly recorded a gain on forgiveness of trade and other payables of $31,488.

During the year ended September 30, 2016, the Company entered into settlement agreements with certain current and past related parties to fully settle an aggregate of $532,065 debt recorded in the books of the Company by a forgiveness of $474,308 of the debts and the issue of 577,572 common shares at a price of $0.10 per share to settle the remainder of $57,757 (Note 12b).

During the year ended September 30, 2016, the Company recorded a reversal of accrued liabilities of $25,000 for an over accrual of legal fees from a prior period.

(Expressed in Canadian dollars)

10. DUE TO NON-CONTROLLING INTEREST LENDERS

	September 30, 2017	September 30, 2016
Alexander Molyneux	$ 303,754	$ 328,599
Eugene McCarthy	304,255	328,793
Blake Steele	67,557	73,043
OC Management Group Ltd.	137,452	151,142
Insignia Partners Limited *	143,835	157,927
Total	$ 956,853	$ 1,039,504

* In February 2017, Swain Investments Limited assigned the debt to Insignia Partners Limited. Both companies are controlled by the same individual.

On acquisition of Azarga BVI (Note 8), the Company assumed the obligation to repay existing loans made by the NCI Lenders. The amounts due to the NCI Lenders are unsecured, bear interest at the rate of 12% per annum payable annually on each anniversary date, and must be paid by May 31, 2023. On acquisition, being May 31, 2016, the principal and accrued interest due to the NCI Lenders totalled $1,005,157 (US$766,709). Interest from June 1, 2016 to September 30, 2016 totalled $33,897 (US$25,777) for a total at September 30, 2016 of $1,039,504 (US$792,486).

At September 30, 2016, the Company reported the principal plus interest of $1,039,504 (US$792,486) as a long-term liability however as at September 30, 2017, the Company is reporting only the principal of $956,853 (US$766,709) as a long-term liability and the interest as a current liability as the interest is due within the next 12 months.

Accrued interest due to the NCI Lenders from June 1, 2016 to May 31, 2017 totaled $124,207 (US$92,005) and this was fully settled in common shares of the Company on June 7, 2017 (Note 12b).

As at September 30, 2017, the accrued interest due to the NCI Lenders totaled $38,379 (US$30,752) and was included in trade and other payables (Note 9).

For the year ended September 30, 2017, the Company recorded $131,506 (US$96,981) (2016 - $33,897 (US$25,777)) of interest expense on the amounts due to the NCI Lenders.

11. NOTES PAYABLE

On March 1, 2016, the Company entered into a loan agreement with three of the NCI Shareholders whereby the NCI Shareholders agreed to loan the Company up to $100,000 with a 12-month term and interest at the rate of 15% per annum. From March 2, 2016 to May 5, 2016, the Company was advanced a total of $68,875. In June 2016, the loans were repaid with interest of $1,687.

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 September 30, 2017, the Company had 48,231,804 common shares issued and outstanding (September 30, 2016 – 42,980,265).

During the year ended September 30, 2017, the Company:

- completed a non-brokered private placement through the issue of 3,437,500 units at a price of $0.32 per unit for gross proceeds of $1,100,000, of which $595,600 had been received as at September 30, 2016 and recorded as an obligation to issue shares. Each unit consisted of one common share and one-half of one share purchase warrant. One whole warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.40 per share until October 7, 2017. The Company paid finders' fees of $8,100 and other share issue costs of $6,350.

  The warrants were valued on a relative fair value basis at $165,672 using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 0.73%; an expected volatility of 98%; an expected life of 1 year; a forfeiture rate of zero; and an expected dividend of zero.

- issued 256,673 common shares valued at $83,160 to settle consulting and director fees of $70,667 which had been recorded as an obligation to issue shares as at September 30, 2016 (Note 12c). Accordingly, the Company recorded a loss on settlement of $12,493.

- issued 266,666 common shares to the Chief Executive Officer and 66,666 common shares to the Corporate Secretary to satisfy the first two thirds of a one-time bonus of $73,334 which had been recorded as an obligation to issue shares as at September 30, 2016 (Note 12c).

- issued 514,283 common shares valued at $97,714 to settle the Deferred Payment of US$80,000 (Note 8).

- issued 709,751 common shares valued at $134,853 to settle interest due to the NCI Lenders of $124,207 (US$92,005) (Note 10). Accordingly, the Company recorded a loss on settlement of interest payable of $10,646.

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

b) Issued and outstanding (continued)

During the year ended September 30, 2016, the Company:

- completed a non-brokered private placement through the issue of 20,000,000 common shares at a price of $0.10 per share for gross proceeds of $2,000,000, of which $37,500 was for the settlement of notes payable (Note 10). The Company also issued 32,500 common shares as finder's fees valued at $3,250 and incurred cash share issue costs of $11,366.

- issued 577,572 common shares to settle debts of $57,757 (Note 10).

- issued 15,776,181 common shares valued at $1,577,618 as partial consideration for the Unkur Project (Note 8).

c) Obligation to issue shares

	September 30, 2017	September 30, 2016
Opening balance	$ 657,247	$ -
Shares to be issued for private placement	-	595,600
Shares issued for private placement	(595,600)	-
Shares to be issued for director and consulting fees	42,667	28,000
Shares issued for director and consulting fees	(70,667)	-
Shares to be issued for management bonus	72,533	30,788
Shares issued for management bonus	(73,334)	-
Shares to be issued for consulting fees	-	2,859
Reversal of shares to be issued for consulting fees	(2,859)	-
Ending balance	$ 29,987	$ 657,247

Director and consulting fees

Effective June 1, 2016, the Company agreed to pay the three non-executive directors of the Company director fees of $1,500 each per month payable in common shares of the Company. Effective October 1, 2016, this amount was increased to $5,000 each per quarter and in November 2017, the directors agreed to waive their fees effective April 1, 2017. Effective December 1, 2016, the NCI Shareholder described below was appointed a director of the Company and is therefore paid in accordance with the other non-executive directors as described herein. During the year ended September 30, 2017, the Company recorded $36,667 (2016 - $18,000) as an obligation to issue shares. During the year ended September 30, 2017, the Company issued 164,467 common shares to settle director fees of $36,667 (Note 12b).

Effective June 1, 2016, the Company entered into a six-month consulting agreement with one of the NCI Shareholders whereby the Company agreed to pay the NCI Shareholder a monthly fee of $2,500 payable in common shares of the Company. Effective October 1, 2016, the Company agreed to increase these fees to $3,000 per month. Effective December 1, 2016, the NCI Shareholder was appointed a director of the Company and is therefore paid in accordance with the other non-executive directors as described above. During the year ended September 30, 2017, the Company recorded $6,000 (2016 - $10,000) as an obligation to issue shares. During the year ended September 30, 2017, the Company issued 28,571 common shares to settle consulting fees of $6,000 (Note 12b).

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

c) Obligation to issue shares (continued)

Management bonus

On July 8, 2016, the Board of Directors of the Company awarded a one-time bonus of 400,000 common shares to the Chief Executive Officer and 100,000 common shares to the Corporate Secretary. The shares are to be issued equally in three tranches beginning six months from the date of award providing the continued engagement of the Chief Executive Officer and the Corporate Secretary. During the year ended September 30, 2017, the Company recorded $72,533 (2016 - $30,788) as share-based compensation with a credit to obligation to issue shares. During the year ended September 30, 2017, the Company settled the first two thirds of this obligation through the issue of 333,332 common shares valued at $73,334 (Note 12c). Subsequent to year-end, the Company settled the final third of this obligation (Note 20).

Consulting fees

On August 9, 2016, the Company entered into a consulting agreement with a financial advisor whereby the Company had agreed to pay the financial advisor, among other things, 75,000 common shares for services. However, TSX-V policies do not allow for the issue of shares for this type of service and the Company is now in the process of renegotiating payment of services to date with the financial advisor. Accordingly, the Company has reversed $2,859 of share-based compensation that had been recorded as an obligation to issue shares as at September 30, 2016 and instead has recorded an accrual of $15,178 for the year ended September 30, 2017 which is included in trade and other payables as at September 30, 2017.

d) Warrants

The continuity of share purchase warrants for the year ended September 30, 2017 is as follows:

Expiry date	Exercise price	Balance, September 30, 2016	Issued	Exercised	Expired	Balance, September 30, 2017
October 7, 2017	$ 0.40	-	1,718,749	-	-	1,718,749 *
		-	1,718,749	-	-	1,718,749
Weighted average exercise price		$ -	$ 0.40	$ -	$ -	$ 0.40

* expired unexercised on October 7, 2017

The continuity of share purchase warrants for the year ended September 30, 2016, is as follows:

Expiry date	Exercise price	Balance, September 30, 2015	Issued	Exercised	Expired	Balance, September 30, 2016
April 16, 2016	$ 1.50	55,555	-	-	(55,555)	-
		55,555	-	-	(55,555)	-
Weighted average exercise price		$ 1.50	$ -	$ -	$ 1.50	$ -

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

e) 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.

The continuity of stock options for the year ended September 30, 2017, is as follows:

Expiry date	*Exercise price*	Balance, September 30, 2016	Granted	Exercised	Expired	Balance, September 30, 2017	
November 19, 2017	*$ 2.20*	24,000	-	-	-	24,000	*
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	**
		2,249,000	225,000	-	-	2,474,000	
Weighted average exercise price		$ 0.22	$ 0.32	$ -	$ -	$ 0.23	

* expired unexercised
** The options vest as to one-third each six-months beginning six months from the date of grant.

As at September 30, 2017, 1,582,333 of the stock options were exercisable. As at September 30, 2017, the weighted average remaining contractual life of the options outstanding was 3.76 years.

The continuity of stock options for the year ended September 30, 2016, is as follows:

Expiry date	*Exercise price*	Balance, September 30, 2015	Granted	Exercised	Expired	Balance, September 30, 2016
July 15, 2016	*$ 5.50*	41,500	-	-	(41,500)	-
November 19, 2017	*$ 2.20*	46,000	-	-	(22,000)	24,000
July 8, 2021	*$ 0.20*	-	2,100,000	-	-	2,100,000
August 9, 2021	*$ 0.20*	-	125,000	-	-	125,000
		87,500	2,225,000	-	(63,500)	2,249,000
Weighted average exercise price		$ 3.77	$ 0.20	$ -	$ 4.36	$ 0.22

12. SHARE CAPITAL (continued)

f) Share-based compensation

During the year ended September 30, 2017, the Company recorded share-based compensation of $432,571 (2016 - $159,888) of which $362,897 (2016 - $126,241) relates to the issuance of stock options as described below, $72,533 (2016 - $30,788) relates to shares to be issued for management bonus (Note 12c) and ($2,859) (2016 - $2,859) relates to the reversal of shares to be issued for consulting fees (Note 12c).

On October 5, 2016, the Company granted 225,000 stock options to consultants at a fair value of $71,113 or $0.32 per option, of which $63,009 was recorded as share-based compensation for the year ended September 30, 2017. The fair value of the options granted was determined using the Black-Scholes pricing model with the following assumptions: a risk-free interest rate of 0.91%; an expected volatility of 160%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On August 9, 2016, the Company granted 125,000 stock options to a consultant at a fair value of $25,607 or $0.20 per option, of which $19,118 (2016 – $4,437) was recorded as share-based compensation for the year ended September 30, 2017. The fair value of the options granted was determined using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 0.54%; an expected volatility of 160%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On August 9, 2016, the Company entered into a consulting agreement with a financial advisor whereby the Company agreed to pay the financial advisor, among other things, 75,000 common shares. During the year ended September 30, 2017, the Company recorded a credit to share-based compensation of $2,859 (2016 – $2,859) (Note 12c).

On July 8, 2016, the Company granted 2,100,000 stock options to directors, officers, employees, and consultants at a fair value of $428,496 or $0.20 per option, of which $280,770 (2016 - $121,804) was recorded as share-based compensation for the year ended September 30, 2017. The fair value of the options granted was determined using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 0.52%; an expected volatility of 158%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Consulting fees

During the year ended September 30, 2017, the Company paid or accrued $95,833 (2016 - $61,667) to Golden Oak Corporate Services Ltd. ("Golden Oak"). Golden Oak is a consulting company controlled by the 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 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 years ended September 30, 2017 and 2016 were as follows:

	Year ended September 30,			
		2017		**2016**
Consulting fees *, **	$	95,833	$	61,667
Director fees *		36,667		18,000
Salaries and benefits		238,419		135,082
Share-based compensation		326,564		140,992
	$	697,483	$	355,741

* included in salaries and benefits on the statement of loss and comprehensive loss
** paid to Golden Oak as described above

Included in trade and other payables as at September 30, 2017 was $57,957 (2016 – $26,819) due to related parties (Note 9).

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 8.

(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; held-to-maturity investments; loans and receivables; available-for-sale; or other liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category		September 30, 2017		September 30, 2016
Cash	FVTPL	$	**36,196**	$	**1,587,046**
Receivables	Loans and receivables		**14,296**		**70,031**
Trade and other payables	Other liabilities		**180,109**		**275,161**
Due to non-controlling interest lenders	Other liabilities		**956,853**		**1,039,504**

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 market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for receivables and trade and other payables approximate their fair value due to their short-term nature. The fair value of cash is determined based on Level 1 of the fair value hierarchy. Amounts due to non-controlling interest lenders are measured using the effective interest method.

Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

Credit Risk

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits the exposure to credit risk in its cash by only investing its cash with high credit quality financial institutions in business and savings accounts and guaranteed investment certificates which are available on demand by the Company for its programs. The Company's receivables primarily include balances receivable from government agencies. The Company is exposed to some risk on amounts due from these government agencies; however, to date the Company has been successful on collecting on its receivables.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that there is sufficient capital in order to meet short-term business requirements. The Company is exposed to liquidity risk.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

(a) Interest Rate Risk: The Company is exposed to interest rate risk to the extent that its cash balances bear variable rates of interest. The interest rate on amounts due to the NCI Lenders is fixed. The interest rate risks on cash and amounts due to the NCI Lenders are not considered significant.

(b) Foreign Currency Risk: The Company expects to continue to raise equity predominately in Canadian dollars; however, transactions are transacted in Canadian dollars, US dollars, and Russian Rubles. As such, the Company is subject to fluctuations in the exchange rate between the Canadian dollar and the US dollar and Russian Ruble. As at September 30, 2017, the Company holds 39% of its cash in foreign currencies (Note 4). Management believes the foreign exchange risk related to currency conversions is minimal and therefore, does not hedge its foreign exchange risk. The effect of a 10% change in the foreign exchange rate on cash held in US dollars and Russian Rubles at September 30, 2017 would be approximately $1,000.

(c) Commodity Price Risk: While the value of the Company's exploration and evaluation assets is related to the price of copper and silver and the outlook for this mineral, the Company currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect to its operational activities.

Historically, the price of copper and silver has fluctuated significantly and is affected by numerous factors outside of the Company's control, including but not limited to industrial and retail demand, central banking lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors related specifically to copper and silver.

(d) Political Uncertainty: In conducting operations in Russia, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions in Russia and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

16. MANAGEMENT OF CAPITAL

The Company considers its common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk. The Company is not subject to any externally imposed capital restrictions.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company prepares expenditure forecasts that are updated as necessary depending on various factors including successful capital deployment and general industry conditions. In order to maximize ongoing exploration expenditures, the Company does not pay out dividends.

The Company's investment policy is to keep its cash treasury on deposit in interest bearing Canadian chartered bank accounts. The Company does not expect that its current capital resources will be sufficient to carry out its currently planned exploration and operations through the next twelve months (Note 1).

There has been no changes to the Company's approach to capital management for the years presented.

17. SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended September 30, 2017, the Company:

- issued 256,673 common shares valued at $70,667 to settle consulting and director fees (Note 12c);
- issued 266,666 common shares to the Chief Executive Officer and 66,666 common shares to the Corporate Secretary to satisfy the first two thirds of a one-time bonus of $73,334 (Note 12c);
- issued 514,283 common shares valued at $97,714 to settle the first Deferred Payment of US$80,000 (Note 8);
- issued 709,751 common shares valued at $134,853 to settle interest due to the NCI Lenders of $124,207 (US$92,005) (Note 10);
- allocated the relative fair value of the warrants issued in the 2017 private placement of $165,672 from share capital to share-based reserve;
- allocated $194,227 of accrued interest from due to NCI Lenders to trade and other payables; and
- added $165,100 of interest that had accrued up until May 31, 2016 in trade and other payables to the principal in due to NCI Lenders.

(Expressed in Canadian dollars)

17. SUPPLEMENTARY CASH FLOW INFORMATION (continued)

During the year ended September 30, 2016, the Company:

- issued 15,776,181 common shares valued at $1,577,618 as consideration for the Unkur Project;
- issued 32,500 common shares as finder's fees valued at $3,250;
- issued 577,572 common shares to settle debts of $57,757; and
- included in the 2016 private placement (Note 12b) was $37,500 of proceeds related to the repayment of notes payable (Note 10).

During the year ended September 30, 2017, the Company paid interest of $Nil (2016 - $1,687) in cash related to notes payable (Note 11) and amounts due to the NCI Lenders.

During the year ended September 30, 2017, the Company paid income tax of $Nil (2016 - $Nil) in cash.

18. NON-CONTROLLING INTEREST

The Company owns 60% of the shares of Azarga BVI. The Company is responsible for funding 100% of all costs related to the Unkur Project until commencement of commercial production. The Company controls each of the entities and makes all decisions regarding work programs. Accordingly, the Company is reporting a non-controlling interest in the consolidated working capital items only and no share of the Azarga BVI group's operations.

	September 30, 2017	September 30, 2016
NCI percentage	***40.0%***	***40.0%***
Current assets	$ 4,302	$ 4,302
Current liabilities	(17,178)	(17,178)
	(12,876)	(12,876)
Net working capital deficiency	$ (5,150)	$ (5,150)
Accumulated non-controlling interest	$ (5,150)	$ (5,150)

(Expressed in Canadian dollars)

19. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended September 30, 2017	2016
Loss for the year	$ (2,574,518)	$ (801,061)
Expected income tax recovery	$ (669,000)	$ (208,000)
Change in statutory, foreign tax, foreign exchange rates and other	38,000	(158,000)
Permanent differences	185,000	75,000
Impact of dissolved and sold subsidiaries	-	3,574,000
Share issue costs	(4,000)	(5,000)
Adjustment to prior years provision versus statutory tax returns	-	(758,000)
Expiry of non-capital losses	(630,000)	1,036,000
Change in unrecognized deductible temporary differences	1,080,000	(3,556,000)
Total	$ -	$ -

The significant components of the Company's unrecorded deferred tax assets are as follows:

	September 30, 2017	September 30, 2016
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ 2,075,000	$ 2,197,000
Equipment	55,000	55,000
Share issue costs	9,000	10,000
Allowable capital losses	9,716,000	9,741,000
Non-capital losses available for future periods	7,350,000	6,122,000
Total unrecognized deferred tax assets	$ 19,205,000	$ 18,125,000

Deferred tax assets have not been recognized in these financial statements as it is not probable that they will be realized.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	September 30, 2017	Expiry date range
Temporary differences		
Exploration and evaluation assets	$ 8,430,000	no expiry date
Equipment	212,000	no expiry date
Share issue costs	35,000	2018-2021
Allowable capital losses	37,368,000	no expiry date
Non-capital losses available for future periods	28,281,000	2018 to 2037
Non-capital loss summary		
Canada	$ 28,263,000	2018 to 2037
Cyprus	17,000	2021
Russia	1,000	no expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities

20. SUBSEQUENT EVENTS

Subsequent to September 30, 2017, the Company completed the following transactions:

1. On December 6, 2017, the Company signed a binding letter agreement (the "Letter Agreement") with the NCI Shareholders to acquire the remaining 40% of Azarga BVI that it did not already own for a total 100% interest in the Unkur Project (Note 8). In addition to agreeing to the exercise of the Company's call option, pursuant to the Letter Agreement, the NCI Shareholders have also agreed to waive and cancel the remaining US$1,600,000 Deferred Payments. The parties have agreed that payment for the remaining 40% interest in Azarga BVI will be 42,000,000 common shares of the Company, the issue of which is subject to the approval of the TSX-V and the approval of the Company's disinterested shareholders. An annual general and special meeting is called for February 14, 2018;

2. 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 $400,000 to be drawn in four equal advances over a period of nine months. Advances will bear interest at a rate of 10% per annum and all advances must be repaid within 12 months of the first advance. To date, the Company has received a total of $82,545. In addition, the shareholders will advance an amount of up to $150,000, in one draw and on the same terms as above, in the event of a proposed acquisition and/or commencement of a Preliminary Economic Assessment study on the Unkur project;

3. On January 5, 2018, the Company granted 2,320,000 stock options to directors, officers and consultants exercisable at a price of $0.15 per share; and

4. On January 8, 2018, the Company settled the final third of a one-time bonus to the Chief Executive Officer and the Corporate Secretary through the issue of 166,667 common shares (Note 12c).