CONSOLIDATED FINANCIAL STATEMENTS

For the year ended September 30, 2019

(Expressed in Canadian dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Azarga Metals Corp.

Opinion

We have audited the accompanying consolidated financial statements of Azarga Metals Corp. (the "Company"), which comprise the consolidated statements of financial position as at September 30, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that management estimates that its working capital at September 30, 2019 will not provide the Company with sufficient financial resources to carry out currently planned operations and exploration through the next twelve months. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Guy Thomas.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

January 23, 2020

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

	Note	September 30, 2019	September 30, 2018
ASSETS			
Current assets			
Cash	*4*	$ 2,599,062	$ 20,449
Receivables	*5*	42,751	4,663
Prepaid expenses	*6*	93,818	5,349
		2,735,631	30,461
Exploration and evaluation assets	*7*	8,012,117	8,012,117
		$ 10,747,748	$ 8,042,578
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	*8*	$ 205,928	$ 681,834
Shareholder loans	*9*	-	258,750
		205,928	940,584
Convertible loan - liability component	*10*	2,260,863	-
Convertible loan - derivative component	*10*	1,616,151	-
Shareholder loans	*11*	1,299,430	992,505
		5,382,372	1,933,089
Shareholders' equity			
Share capital	*12*	136,182,632	136,038,548
Share-based reserve	*12*	16,304,414	15,629,747
Deficit		(147,121,670)	(145,558,806)
		5,365,376	6,109,489
		$ 10,747,748	$ 8,042,578

Nature of operations and going concern	*1*
Subsequent event	*10*

These consolidated financial statements were approved for issue by the Board of Directors on January 21, 2020.

They are signed on the Company's behalf by:

"Michael Hopley" — Michael Hopley, Director

"Blake Steele" — Blake Steele, Director

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

		Year ended September 30,	
	Note	**2019**	**2018**
EXPENSES			
Consulting fees		$ 207,099	$ 195,639
Exploration and evaluation expenditures	*7*	252,217	323,020
Investor relations		29,276	51,969
Office expenses		17,638	24,415
Professional fees		92,682	85,542
Regulatory fees		47,206	35,483
Share-based compensation	*12*	282,695	366,739
Travel		29,025	5,042
		(957,838)	(1,087,849)
Change in fair value of derivative liability	*10*	(15,598)	-
Financing costs	*10*	(306,825)	-
Foreign exchange loss		(72,745)	(33,947)
Gain on sale of project interest	*7*	-	86,485
Gain on settlement of trade and other payables	*8*	171,552	-
Interest expense on convertible loan	*10*	(235,486)	-
Interest expense on shareholders loans - current	*9*	(23,576)	(11,782)
Interest expense on shareholders loans - non-current	*11*	(122,348)	(118,106)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		$ (1,562,864)	$ (1,165,199)
Basic and diluted loss per common share		$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding		90,767,410	71,035,686

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, 2019	2018
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the year	$ (1,562,864)	$ (1,165,199)
Items not affecting cash:		
Share-based compensation	282,695	366,739
Change in fair value of derivative liability	15,598	-
Financing costs	306,825	-
Gain on sale of project interest	-	(86,485)
Gain on settlement of trade and other payables	(171,552)	-
Accrued interest expense on convertible loan	235,486	-
Accrued interest shareholders loans - current	23,576	11,782
Accrued interest shareholders loans - non-current	122,348	118,106
Unrealized foreign exchange loss	20,613	35,652
Change in non-cash working capital items:		
Receivables	(38,088)	9,633
Prepaid expenses	(88,469)	6,953
Trade and other payables	(209,584)	371,837
	(1,063,416)	(330,982)
INVESTING ACTIVITIES:		
Proceeds on sale of project interest	-	86,485
Transaction costs on acquisition of 40% of Unkur	-	(30,000)
	-	56,485
FINANCING ACTIVITIES:		
Proceeds on convertible loan, net of financing costs	3,936,137	-
Shareholder loans - current	232,650	258,750
Repayment of shareholder loans - current	(526,758)	-
	3,642,029	258,750
CHANGE IN CASH FOR THE YEAR	2,578,613	(15,747)
CASH, BEGINNING OF THE YEAR	20,449	36,196
CASH, END OF THE YEAR	$ 2,599,062	$ 20,449

Supplemental Cash Flow Information (Note 16)

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

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

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Deficit	Shareholders' equity
Balance, September 30, 2018	90,398,472	$ 136,038,548	$ -	$ 15,629,747	$ (145,558,806)	$ 6,109,489
Shares issued for financing costs	1,662,499	144,084	-	-	-	144,084
Issuance of warrants for financing costs	-	-	-	391,972	-	391,972
Share-based compensation	-	-	-	282,695	-	282,695
Comprehensive loss for the year	-	-	-	-	(1,562,864)	(1,562,864)
Balance, September 30, 2019	92,060,971	$ 136,182,632	$ -	$ 16,304,414	$ (147,121,670)	$ 5,365,376

	Number of shares	Share capital	Obligation to issue shares	Share-based reserve	Deficit	Shareholders' equity
Balance, September 30, 2017	48,231,804	$ 130,751,882	$ 29,987	$ 15,269,687	$ (144,388,457)	$ 1,663,099
Shares issued for acquisition of 40% of Unkur project	42,000,000	5,250,000	-	-	-	5,250,000
Shares issued for management bonus	166,668	36,666	(36,666)	-	-	-
Share-based compensation	-	-	6,679	360,060	-	366,739
Adjustment to non-controlling interest	-	-	-	-	(5,150)	(5,150)
Comprehensive loss for the year	-	-	-	-	(1,165,199)	(1,165,199)
Balance, September 30, 2018	90,398,472	$ 136,038,548	$ -	$ 15,629,747	$ (145,558,806)	$ 6,109,489

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The Company is engaged in the exploration and, if warranted, development of a mineral resource project in eastern Russia. The Company is considered to be in the exploration stage as it has not placed any of its exploration and evaluation assets into production nor has it generated any revenues from operations.

In April 2019, the Company and Baker Steel Resources Trust Ltd. ("BSRT") executed a secured convertible loan facility agreement pursuant to which BSRT loaned the Company $3,982,900 (US$3,000,000 in two tranches of US$1,000,000 in April 2019 and US$2,000,000 in August 2019 (Note 10)).

These 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, 2019, the Company had working capital of $2,529,703. However, given that management intends to continue to explore the Unkur project, management estimates that its working capital will not provide the Company with sufficient financial resources to carry out currently planned operations and exploration through the next twelve months. Additional financing will be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

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 its subsidiaries.

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, preliminary economic assessment, 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.

Going concern assumption

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include the results from the exploration and development of its properties, forecasted capital deployment, and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern (Note1).

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, Slovakian, and Russian subsidiaries is the Canadian dollar.

Convertible loan

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

3. SIGNIFICANT ACCOUNTING POLICIES

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.

Name of subsidiary	Place of incorporation	Ownership interest at September 30, 2019	Principal activity
Azarga Metals Limited	BVI	100%	Holding company
Shilka Metals Ltd.	Cyprus	100%	Holding company
Tuva-Kobalt LLC	Russia	100%	Operating mineral exploration company
Ludovika Mining s.r.o.	Slovakia	100%	Dormant mineral exploration company

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. At 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Convertible loan

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

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

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

Financial assets

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVTOCI"), or (iii) at fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash is classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables, shareholder loans, and the liability component of the convertible loan are classified as other financial liabilities and carried on the statement of financial position at amortized cost. The derivative component of the convertible loan is classified as FVTPL.

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.

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. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

New standards, amendments to standards and interpretations that are not yet effective as of September 30, 2019 and have not been applied in preparing these consolidated financial statements:

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

- IFRS 16 Leases ("IFRS 16")

  All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize assets and liabilities. A lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently. The Company does not currently have any leases.

4. CASH

	September 30, 2019	September 30, 2018
Canadian dollar denominated deposits held in Canada	$ 125,593	$ 8,111
US dollar denominated deposits held in Canada	2,200,485	4,363
US dollar denominated deposits held in Cyprus	4,985	129
Ruble denominated deposits held in Russia	267,999	7,846
Total	$ 2,599,062	$ 20,449

5. RECEIVABLES

	September 30, 2019	September 30, 2018
Amounts due from the Government of Canada pursuant to input tax credits	$ 1,614	$ 4,471
Amounts due from the Government of Russia pursuant to value added tax	17,497	192
Other receivables	23,640	-
Total	$ 42,751	$ 4,663

(Expressed in Canadian dollars)

6. PREPAID EXPENSES

	September 30, 2019	September 30, 2018
Prepaid insurance	$ 5,833	$ 3,235
Prepaid investor relations	22,662	-
Prepaid exploration and evaluation expenditures	49,104	-
Prepaid other	16,219	2,114
Total	$ 93,818	$ 5,349

7. EXPLORATION AND EVALUATION ASSETS

	Russia
	Unkur
September 30, 2017	$ 2,732,117
Additions	5,280,000
September 30, 2018	8,012,117
Additions	-
September 30, 2019	$ 8,012,117

Unkur Copper-Silver Project, eastern Russia

The Company's 100% owned Unkur Copper-Silver Project is located in eastern Russia.

In May 2016, the Company purchased 60% of the outstanding shares of Azarga Metals Limited ("Azarga BVI"), a British Virgin Islands corporation. As consideration, the Company issued 15,776,181 common shares, agreed to pay deferred cash payments of US$1,680,000 (US$80,000 was settled through the issuance of shares in fiscal 2017), and assumed the obligation to repay certain existing loans made by certain of the selling shareholders of Azarga BVI (Note 11).

Azarga BVI indirectly holds the Unkur mineral exploration and exploitation license that is valid through December 31, 2039.

In March 2018, the Company acquired the remaining 40% of the outstanding shares of Azarga BVI. As consideration for the acquisition of the remaining 40% interest and the cancellation of the remaining US$1,600,000 of deferred cash payments, the Company issued 42,000,000 common shares valued at $5,250,000. The Company incurred $30,000 in transaction costs in relation to the acquisition.

The selling 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$5,000,000 per percentage point so that upon paying US$10,000,000 the NSR royalty will be reduced to 3%.

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 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 (the "Bonus Payment Threshold"), an additional US$6,200,000 will be payable to the selling shareholders within 12 months' notice that the Bonus Payment Threshold has been met.

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS (continued)

Unkur Copper-Silver Project, eastern Russia (continued)

The Company recorded the following exploration and evaluation expenditures on its Unkur Project for the years ended September 30, 2019 and 2018.

	Year ended September 30,	
	2019	2018
Licenses and permits	$ 3,041	$ 40,426
Personnel, administration, and travel	98,646	85,043
Studies and evaluations	150,530	197,551
	$ 252,217	$ 323,020

Kremnica Gold Project, Slovakia

The Company had a 2% NSR royalty on the first one million ounces of gold and silver produced and a 1% NSR royalty 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 (now Arc Minerals Limited ("Arc")). In addition, under the terms of a sale agreement with Arc, the Company would be paid US$15 per ounce in either shares of Arc 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 (the "Deferred Payments").

In February 2018, the Company received $86,485 (£50,000) from Arc to cancel the NSR royalty and the Deferred Payments. Accordingly, the Company recorded a gain on sale of project interest of $86,485 on the statement of loss and comprehensive loss for the year ended September 30, 2018.

(Expressed in Canadian dollars)

8. TRADE AND OTHER PAYABLES

		September 30, 2019		September 30, 2018
Trade and other payables in Canada	$	80,926	$	276,534
Trade and other payables in Cyprus		11,370		15,517
Trade and other payables in Russia		20,079		13,406
Interest due to shareholders (Note 9)		-		11,782
Interest on convertible loan (Note 10)		78,740		-
Interest due to shareholders (Note 11)		-		158,910
Due to related parties (Note 13)		14,813		205,685
Total	$	205,928	$	681,834

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

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

9. SHAREHOLDER LOANS – CURRENT

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

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

During the year ended September 30, 2019, the Company was advanced $232,650 (2018 - $258,750). During the year ended September 30, 2019, the Company accrued interest of $23,576 (2018 - $11,782) on the amounts advanced by shareholders. On April 15, 2019, the Company paid $526,758, being $491,400 of principal and $35,358 of interest, in full and final settlement of the shareholders loans.

10. CONVERTIBLE LOAN

On April 12, 2019, the Company and BSRT completed a secured convertible loan facility pursuant to which BSRT loaned the Company US$3,000,000 (the "Convertible Loan"). The first advance of $1,336,100 (US$1,000,000) was received on signing (the "First Advance") and the second advance of $2,646,800 (US$2,000,000) was received on August 12, 2019 (the "Second Advance").

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

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

On closing of the First Advance, a director of BSRT became a director of the Company.

On closing of the First Advance, the Company:

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

On closing of the Second Advance, the Company issued 1,108,333 common shares valued at $88,667 as a finder's fee (Note 12).

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

The Company allocated the proceeds of $3,982,900 first to the derivative component for $1,600,553, with the residual value to the liability component for $2,382,347. The derivative component of the First Advance was valued on initial recognition using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.67%; an expected volatility of 137.5%; an expected life of 3.72 years; a forfeiture rate of zero; and an expected dividend of zero. The derivative component of the Second Advance was valued on initial recognition using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.25%; an expected volatility of 102.4%; an expected life of 3.39 years; a forfeiture rate of zero; and an expected dividend of zero.

As described above, financing costs totalled $582,819 and were allocated on a pro-rata basis to the derivative and liability components using the same ratio as the allocation of the proceeds being $306,825 to the derivative component and $275,994 to the liability component. The financing costs allocated to the liability component are amortized over the life of the Convertible Loan using the effective interest method while the financing costs allocated to the derivative component were expensed to the statement of loss and comprehensive loss for the year ended September 30, 2019.

(Expressed in Canadian dollars)

10. CONVERTIBLE LOAN (continued)

During the year ended September 30, 2019, the Company recorded interest expense of $235,486, being $78,740 of interest expense on the Convertible Loan which is included in trade and other payables as at September 30, 2019, accretion of $127,842, and amortization of financing costs of $28,904.

(a) Liability component

		September 30, 2019		September 30, 2018
Value on initial recognition	$	2,382,347	$	-
Financing costs - cash		(20,415)		-
Financing costs - warrants		(171,118)		-
Financing costs - common shares		(84,461)		-
Value on initial recognition, net of transaction costs		2,106,353		-
Accretion		127,842		-
Amortization of financing costs		28,904		-
Foreign exchange		(2,236)		-
	$	2,260,863	$	-

(b) Derivative component

		September 30, 2019		September 30, 2018
Value on initial recognition	$	1,600,553	$	-
Change in fair value of derivative liability		15,598		-
	$	1,616,151	$	-

The derivative component is re-valued each reporting period. As at September 30, 2019, the derivative component was revalued at $1,616,151 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.44%; an expected volatility of 91.8%; an expected life of 3.25 years; a forfeiture rate of zero; and an expected dividend of zero. Accordingly, the Company recorded a change in the fair value of the derivative liability of $15,598.

Subsequent to September 30, 2019, the Company issued BSRT 1,470,443 common shares to settle the first semi-annual interest payment of $88,227.

(Expressed in Canadian dollars)

11. SHAREHOLDER LOANS – NON-CURRENT

			September 30, 2019		September 30, 2018
Related shareholders	Relationship				
Principal payable					
Alexander Molyneux	Director	$	322,325	$	315,072
Eugene McCarthy	greater than 10% shareholder		322,857		315,591
Blake Steele	Director		71,687		70,074
OC Management Group Ltd.	Principal is a Director		145,855		142,574
Insignia Partners Limited	Principal is an Officer		152,629		149,194
			1,015,353		992,505
Interest payable			284,077		-
Total		$	1,299,430	$	992,505

On acquisition of the initial 60% interest in Azarga BVI (Note 7), the Company assumed the obligation to repay certain existing loans made by certain of the selling shareholders of Azarga BVI. The amounts due are unsecured and bear interest at the rate of 12% per annum, which was payable annually on each anniversary date. The principal must be paid by May 31, 2023. As part of the financing with BSRT, all accrued interest is now payable once the Convertible Loan is settled (Note 10). Accordingly, accrued interest totalling $220,691 was reclassified from trade and other payables to shareholder loans.

As at September 30, 2019, the principal amount owing to shareholders was $1,015,353 (US$766,709) (2018 – $992,505 (US$766,709)) plus accrued interest of $284,077 (US$214,510) (2018 – $158,910 (US$122,757) which was included in trade and other payables).

During the year ended September 30, 2019, the Company accrued interest of $122,348 (2018 – $118,106) on the shareholder loans.

12. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

During the year ended September 30, 2019, the Company:

- issued 554,166 common shares valued at $55,417 as a finder's fee on the First Advance of the Convertible Loan (Note 10).
- issued 1,108,333 common shares valued at $88,667 as a finder's fee on the Second Advance of the Convertible Loan (Note 10).

(Expressed in Canadian dollars)

12. SHARE CAPITAL (continued)

b) Issued and outstanding (continued)

During the year ended September 30, 2018, the Company:

- issued 42,000,000 common shares valued at $5,250,000 as consideration for the remaining 40% of the Unkur Project (Note 7).
- issued 133,334 common shares to the former Chief Executive Officer and 33,334 common shares to the Corporate Secretary valued at a total of $36,666 to satisfy the third and final tranche of a one-time share management bonus of 500,000 common shares granted in July 2016 (Note 12c).

c) Obligation to issue shares

On July 8, 2016, the Board of Directors of the Company awarded a one-time bonus of 400,000 common shares to the former Chief Executive Officer and 100,000 common shares to the Corporate Secretary. The shares were issued equally in three tranches beginning six months from the date of award. During the year ended September 30, 2018, the Company recorded $6,679 as share-based compensation with a credit to obligation to issue shares. During the year ended September 30, 2018, the Company settled the final third of this obligation by the issue of 166,668 common shares valued at $36,666.

d) Warrants

The continuity of share purchase warrants for the year ended September 30, 2019, is as follows:

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

As at September 30, 2019, the weighted average remaining contractual life of the share purchase warrants outstanding was 1.53 years.

The continuity of share purchase warrants for the year ended September 30, 2018, is as follows:

Expiry date	Exercise price	Balance, September 30, 2017	Issued	Exercised	Expired	Balance, September 30, 2018
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)	$ -

(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, 2019, is as follows:

Expiry date	Exercise price	Balance, September 30, 2018	Granted	Exercised	Expired	Balance, September 30, 2019
July 8, 2021	$ 0.20	2,100,000	-	-	(500,000)	1,600,000
August 9, 2021	$ 0.20	125,000	-	-	-	125,000
October 5, 2021	$ 0.32	225,000	-	-	-	225,000
January 5, 2023	$ 0.15	2,320,000	-	-	(475,000)	1,845,000
May 24, 2024	$ 0.09	-	3,420,000	-	-	3,420,000
		4,770,000	3,420,000	-	(975,000)	7,215,000
Weighted average exercise price		$ 0.18	$ 0.09	$ -	$ 0.18	$ 0.14

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

As at September 30, 2019, the weighted average remaining contractual life of the stock options outstanding was 3.53 years.

The continuity of stock options for the year ended September 30, 2018, is as follows:

Expiry date	*Exercise price*	Balance, September 30, 2017	Granted	Exercised	Expired	Balance, September 30, 2018
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
January 5, 2023	$ 0.15	-	2,320,000	-	-	2,320,000
		2,474,000	2,320,000	-	(24,000)	4,770,000
Weighted average exercise price		$ 0.23	$ 0.15	$ -	$ 2.20	$ 0.18

12. SHARE CAPITAL (continued)

f) Share-based compensation

During the year ended September 30, 2019, the Company recorded share-based compensation of $282,695 (2018 - $366,739) of which $282,695 (2018 - $360,060) related to the issuance of stock options, as described below, and $Nil (2018 - $6,679) related to shares to be issued for management bonuses (Note 12c).

On May 24, 2019, the Company granted 3,420,000 stock options to directors, officers, employees and consultants at a fair value of $282,695 or $0.08 per option, all of which was recorded as share-based compensation for the year ended September 30, 2019. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.59%; an expected volatility of 154%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

On January 5, 2018, the Company granted 2,320,000 stock options to directors, officers, employees and a consultant at a fair value of $323,982 or $0.14 per option, all of which was recorded as share-based compensation for the year ended September 30, 2018. The fair value of the options granted was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.88%; an expected volatility of 161%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

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 $8,104 was recorded as share-based compensation for the options vested in the year ended September 30, 2018.

On August 9, 2016, the Company granted 125,000 stock options to a consultant at a fair value of $25,607, of which $2,052 was recorded as share-based compensation for the options vesting in the year ended September 30, 2018.

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, of which $25,922 was recorded as share-based compensation for the options vesting in the year ended September 30, 2018.

(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) Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the VP Exploration, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel, which includes the amounts disclosed above, during the year ended September 30, 2019 and 2018 were as follows:

	Year ended September 30, 2019	2018
Consulting fees *	$ 207,099	$ 195,639
Share-based compensation	282,695	340,150
	$ 489,794	$ 535,789

* includes $72,917 (2018 – $50,000) paid to Golden Oak Corporate Services Ltd. ("Golden Oak"). Golden Oak is a consulting company controlled by the Chief Financial Officer and Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

b) Amounts due to related parties included in trade and other payables

	September 30, 2019	September 30, 2018
Director fees owing to a former director	$ 14,333	$ 14,333
Salaries and benefits owing to the former CEO	-	118,970
Salaries and benefits owing to Golden Oak	-	65,625
Reimbursement of expenses owing to officers and directors	480	6,757
Total	$ 14,813	$ 205,685

14. SEGMENTED INFORMATION

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

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

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

Financial Instruments	Category	September 30, 2019	September 30, 2018
Cash	FVTPL	$ 2,599,062	$ 20,449
Receivables	Amortized cost	42,751	4,663
Trade and other payables	Amortized cost	205,928	681,834
Shareholder loan - current	Amortized cost	-	258,750
Convertible loan - liability component	Amortized cost	2,260,863	-
Convertible loan - derivative component	FVTPL	1,616,151	-
Shareholder loan - non-current	Amortized cost	1,299,430	992,505

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

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.

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

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

The carrying values of the Convertible Loan (liability component) and shareholders loans (non-current) are measured at amortized cost. The carrying value of Convertible Loan (derivative component) is determined based on Level 3 of the fair value hierarchy.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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. 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.

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 risk on cash is not considered significant. The interest rates on the Convertible Loan and amounts due to shareholders are fixed.

(b) Foreign Currency Risk: The Company expects 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, 2019, the Company holds 95% 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, 2019 would be approximately $247,000. In addition, the Company holds its Convertible Loan and shareholder loans in US dollars and is therefore subject to fluctuations in the exchange rate between the US dollar and the Canadian dollar. The effect of a 10% change in the foreign exchange rate on the Convertible Loan and shareholder loans held in US dollars at September 30, 2019 would be approximately $527,000.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Risk Management (continued)

(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 these minerals, 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 bank 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.

15. 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 have been no changes to the Company's approach to capital management for the years presented.

(Expressed in Canadian dollars)

16. SUPPLEMENTARY CASH FLOW INFORMATION

During the year ended September 30, 2019, the Company:

- issued 554,166 common shares valued at $55,417 as a finder's fee on the First Advance of the Convertible Loan (Note 10);
- issued 1,108,333 common shares valued at $88,667 as a finder's fee on the Second Advance of the Convertible Loan (Note 10); and
- issued BSRT 13,490,414 common share purchase warrants valued at $391,972 (Note 10).

During the year ended September 30, 2018, the Company:

- issued 42,000,000 common shares valued at $5,250,000 for the acquisition of the remaining 40% of the Unkur project (Note 7); and
- issued 133,334 common shares to the former Chief Executive Officer and 33,334 common shares to the Corporate Secretary to satisfy the final one-third of a one-time management bonus of $36,666 (Note 12c).

During the year ended September 30, 2019, the Company paid interest of $35,358 (2018 - $Nil) in cash.

During the year ended September 30, 2019, the Company paid income tax of $Nil (2018 - $Nil) in cash.

17. INCOME TAXES

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

	Year ended September 30,			
		2019		**2018**
Loss for the year	$	(1,562,864)	$	(1,165,199)
Expected income tax recovery	$	(422,000)	$	(312,000)
Change in statutory, foreign tax, foreign exchange rates and other		(21,000)		(640,000)
Permanent differences		137,000		121,000
Adjustment to provision		(537,000)		50,000
Change in unrecognized deductible temporary differences		843,000		781,000
Total	$	-	$	-

(Expressed in Canadian dollars)

17. INCOME TAXES (continued)

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

		September 30, 2019		September 30, 2018
Deferred tax assets				
Exploration and evaluation assets	$	2,768,000	$	2,122,000
Equipment		57,000		57,000
Share issue costs		3,000		4,000
Debt with accretion		(29,000)		-
Allowable capital losses		10,090,000		10,090,000
Non-capital losses available for future periods		7,940,000		7,713,000
Total unrecognized deferred tax assets	$	20,829,000	$	19,986,000

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, 2019	Expiry date range
Temporary differences			
Exploration and evaluation assets	$	10,808,000	no expiry date
Equipment		212,000	no expiry date
Share issue costs		9,000	2020-2021
Allowable capital losses		37,369,000	no expiry date
Non-capital losses available for future periods		29,432,000	
Non-capital loss summary			
Canada	$	29,388,000	2026 to 2039
Cyprus		42,000	2021 to 2024
Russia		2,000	no expiry date

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