MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2021

(Expressed in Canadian dollars)

The following is management's discussion and analysis ("MD&A") of the results of operations and financial condition of Azarga Metals Corp. (the "Company" or "Azarga") for the year ended September 30, 2021 and up to the date of this MD&A and should be read in conjunction with the accompanying audited consolidated financial statements for the year ended September 30, 2021, together with the notes thereto (the "Financial Report").

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

The effective date of this MD&A is January 25, 2022.

Description of the Business

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

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

Management Change

In April 2021, the Company appointed Gordon Tainton as director and President and Chief Executive Officer, succeeding Michael Hopley who stepped down to pursue other interests.

Mr. Tainton is an experienced, successful business leader who, since the early 2000's has held senior management and board positions in both public and private companies within the mining and extractive industries as well as physical commodity marketing. His project experience includes involvement with studies and development plans, trading, logistics, off-take agreements and project financing, and he has significant experience in project generation in the junior mining sector. Mr. Tainton holds a BA from Simon Fraser University.

COVID-19

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

Marg Copper Project, Yukon, Canada

Acquisition

In November 2021, the Company entered into an asset purchase agreement with Golden Predator Mining Corp. ("Golden Predator") to acquire a 100% interest in the Marg Copper Project located in the Yukon Territory of Canada.

The Company paid a non-refundable deposit of $50,000 cash in July 2021 on signing of a letter of intent (this amount has been recorded as deferred acquisition costs as at September 30, 2021) and issued 5,219,985 common shares in December 2021 on closing.

Future consideration includes:

- the payment of $200,000 cash on the first anniversary of closing;
- the payment of $350,000 cash on the second anniversary of closing;
- the payment of $300,000 (in cash or shares at Golden Predator's discretion) upon final decision to mine by the Company at the Marg Project; and
- the granting to Golden Predator of a 1% NSR royalty of all metals extracted from the Marg Project. The Company will have the option to buy back 100% of the NSR royalty for cash consideration of $1,500,000.

The Company paid a finder's fee through the issuance of 447,761 common shares in December 2021.

Project

The Marg Project is an undeveloped volcanogenic massive sulphide ("VMS") deposit located in the Mayo Mining District in Central Yukon, approximately 40 kilometres east of Keno City (which itself is approximately 465 kilometres by road north of Whitehorse). The Marg Project claims are located within the First Nation of the Nacho Nyak Dun ("FNNND") traditional territory.

Due diligence conducted by Azarga highlights potential areas the Company will focus on initially to enhance the value of the Marg Project, including:

- Advancing metallurgical and mineralogical work – The Company believes that more appropriate and extensive metallurgical and mineralogical test work could deliver improved economic outcomes. The issue of lack of relevant metallurgical and mineralogical test work presented itself in the preliminary economic assessment ("PEA") with lower than typical recoveries assumed for similar mineralization styles (including very low assumed recoveries into concentrate for gold or silver).

- Analysis and interpretation of 2006 VTEM data (and surface geochemistry) – The Company's analysis and interpretation of the VTEM Airborne ElectroMagnetic ("AEM") surveys completed in 2006 over high-priority felsic volcanics have not yet been adequately followed up with detailed additional ground geophysical surveys, soil sampling, geological mapping and/or drilling.

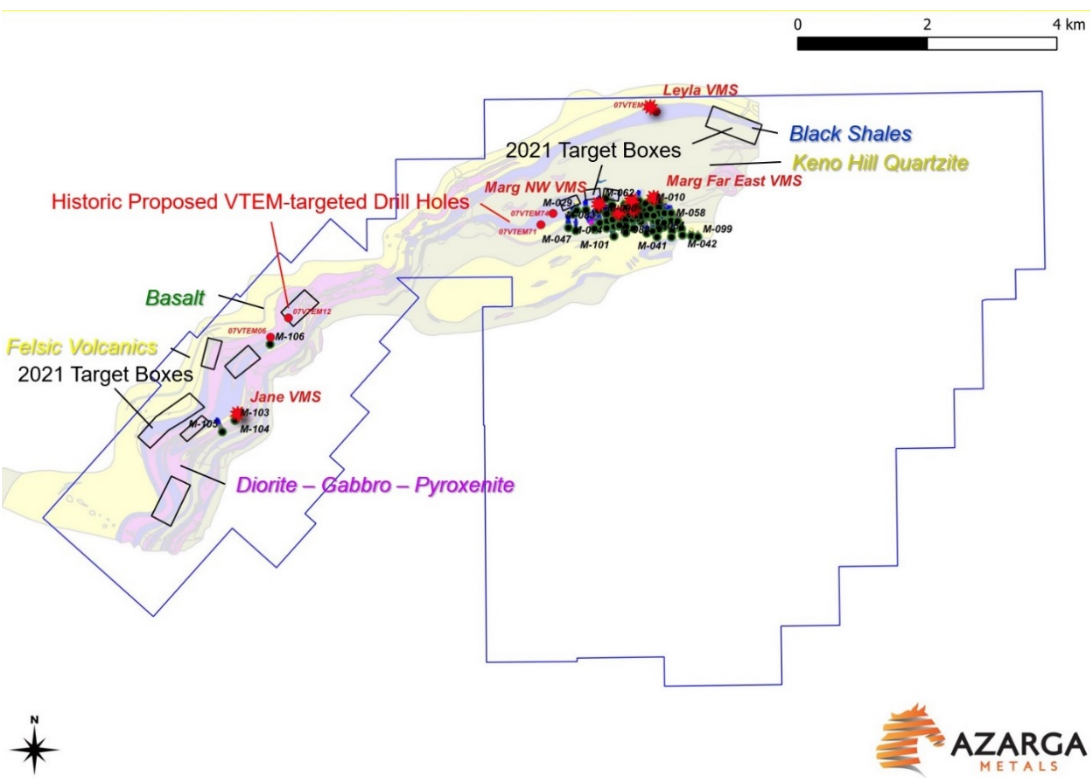
- Modern soil surveys have also outlined a number of excellent, untested, semi-coincident Ag-Pb-Hg-Ba-Mn-Sb-Tl anomalies ("VMS signature") locally coincident with untested strong VTEM AEM anomalies lying within highly prospective felsic volcanics. As a consequence, there remains considerable exploration upside with the potential to significantly expand the known base and precious metal inventory on the property.

- Analysis of the geological setting of the Marg VMS deposit along with its coincident AEM geophysical and surface geochemical attributes suggest strong potential for additional VMS deposits to occur at regular intervals along strike, especially in an area referred to as the Jane Mineral Occurrence (Yukon Minfile_ID #13663 – located 7 kilometres along strike to the southwest of Marg – see Figure 1).

- Mineralized envelope extension and exploration – Azarga believes there is strong potential to materially add to mineralization at the project. Firstly, at Marg itself, deeper drilling is recommended to explore the down-plunge, relatively sparsely drill-tested continuation of two massive sulphide lenses that constitute the bulk of the known Marg mineral resource. Secondly, proposed drilling within three target boxes located immediately northwest of the Marg deposit will be focused on coincident exceptionally strong Ag-Tl-Pb-Cu-Ba in soil anomalies, VTEM AEM conductors and a prospective rhyolite - black shale contact (possibly representing an assumed fold-repeated Marg VMS Horizon with similar geological-geophysical-geochemical attributes), all located within a few hundreds of metres northwest of the historic Marg deposit (Figure 1).

- Initial meetings with the FNNND resulted in a mutual understanding to work together to develop a comprehensive engagement plan, based on Azarga goals and objectives in the spirit of respect, transparency, and partnership. The plan would provide a framework for prioritizing business and training opportunities by Azarga for FNNND individuals, groups and those entities owned by and/or affiliated to FNNND.

Figure 1 – Historic Drill Holes, Target Boxes and Historic Proposed Drill Holes on Geology



The most recent NI 43-101 Mineral Resource estimate for the Marg Project (Table 1) was completed for Revere Development Corp. by Mining Plus Canada Consulting Ltd. in 2016 and incorporated into a PEA for the project titled "Revere Development Corp, Marg Project Preliminary Economic Assessment, Technical Report, Yukon Canada" and dated August 31, 2016.

The mineral resource estimate in the 2016 PEA was prepared in accordance with NI 43-101 standards and is considered by Azarga management to have a high degree of reliability, however, the resource has not been verified by Azarga and is considered historical in nature. A qualified person representing Azarga has not done sufficient work to classify the historical estimate as a current mineral resource and Azarga is not treating it as a current mineral resource.

Table 1 – August 31, 2016 NI 43-101 total Mineral Resource estimate for Marg Project at a 0.5% copper equivalent cut-off (combining high-grade and low-grade zones)[1]

Category	Tonnage (mt)	Cu%	Pb%	Zn%	Ag g/t	Au g/t
Indicated	3.7	1.5	2.0	3.8	48	0.76
Inferred	6.1	1.2	1.7	3.4	44	0.74

Note: 1. Where CuEq% was calculated = Cu% + 0.28 Pb% + 0.32 Zn% + 0.39 Au g/t + 0.0055 Ag g/t, which was assessed based on the following metal price and recovery assumptions: Cu price of 2.5 US$/lb and recovery of 80% (96.5% payable); Pb price of 0.8 US$/lb and recovery of 70% (95% payable); Zn price of 0.8 US$/lb and recovery of 90% (85% payable); Au price of 1100 US$/oz and recovery of 50% (90% payable); and Ag price of 16 US$/oz and recovery of 50% (90% payable).

Unkur Copper-Silver Project, eastern Russia

In August 2021, Azarga announced the positive findings of an updated PEA for the development of its wholly owned Unkur Copper-Silver Project in the Zabaikalsky administrative region of Eastern Russia.

HIGHLIGHTS:

- Base PEA case proposes average annual production of 11.7 thousand tonnes per annum copper and 2.9 million ounces per annum silver in concentrates over a 14-year mine life
- 4-years open-pit mining at 2.75 million tonnes per annum followed by 10-years underground mining at 2.0 million tonnes per annum
- Use of SART processing in early years to process oxide material, followed by conventional sulphide flotation
- At consensus prices (US$3.86 per pound copper and US$25 per ounce silver), post-tax net present value ("NPV") of US$205.5 million and internal rate of return ("IRR") of 26.7%
- At May 21, 2021 spot prices (US$4.54 per pound copper and US$28 per ounce), post-tax NPV of US$380.4 million and IRR of 44.4%
- Post-tax NPVs of the updated PEA are 39-158% higher than the previous PEA prepared on Unkur in 2018. Substantial improvements include: lower pre-production capital expenditure; higher average annual throughput; and a 75% longer mine life
- The PEA also considered an alternative open-pit only case to mine and process the oxide material for 4 years with post-tax NPV of US$95.1 million and IRR of 46.3% (at consensus prices) and NPV of US$162.2 million and IRR of 70.1% (at May 2021 spot prices)
- Positive PEA result based on updated 2021 Inferred Mineral Resource estimate of 51.1 million tonnes at 0.59% copper and 40 grams per tonne silver

This updated PEA is based on the new 2021 Inferred Mineral Resource estimate, which is largely the product of the modern exploration campaigns conducted by Azarga at Unkur in 2016-2017 and 2019-2021. Azarga considers that there is strong potential to grow the 2021 Mineral Resource estimate. Mineralization is open in both directions along strike and at depth. The updated resource estimate and PEA were independently prepared by Wardell Armstrong ("WAI"). WAI estimated 51.1 million tonnes of mineralization at 0.59% copper and 40 grams per tonne silver, optimized for open pit and underground operation. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

When considering the PEA outcomes, the Company is of the opinion that relatively small amounts of additional open-pit mineable resources (even 1-2+ years' worth) could have a beneficial impact on economics of both the base case and alternative open-pit only scenarios. In that regard, new copper mineralization was discovered in 2020 in outcrops at Kemen, some 5 kilometres east of the main Unkur deposit, and at Unkur Southwest, approximately 1 kilometre from Unkur. Subject to financing, Azarga aims to continue to grow mineral resources at Unkur, with a particular focus on high-value near-surface material.

The PEA assumes a one-year pre-development timeline prior to first production. Initial development in the first year consists mainly of infrastructure works, site preparation and commencement of plant construction. Pre-stripping will also occur in the first pre-development year along with completion of the processing plant. This is considered reasonable giving the heap leach treatment for oxide mineralization chosen under base case scenario. Tailing's storage facility development will be completed before the project transitions to underground mining, although some of the waste material generated during the first years of open pit mining will be used for construction of the tailing's facility.

Details of the assumptions and parameters used with respect to the Unkur Copper-Silver Project PEA, including information on data verification, are set out in the "Preliminary Economic Assessment of the Unkur Copper Deposit, Zabaikalsky Krai, Russian Federation", dated August 16, 2021 with an effective date of July 31, 2021, a copy of which is available under the Company's profile at www.sedar.com.

The Unkur Copper-Silver Project PEA is preliminary in nature; it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Unkur Copper-Silver Project PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The 2021 Mineral Resource estimate was prepared by Alan Clarke, an employee of WAI. Mr. Clarke is a Chartered Geologist (CGeol) and Fellow of the Geological Society of London, and European Geologist (EurGeol) of the European Federation of Geologists and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Qualified Person as defined by National Instrument 43-101 ("NI 43-101").

The results of the 2021 Mineral Resource estimate and PEA prepared by WAI have been reviewed by the Company's technical staff, including Alexander Yakubchuk, Ph.D., MoIMMM, the Company's Vice-President Exploration, a Qualified Person as defined by NI 43-101.

Qualified Person

Alexander Yakubchuk, Ph.D., MoIMMM, the Company's Vice-President Exploration and a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource disclosures of the Unkur Project contained in this MD&A.

James Pickell, P.Geo., a consultant to Azarga and a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource disclosures of the Marg Project contained in this MD&A.

Selected Annual Information

	Fiscal Year Ended September 30, 2021	Fiscal Year Ended September 30, 2020	Fiscal Year Ended September 30, 2019
Statement of Loss:			
Net revenues	$Nil	$Nil	$Nil
Loss	$(1,865,443)	$(3,266,328)	$(1,562,864)
Basic and diluted loss per share	$(0.02)	$(0.03)	$(0.02)
Financial Position:			
Total assets	$9,031,207	$8,861,401	$10,747,748
Long term debt	$6,126,707	$5,689,748	$5,176,444
Dividends	$Nil	$Nil	$Nil

Results of Operations – year ended September 30, 2021

The loss and comprehensive loss for the year ended September 30, 2021 was $1,865,443 compared to $3,266,328 for the year ended September 30, 2020.

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

Exploration and evaluation expenditures for the year ended September 30, 2021 totalled $378,603 (2020 – $1,756,239) and related to exploration work on the Unkur project. In the current year, the Company did not drill at the Unkur Project whereas in the prior year, the Company drilled the Unkur project and incurred $1,234,718 of drilling and assay expenditures.

During the year ended September 30, 2021, the Company recorded interest expense of $562,993 (2020 – $705,039), being $380,576 (2020 - $353,438) of interest expense on the convertible loan, accretion of $Nil (2020 – $225,477), and amortization of financing costs of $182,417 (2020 – $126,124).

During the year ended September 30, 2020, the Company recorded the following related to the convertible loan with Baker Steel Resource Trust ("BSRT"):

- Gain in fair value of derivative liability of $869,805. The derivative liability was a component of the convertible loan and was re-valued each reporting period using the Black-Scholes option pricing model by changing various assumptions including the share price, risk-free interest rate, expected volatility, and expected life, as at the end of the reporting period. There was no change in fair value of derivative liability in the current period as the convertible loan was amended in April 2020 to fix the number of potential common shares to be issued.
- Gain on de-recognition of derivative liability of $746,346. As amended in April 2020, the Company determined that the convertible loan no longer contained an embedded derivative as it satisfied the "fixed for fixed" requirement as the number of potential common shares to be issued is fixed at 46,925,500 common shares being the principal of $4,692,550 divided by the conversion price of $0.10.
- Loss on extinguishment of convertible loan liability of $1,551,554. The modification of the terms of the convertible loan was considered substantial and was accounted for as an extinguishment of the original loan and the recognition of a new loan.

Summary of Quarterly Results

	Three Months Ended September 30, 2021	Three Months Ended June 30, 2021	Three Months Ended March 31, 2021	Three Months Ended December 31, 2020
	$	$	$	$
Revenue	-	-	-	-
Loss	(580,206)	(404,778)	(347,439)	(533,020)
Loss per share, basic and diluted	(0.01)	(0.00)	(0.00)	(0.01)

	Three Months Ended September 30, 2020	Three Months Ended June 30, 2020	Three Months Ended March 31, 2020	Three Months Ended December 31, 2019
	$	$	$	$
Revenue	-	-	-	-
Net income (loss)	96,516	(1,473,463)	(1,525,365)	(364,016)
Net income (loss) per share, basic and diluted	0.00	(0.02)	(0.02)	(0.00)

Trends

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

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

Liquidity and Capital Resources

Azarga began the fiscal year with $775,220 of cash. During the year ended September 30, 2021, the Company spent $1,046,651 on operating activities, net of working capital changes, $50,000 on investing activities, and received $1,184,282 from financing activities to end at September 30, 2021 with $862,851 of cash.

In March 2021, the Company completed a non-brokered private placement through the issuance of 20,833,329 units at a price of $0.06 per unit for gross proceeds of $1,250,000. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one common share of the Company at a price of $0.12 per share until March 25, 2023.

As at September 30, 2021, the Company had working capital of $708,412. Management estimates that its working capital may not provide the Company with sufficient financial resources to carry out currently planned operations and exploration through the next twelve months. Additional financing may be required by the Company to complete its strategic objectives and continue as a going concern. While the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

Fourth Quarter

The Company began the fourth quarter with $1,164,293 of cash. During the fourth quarter, the Company spent $251,442 on operating activities, net of working capital changes, and $50,000 on investing activities to end the quarter and the year with $862,851 of cash.

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 during the years ended September 30, 2021 and 2020 were as follows:

	Year ended September 30, 2021	2020
Consulting fees		
Chief Executive Officer	$ 87,000	$ -
Former Chief Executive Officer	37,327	67,248
VP Exploration	91,052	96,853
Golden Oak *	100,000	100,000
	315,379	264,101
Share-based compensation	86,678	-
	$ 402,057	$ 264,101

* Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by the Chief Financial Officer and Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

b) Due to related parties

As at September 30, 2021, the Company owed $17,446 (September 30, 2020 – $14,654) to related parties of which $306 was owing to the Chief Executive Officer and $2,807 was owing to Golden Oak, both for the reimbursement of expenditures, and $14,333 was owing to a former director for director fees. All amounts are unsecured and non-interest bearing.

c) Shareholder loans

Shareholders	Relationship		September 30, 2021		September 30, 2020
Principal payable					
Alexander Molyneux	greater than 10% shareholder	$	310,107	$	324,662
Eugene McCarthy	greater than 10% shareholder		310,618		325,197
Blake Steele	Director		68,970		72,207
OC Management Group Ltd.	Principal is a Director		140,326		146,913
Serhii Stefanovych			146,843		153,735
			976,864		1,022,714
Interest payable			508,076		409,198
Total		$	1,484,940	$	1,431,912

The amounts due are unsecured, bear interest at the rate of 12% per annum, and are payable by May 31, 2023. Accrued interest was due annually but as part of the financing with BSRT, all accrued interest is now payable once the convertible loan is settled.

During the year ended September 30, 2021, the Company accrued interest of $116,030 (2020 – $125,526) on the shareholder loans.

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

Additional Disclosure for Venture Issuers without Significant Revenue

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

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

Authorized: an unlimited number of common shares without par value

	Common Shares Issued and Outstanding	Share Purchase Warrants	Stock Options
Balance as at September 30, 2021	121,092,414	32,047,375	8,427,000
Shares issued for interest payable	3,743,755	-	-
Marg Project acquisition	5,667,746	-	-
Options expired	-	-	(225,000)
Balance as at the date of this MD&A	130,503,915	32,047,375	8,202,000

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.

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 forecasted 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.

(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.

Convertible loan

The terms and conditions of financial liabilities may contain embedded derivatives. In April 2019, the Company completed a secured convertible loan facility. The Company evaluated whether the convertible loan contained an embedded derivative and determined that the conversion feature did not qualify as equity as it did not satisfy the "fixed for fixed" requirement. The number of potential common shares to be issued was contingent on a variable carrying amount for the financial liability. The liability was variable because the functional currency of the Company is Canadian dollars and the convertible loan was denominated in US dollars, therefore the amount to be settled depended on the foreign exchange rate at the date of settlement. Consequently, the conversion feature was classified as a derivative liability recorded at fair value and was 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.

In April 2020, the Company amended the terms of the convertible loan to fix the number of potential common shares to be issued on conversion. As a result, the conversion feature now satisfies the "fixed for fixed" requirement and is no longer classified as a derivative liability.

The modification of the terms of the convertible loan is considered substantial and is accounted for as an extinguishment of the original loan and the recognition of a new loan. Transaction costs associated with the modification of the loan have been expensed as incurred and included in loss on extinguishment of the convertible loan.

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, 2021 and have not been applied in preparing the Financial Report.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to IAS 1 Presentation of Financial Statements, clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The Company has not early adopted this revised standard and its adoption is not expected to have a significant effect on the Company's Financial Report.

Financial Instruments and Risk Management

Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVTOCI"); or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instruments	Category	September 30, 2021	September 30, 2020
Cash	FVTPL	$ 862,851	$ 775,220
Receivables	Amortized cost	74,880	62,939
Trade and other payables	Amortized cost	260,678	263,833
Convertible loan	Amortized cost	4,641,767	4,257,836
Shareholder loans	Amortized cost	1,484,940	1,431,912

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

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

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

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

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

The carrying values of the convertible loan and shareholder loans are measured at amortized cost.

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 on 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 shareholder loans 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, 2021, the Company holds 19% of its cash in foreign currencies. 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, 2021 would be approximately $15,000. 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, 2021 would be approximately $594,000.

(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 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.

Cautionary Note Regarding Forward-looking Statements

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

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

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

Other Information

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com and at the Company's website www.azargametals.com.