



FOR IMMEDIATE RELEASE
31 August 2018

TSX-V: AZR

AZARGA METALS CLARIFIES DISCLOSURE ON PRELIMINARY ECONOMIC ASSESSMENT (“PEA”) ON UNKUR COPPER-SILVER PROJECT

AZARGA METALS CORP. (“Azarga Metals” or the “Company”) (TSX-V:AZR) announced the positive findings of an independently prepared preliminary economic assessment (“PEA”) for the development of its wholly-owned Unkur Copper-Silver Project in the Zabaikalsky administrative region of eastern Russia on 30 August 2018. At the request of IIROC the Company wishes to clarify certain disclosure in its August 30, 2018 news release titled “Azarga Metals Announces Positive, Independent, Preliminary Economic Assessment on Unkur Copper-Silver Project”.

This announcement covers the PEA but has been expanded to allow the Company and Tetra Tech, Inc. (“**Tetra Tech**”) to make additional comments on: (i) metallurgical process; and (ii) silver price forecast. This release includes such additional comments along with the PEA summary.

Regarding metallurgical process, further information and background on the metallurgical process(es) summarized in the original PEA announcement, used to achieve 94% recoveries for both copper and silver and produce a very high grade concentrate product containing approximately 75.0% copper and 6,500g/t silver have been included in the Mining and Processing and Product and Marketing sections below.

Regarding silver price. A silver price of US\$20 per ounce was used in the PEA and while it may appear high relative to the current spot price of less than US\$15 per ounce, the forecast price is justified on the basis that: (i) the forward curve for silver, permanently in contango, only dropped below US\$20 per ounce for the 2020-2021 period (matching potential development timeframe for Unkur) in June 2018 and has been above that for most of the last three years; and (ii) the average long-term silver price forecast of a number of independent analysts referenced (including Macquarie Bank, UBS, Credit Suisse, BMO, ABN Amro and TD Economics) remains at approximately US\$20 per ounce. It should also be noted that copper is the primary revenue metal in the PEA.

The PEA is based on the current Inferred Mineral Resource estimate for Unkur of 62 million tonnes at 0.53% copper and 38.6g/t silver, containing 328,600 tonnes (724 million pounds) of copper and 76.8 million troy ounces of silver, as announced by the Company on 27 March 2018 (“**2018 Mineral Resource**”).

Dorian L. (Dusty) Nicol, Azarga Metals’ President and CEO commented on the PEA, “**We are extremely encouraged that even based only on our initial exploration, Unkur is able to demonstrate a positive PEA result.**”. He then went on to say, “**Additional exploration is expected to significantly grow the size of the deposit and this will likely continue to enhance the project economics when an updated PEA is prepared.**”

AZARGA METALS CORP.
UNIT 1 – 15782 MARINE DRIVE, WHITE ROCK, B.C. V4B 1E6, CANADA
www.azargametals.com

The following table summarizes key Unkur Project PEA metrics.

Table 1: Key Unkur Project PEA metrics

| Parameters / metrics | Amount ¹ |
|--|---|
| <u>Production</u> | |
| - Total mill feed | 16.9 million tonnes LOM / 2.0 million tonnes per year |
| - Copper feed grade (ave) | 0.66% |
| - Silver feed grade (ave) | 57.9g/t |
| - Initial LOM | 8-years |
| - LOM copper recovery | 94.0% |
| - LOM silver recovery | 94.0% |
| - Concentrate grade – copper (dry) | 75% |
| - Concentrate grade – silver (dry) | 6,500 g/t |
| - Total copper production | 105,737 tonnes LOM / 13,217 tonnes per year (ave) |
| - Total silver production | 29.63 million ounces LOM / 3.70 million ounces per year (ave) |
| - LOM strip ratio | 9.7:1 |
| <u>Capital and costs</u> | |
| - Pre-production capital | US\$186.6 million (including US\$37.3 million contingency) |
| - LOM sustaining capital | US\$14.4 million |
| - Closure costs | US\$3.6 million |
| - Copper C1 cash cost (excl. G&A) | US\$0.38 per pound (assuming silver as a by-product) US\$2.84 per pound (excluding by-product sales) |
| <u>Project economics (pre-tax)</u> | |
| - Copper price | US\$3.25 per pound |
| - Silver price | US\$20.0 per ounce |
| - Russian Ruble | 62.5 per US\$1 |
| - NPV | US\$203.6 million (at 8.0% discount rate) |
| - IRR | 28.9% |
| - Payback | 3.0 years |
| <u>Project economics (post-tax)²</u> | |
| - NPV | US\$147.5 million (at 8.0% discount rate) |
| - IRR | 24.4% |

Notes: 1. References to 'ounces' are troy ounces, 2. Assuming Unkur Project qualifies for Russian Far East & Siberian tax incentives for mineral extraction projects.

MINING AND PROCESSING

The mining method selected for the PEA is open-pit mining, based upon contract mining of mineralized material and waste.

The initial mine plan has been designed on a higher-grade sub-set of the 2018 Mineral Resource, comprising 15.5 million tonnes of mineralized material at a grade of 0.76% copper and 66.6g/t silver, with an annual production rate of approximately 2 million tonnes of mill feed per year. The overall LOM waste to mill feed material (i.e., strip) ratio is projected to be 9.7:1. However, it should be noted that much of the overburden is unconsolidated moraine material that will not require blasting.

Preliminary metallurgical test work on a bulk sample demonstrated that 95% copper and silver extraction can be achieved using conventional hydrometallurgical processing methods. The PEA process plant design is based on 2 million tonne per annum capacity, with LOM feed of average diluted copper grade of 0.66% and average diluted silver grade of 57.9g/t. The conceptual process flowsheet consists of a jaw crusher followed by a two-stage conventional milling (semi-autogenous grinding mill and ball mill) in order to produce slurry with an optimum size distribution for cyanidation. The slurry, with a characteristic particle size of $P_{80} = 75 \mu\text{m}$, will be fed into pre-leach thickeners. The thickener underflows will then be leached in agitated leach tanks and subsequently washed in a counter current decantation circuit prior to being treated by a sulphidization, acidification, recycling and thickening (“**SART**”) circuit, which produces a copper and silver concentrate and recycle cyanide. SART is an established process based on proven chemistry employed in high copper gold projects such as Nemont’s Yanacocha and Anglo Asian’s Gedabek Projects.

The PEA assumes the proposed process plant will provide an average silver recovery of 94.0% and an average copper recovery of 94.0%, taking process efficiencies into account.

Tailings from the process plant will be pumped to a tailings management facility.

PRODUCT AND MARKETING

The SART process will produce a synthetic mineral precipitate largely consisting of chalcocite (Cu_2S) and acanthite (Ag_2S), which will result in a high-grade copper concentrate of approximately 75.0% copper and 6,500g/t silver. This compares favourably with standard copper concentrates that are typically 22-24% copper and so it should make this product very attractive to smelters. There is also the possibility that this material may be accepted directly at custom refiners.

OUTBOUND LOGISTICS

The PEA assumes a 12-kilometer road will be built from the existing highway, which is also where the Baikal-Amur Mainline railway is. The concentrate can either be sold within Russia, exported to China (via rail or road) or other international customers (assumed to be via rail to the Russian Pacific port of Sovetskaya Gavan a distance of some 2,300 kilometers).

INFRASTRUCTURE

Unkur Copper-Silver Project has access to infrastructure. The project site is situated within 20 kilometers of the town of Novaya Chara, with major road and rail access. A regional 220kVA power line runs across a corner of the Unkur license area and the PEA assumes construction of a 4 kilometer overhead powerline and substation to connect the processing plant and main site to mains power.

The world’s largest current copper project development is taking place at Udokan, approximately 30 kilometers from Unkur. As a result, substantial investment in improved ancillary infrastructure is being made that will be of future benefit to Azarga Metals and Unkur, including a renovation of the regional airport, roads and a significant expansion of facilities at Novaya Chara town.

PRE-DEVELOPMENT

The PEA assumes a two-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 and tailings storage facility development will occur in the second pre-development year along with completion of the processing plant.

FUTURE PEA ENHANCEMENT

This initial PEA was based on the 2018 Mineral Resource, which was largely the product of the first modern exploration campaign conducted at Unkur Copper-Silver Project in 2016-2017. Azarga Metals considers that there is strong potential to grow the 2018 Mineral Resource. Mineralization is open in both directions along strike and at depth. Azarga Metals aims to substantially grow the mineral resource at Unkur, with a particular initial focus on the zone of thicker and higher grade mineralization in the northern part of the interpreted mineralized area. Increased Mineral Resources would be highly likely to increase the proposed mining inventory in a future subsequent PEA, with a likely resultant improvement in project economics.

Qualified Person and NI 43-101 Disclosure

The PEA is preliminary in nature, and 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, and there is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Dorian (Dusty) Nicol B.Sc. Geo, MA Geo the Company's President and Chief Executive Officer and, a Qualified Person as defined by NI 43-101 has prepared, supervised the preparation, or approved the scientific and technical disclosure in this news release.

Independent Qualified Person, Andy Carter, of Tetra Tech, Inc., has reviewed and approved the technical content of this news release.

About Azarga Metals Corp.

Azarga Metals is a mineral exploration and development company that owns 100% of the Unkur Copper-Silver Project in the Zabaikalsky administrative region in eastern Russia.

AZARGA METALS CORP.

"Dusty Nicol"

Dorian L. (Dusty) Nicol, President and CEO

For further information please contact: Doris Meyer, at +1 604 536-2711 ext 6, visit www.azargametals.com, or follow us on Twitter @AzargaMetals.

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Cautionary Statement:

This news release contains forward-looking statements that are based on the Corporation's current expectations and estimates. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "suggest", "indicate" and other similar words or statements that certain events or conditions "may" or "will" occur. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual events or results to differ materially from estimated or anticipated events or results implied or expressed in such forward-looking statements. Such factors include, among others: the actual results of current planned exploration activities; conclusions of economic evaluations; changes in project parameters as plans to continue to be refined; possible variations in mineralized material grade or recovery rates; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing; and fluctuations in metal prices. There may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Corporation disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.