



FOR IMMEDIATE RELEASE

14 February 2019

TSX-V: **AZR**

**AZARGA METALS SECURES US\$3.0-3.5M INVESTMENT FROM CLIENT FUNDS OF
BAKER STEEL CAPITAL MANAGERS**

HIGHLIGHTS:

- Internationally renowned specialist natural resources investment management firm, Baker Steel Capital Managers LLP (BSCM) has agreed to invest US\$3.0-3.5M of client funds into Azarga Metals via a convertible loan, convertible at C\$0.14/share
- US\$3.0M of the overall investment to come from BSCM managed fund, Baker Steel Resources Trust Ltd (BSRT)
- Azarga Metals to mainly use convertible loan proceeds to more than double drilling at its Unkur Copper-Silver Project and complete a pre-feasibility study
- Investment into Azarga Metals follows BSRT's highly successful monetization of its investment in Prognoz Silver Project, Far East Russia, at a multiple of its investment cost
- Additional US\$1.7-2.0M of warrants to be issued to BSCM client funds with a strike price of C\$0.17/share

AZARGA METALS CORP. ("Azarga Metals" or the "Company") (TSX-V:AZR) is pleased to announce that it has executed a Binding Terms Sheet with Baker Steel Capital Managers LLP ("BSCM") acting on behalf of its discretionary client funds, principally Baker Steel Resources Trust Ltd. ("BSRT") (LSE:BSRT) setting out the proposed terms for an investment of a minimum of US\$3.0 million, up to US\$3.5 million in three tranches via a convertible loan with an 8.0% per annum interest rate and conversion price of C\$0.14/share ("**Convertible Loan**"). As part of the transaction, Azarga Metals will issue between US\$1.7 million and US\$2.0 million of common stock warrants (depending on the final convertible loan size) with an exercise price of C\$0.17/share ("**Warrants**"), which if fully exercised would increase BSCM clients' interest, to an overall investment into the Company of up to US\$5.5 million. Azarga Metals intends to use the proceeds of the Convertible Loan to re-invigorate physical exploration at its Unkur Copper-Silver Project, with a view to more than doubling the cumulative linear meters of drilling.

Chairman, Alex Molyneux commented, "*I'm excited our strategic process has resulted in a partnership with such a high-quality resources-experienced investor. Baker Steel Capital Managers, the manager of BSRT. BSCM has been around for 18-years, with a great reputation for picking early stage winners in the minerals space.*"

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The transaction remains subject to certain conditions as set out later in this announcement. Based on timelines for confirmatory due diligence works and third-party regulatory approvals, Azarga Metals currently anticipates the transaction to complete within two months.

KEY TERMS OF THE TRANSACTION

Key material terms of the transaction are:

- Investor – clients of BSCM, principally BSRT or a wholly-owned subsidiary (directly or indirectly).
- Convertible Loan – Principal amount of between US\$3.0M and US\$3.5M, carrying 8.0% per annum interest (payable in cash or Azarga Metals shares at the Company's election). Repayable 31 December 2022. Convertible at the Investor's election at C\$0.14 per share. The Convertible Loan will be secured via a negative pledge against the Company's shareholding in its wholly-owned subsidiary Azarga Metals Limited (BVI), the ultimate owner of the Unkur Copper-Silver Project. Investor will be provided typical anti-dilution rights, including a mechanism to adjust the conversion price of the Convertible Loan for: payouts of share dividends; share splits; share reclassifications; share issuances; capital returns; or any combination of such events.
- Tranched drawdown – The Convertible Loan will be available in tranches: US\$1.0M on completion; and US\$2.0M between four and six months following the first tranche. A third tranche of up to US\$0.5M will be drawable between four and twelve months following the second tranche if the overall final investment size exceeds US\$3.0M.
- Warrants – US\$1.7-2.0M of common stock warrants to be issued to Investor on draw of the first Convertible Loan tranche. Warrants to have a strike price of C\$0.17 per share. The actual amount of the final warrant issue will be determined by the final amount of the Convertible Loan size.
- Board representation – Investor to appoint one director to the board of the Company on completion, with a right to two director appointments at any time Investor owns more than 20% of the Company's common stock.
- Drop Dead Date – The parties intend to satisfy the conditions to completion by 31 March 2019 or such other date mutually agreed.
- Break fee – In the event Azarga Metals agrees a change of control transaction with a third party for either the Company or Unkur Copper-Silver Project prior to the Drop Dead Date, then Azarga Metals will pay a break fee to Investor of US\$250,000, or if Azarga Metals fails to achieve any of the conditions of the transaction, other than Investor not being satisfied with confirmatory due diligence on or before the Drop Dead Date, Azarga Metals will pay a break fee of US\$100,000.

CONDITIONS OF THE TRANSACTION

Conditions that need to be satisfied for any part of the proposed transaction to proceed include:

- Confirmatory due diligence – Investor completing, to its satisfaction, legal and confirmatory due diligence.
- Any TSX Venture Exchange or regulatory approvals.
- Investor entering into an agreement, to its satisfaction, to acquire an option from the Unkur net smelter royalty ("**Unkur NSR**") holders to acquire a 40% interest in the Unkur NSR for US\$5.0M.
- Preparation and execution of definitive documentation.
- Approval of Azarga Metals' board of directors.
- Shareholder approval (if required).

The Company may be a finder's fee in connection with this transaction within the guidelines of the TSX Venture Exchange.

STATUS OF UNKUR COPPER-SILVER PROJECT

Azarga Metals acquired the Unkur Copper-Silver Project in the Zabaikalsky administrative region of eastern Russia (relatively near the China-Russia border) in mid-2016 and then embarked on a successful initial exploration program. In 2016-2017, the Company completed 16 diamond core drill-holes at Unkur for 4,580 cumulative linear meters. An outstanding maiden NI43-101 Resource was published in April 2017 and then in March 2018 the Resource was enlarged and a preliminary economic assessment ("**PEA**") was undertaken.

The Unkur PEA was filed at the end of August 2018 (see: "Technical Report and Preliminary Economic Assessment for the Unkur Copper-Silver Project, Kodar-Udokan, Russian Federation" dated effective 30 August 2018 for its Unkur Copper-Silver Project in Russia filed on SEDAR or the Company's website). The PEA is based on the current Inferred Mineral Resource estimate 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. The PEA was positive, envisaging an 8-year mine life producing 13.2kt of copper and 3.7M oz of silver per year and resulting in an estimated pre-tax net present value of US\$206.3M (post-tax US\$147.5M) and internal rate of return of 28.9% (see: Company's announcements of 30 and 31 August 2018).

Mineralization at the Unkur Copper-Silver Project remains open in both directions along strike and at depth. The Company believes there is potential to at least double the size of the existing Resource with a second phase drilling program. Azarga Metals plans to finalize the next exploration program in conjunction with working to complete the BSCM-led Convertible Loan transaction such that physical exploration can re-commence at Unkur in the summer of 2019. If the Company's Resource development objectives are met or exceeded, the subsequent phase would be to complete a pre-feasibility study for Unkur.

Qualified Person

The results of the 2018 Mineral Resources and Unkur PEA prepared by Tetra Tech have been reviewed by the Company's technical staff, including 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. Mr. Nicol is also the person responsible for preparation of the technical information contained in 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

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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 ore 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.