CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended March 31, 2019

(Unaudited – Expressed in Canadian dollars)

Notice to Reader

These condensed consolidated interim financial statements of Azarga Metals Corp. have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these condensed consolidated interim financial statements, notes to the financial statements or the related quarterly Management's Discussion and Analysis.

AZARGA METALS CORP.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in Canadian dollars)

	Note	March 31, 2019	September 30, 2018
ASSETS			
Current			
Cash	4	$ 10,116	$ 20,449
Receivables	5	5,922	4,663
Prepaid expenses		-	5,349
		16,038	30,461
Exploration and evaluation assets	6	8,012,117	8,012,117
		$ 8,028,155	$ 8,042,578
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	7	$ 734,212	$ 681,834
Shareholder loans	8	491,400	258,750
		1,225,612	940,584
Shareholder loans	9	1,024,554	992,505
		2,250,166	1,933,089
Shareholders' equity			
Share capital	10	136,038,548	136,038,548
Share-based reserve	10	15,629,747	15,629,747
Deficit		(145,890,306)	(145,558,806)
		5,777,989	6,109,489
		$ 8,028,155	$ 8,042,578
Nature of operations and going concern	1		
Subsequent events	14		

These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Board of Directors on May 29, 2019.

They are signed on the Company's behalf by:

"Michael Hopley"
Michael Hopley, Director

"Blake Steele"
Blake Steele, Director

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

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018	Six months ended March 31, 2019	Six months ended March 31, 2018
EXPENSES					
Administration		$ 1,449	$ 10,192	$ 23,268	$ 17,057
Exploration and evaluation expenditures	*6*	12,678	95,993	52,534	137,406
Investor relations		-	1,187	-	11,339
Professional fees		2,850	13,170	22,135	27,824
Regulatory fees		13,140	21,537	14,543	31,033
Salaries and benefits		49,399	51,048	98,595	97,435
Share-based compensation		-	331,329	-	366,739
		(79,516)	(524,456)	(211,075)	(688,833)
Foreign exchange gain (loss)		23,054	(17,996)	(36,513)	(21,443)
Gain on sale of project interest		-	86,485	-	86,485
Interest expense on due to shareholders - current	*8*	(11,763)	(2,043)	(21,961)	(2,204)
Interest expense on due to shareholders - non-current	*9*	(30,315)	(29,252)	(61,951)	(58,344)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		$ (98,540)	$ (487,262)	$ (331,500)	$ (684,339)
Basic and diluted loss per common share		$ (0.00)	$ (0.01)	$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding		90,398,472	51,566,512	90,398,472	51,566,512

AZARGA METALS CORP.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in Canadian dollars)

	Six months ended March 31, 2019	Six months ended March 31, 2018
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Loss for the period	$ (331,500)	$ (684,339)
Items not affecting cash:		
Share-based compensation	-	366,739
Gain on sale of project interest	-	(86,485)
Accrued interest due to shareholders - current	21,961	2,204
Accrued interest due to shareholders - non-current	61,951	58,344
Unrealized foreign exchange loss	32,049	31,742
Change in non-cash working capital items:		
Receivables	(1,259)	7,187
Prepaid expenses	5,349	2,369
Trade and other payables	(31,534)	96,045
	(242,983)	(206,194)
INVESTING ACTIVITIES:		
Proceeds on sale of project interest	-	86,485
Transaction costs on acquisition of 40% of Unkur	-	(30,000)
	-	56,485
FINANCING ACTIVITIES:		
Shareholder loans	232,650	137,000
	232,650	137,000
DECREASE IN CASH FOR THE PERIOD	(10,333)	(12,709)
CASH, BEGINNING OF THE PERIOD	20,449	36,196
CASH, END OF THE PERIOD	$ 10,116	$ 23,487

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

AZARGA METALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited – 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
Comprehensive loss for the period	-	-	-	-	(331,500)	(331,500)
Balance, March 31, 2019	90,398,472	$ 136,038,548	$ -	$ 15,629,747	$ (145,890,306)	$ 5,777,989

	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 exploration and evaluation assets	42,000,000	5,250,000	-	-	-	5,250,000
Shares issued for services	-	36,666	(36,666)	-	-	-
Share-based compensation	166,668	-	6,679	360,060	-	366,739
Comprehensive loss for the period	-	-	-	-	(684,339)	(684,339)
Balance, March 31, 2018	90,398,472	$ 136,038,548	$ -	$ 15,629,747	$ (145,072,796)	$ 6,595,499

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

These condensed consolidated interim 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 March 31, 2019, the Company had a working capital deficiency of $984,228. Subsequently, in April 2019, the Company executed a secured convertible loan facility agreement for US$3,000,000, of which US$1,000,000 was received on signing (Note 14). However, 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 condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

These condensed consolidated interim financial statements do not include all of the disclosures required for annual financial statements, and therefore should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2018.

Basis of measurement

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

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the parent company's functional currency as well as the functional currency of the Company's BVI, Cyprus, and Russian subsidiaries. The functional currency of the Company's one dormant Slovakian subsidiary is the Euro.

2. BASIS OF PRESENTATION (continued)

Use of accounting estimates, judgments and assumptions

Information about estimates and judgments used in applying accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are included in Note 2 to the Company's September 30, 2018 consolidated annual financial statements. There were no material changes to the significant accounting estimates and judgments from September 30, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company as at and for the year ended September 30, 2018, except as noted below.

Financial instruments

IFRS 9 Financial Instruments ("IFRS 9") replaced IAS 39 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.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income, or (iii) at fair value through profit or loss.

Amortized cost

Financial assets classified and measured at amortized cost are those assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are SPPI. Financial assets classified at amortized cost are measured using the effective interest method.

Fair value through other comprehensive income ("FVTOCI")

Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are SPPI.

This classification includes certain equity instruments where IFRS 9 allows an entity to make an irrevocable election to classify the equity instruments, on an instrument-by-instrument basis, that would otherwise be measured at FVTPL to present subsequent changes in FVTOCI.

Fair value through profit or loss ("FVTPL")

Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not SPPI or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and measured at fair value at initial recognition and subsequently measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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
Shareholder loans	Other financial liabilities	Amortized cost

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of March 31, 2019 and have not been applied in preparing these condensed consolidated interim financial statements.

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

- IFRS 16, Leases

  All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, from the perspective of the lessee, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases and, instead, introduces a single lessee accounting model. When applying that model, a lessee is required to recognize assets and liabilities. A lessor continues to classify its leases as operating leases or finance leases, and accounts for those two types of leases differently.

  The Company does not currently have any leases and accordingly this new standard is not expected to have a material effect on the consolidated financial statements.

In addition, the Company has not early adopted any of the other new standards, amendments to standards and interpretations and none of these standards are expected to have a material effect on the consolidated financial statements.

(Unaudited – Expressed in Canadian dollars)

4. CASH

		March 31, 2019		September 30, 2018
Canadian dollar denominated deposits held in Canada	$	9,078	$	8,111
US dollar denominated deposits held in Canada		683		4,363
US dollar denominated deposits held in Cyprus		17		129
Ruble denominated deposits held in Russia		338		7,846
Total	$	10,116	$	20,449

5. RECEIVABLES

		March 31, 2019		September 30, 2018
Amounts due from the Government of Canada pursuant to input tax credits	$	5,761	$	4,471
Amounts due from the Government of Russia pursuant to value added tax		161		192
Total	$	5,922	$	4,663

6. EXPLORATION AND EVALUATION ASSETS

		Russia
		Unkur
September 30, 2018	$	8,012,117
Additions		-
March 31, 2019	$	8,012,117

The Company's 100% owned Unkur Copper-Silver Project is located in eastern Russia. Details of the Company's Unkur Project are found in Note 7 of the September 30, 2018 annual consolidated financial statements.

(Unaudited – Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS (continued)

The Company recorded the following exploration and evaluation expenditures on its Unkur Project in Russia for the three and six months ended March 31, 2019 and 2018.

	Six months ended March 31,			
		2019		2018
Licenses and permits	$	6,045	$	25,993
Personnel, administration, and travel		23,397		57,608
Studies and evaluations		23,092		53,805
	$	52,534	$	137,406

	Three months ended March 31,			
		2019		2018
Licenses and permits	$	-	$	14,240
Personnel, administration, and travel		12,678		27,948
Studies and evaluations		-		53,805
	$	12,678	$	95,993

7. TRADE AND OTHER PAYABLES

		March 31, 2019		September 30, 2018
Trade and other payables in Canada	$	131,201	$	276,534
Trade and other payables in Cyprus		35,253		15,517
Trade and other payables in Russia		13,502		13,406
Interest due to shareholders (Note 8) *		33,742		11,782
Interest due to shareholders (Note 9)		225,346		158,910
Director fees owing to a former director		14,333		14,333
Salaries and benefits owing to officers **		265,183		184,595
Reimbursement of expenses owing to officers and directors		15,652		6,757
Total	$	734,212	$	681,834

* Interest due to shareholders was settled in April 2019 (Note 14)
** Salaries and benefits of $182,004 were settled in April 2019 (Note 14)

(Unaudited – Expressed in Canadian dollars)

8. SHAREHOLDER LOANS – CURRENT

			March 31, 2019		September 30, 2018
Related shareholders	Relationship				
Alexander Molyneux	Director	$	136,500	$	60,750
Eugene McCarthy	greater than 10% shareholder		27,000		19,500
Blake Steele	Director		38,250		13,500
OC Management Group Ltd.	Principal is a Director		123,750		67,500
Insignia Partners Limited	Principal is an Officer		109,900		67,500
Golden Oak Corporate Services Ltd.	Controlled by Officers		1,000		-
			436,400		228,750
Non-related shareholder			55,000		30,000
Total		$	491,400	$	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 bear interest at a rate of 10% per annum and all advances must be repaid by June 14, 2019 (extended from December 14, 2018).

During the six months ended March 31, 2019, the Company was advanced $232,650.

As at March 31, 2019, the amount owing to shareholders was $491,400 (September 30, 2018 – $258,750) plus accrued interest of $33,742 (September 30, 2018 – $11,782) which is included in trade and other payables (Note 7).

During the six months ended March 31, 2019, the Company accrued interest of $21,961 (2018 – $2,204) on the amounts advanced by shareholders.

The shareholder loans were settled in full in April 2019 (Note 14).

(Unaudited – Expressed in Canadian dollars)

9. SHAREHOLDER LOANS – NON-CURRENT

			March 31, 2019		**September 30, 2018**
Related shareholders	Relationship				
Alexander Molyneux	Director	$	325,246	$	315,072
Eugene McCarthy	greater than 10% shareholder		325,782		315,591
Blake Steele	Director		72,337		70,074
OC Management Group Ltd.	Principal is a Director		147,177		142,574
Insignia Partners Limited	Principal is an Officer		154,012		149,194
Total		$	1,024,554	$	992,505

The amounts due are unsecured, bear interest at the rate of 12% per annum payable annually on each anniversary date and the principal must be paid by May 31, 2023.

Accrued interest due to shareholders from June 1, 2017 to May 31, 2018 totalled $119,100 (US$92,005) and was not paid. In December 2018, the shareholders agreed to amend the repayment date of this interest to May 31, 2019.

As at March 31, 2019, the amount owing to shareholders was $1,024,554 (US$766,709) (September 30, 2018 – $992,505 (US$766,709)) plus accrued interest of $225,346 (US$168,634) (September 30, 2018 – $158,910 (US$122,757)) which is included in trade and other payables (Note 7).

During the six months ended March 31, 2019, the Company accrued interest of $61,951 (US$45,876) (2018 – $58,344 (US$45,876)) on the shareholder loans.

As part of the transaction with Baker Steel Resources Trust Ltd. completed in April 2019 (Note 14), all accrued interest is now payable at maturity.

10. SHARE CAPITAL

a) Authorized

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

b) Issued and outstanding

As at March 31, 2019, the Company had 90,398,472 common shares issued and outstanding (September 30, 2018 – 90,398,472).

c) 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.

(Unaudited – Expressed in Canadian dollars)

10. SHARE CAPITAL (continued)

c) Options (continued)

The continuity of stock options for the six months ended March 31, 2019, is as follows:

Expiry date	Exercise price	Balance, September 30, 2018	Granted	Exercised	Expired	Balance, March 31, 2019
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
		4,770,000	-	-	-	4,770,000
Weighted average exercise price		$ 0.18	$ -	$ -	$ -	$ 0.18

As at March 31, 2019, all of the outstanding stock options were exercisable.

As at March 31, 2019, the weighted average remaining contractual life of the stock options outstanding was 3.02 years.

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Consulting fees

During the three and six months ended March 31, 2019, the Company accrued $12,500 (2018 – $12,500) and $25,000 (2018 – $25,000), respectively, of consulting fees 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) Compensation of key management personnel

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, and the Corporate Secretary. The aggregate compensation paid or accrued to key management personnel, which includes the amounts disclosed above, during the three and six months ended March 31, 2019 and 2018 were as follows:

	Three months ended March 31,		Six months ended March 31,	
	2019	2018	2019	2018
Consulting fees *	$ 12,500	$ 12,500	$ 25,000	$ 25,000
Salaries and benefits	36,899	38,547	73,595	72,434
Share-based compensation	-	312,428	-	340,150
	$ 49,399	$ 363,475	$ 98,595	$ 437,584

* included in salaries and benefits on the statement of loss and comprehensive loss

(Unaudited – Expressed in Canadian dollars)

12. 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 6.

13. 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	March 31, 2019	September 30, 2018
Cash	FVTPL	$ 10,116	$ 20,449
Receivables	Amortized cost	5,922	4,663
Trade and other payables	Amortized cost	734,212	681,834
Shareholder loan - current	Amortized cost	491,400	258,750
Shareholder loan - non-current	Amortized cost	1,024,554	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 market place.

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

The carrying values for receivables, trade and other payables and shareholder loans 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.

Risk Management

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended September 30, 2018.

14. SUBSEQUENT EVENTS

Subsequent to March 31, 2019, the Company completed the following transactions:

- On April 12, 2019, the Company and Baker Steel Resources Trust Ltd. ("BSRT") executed a secured convertible loan facility agreement (the "Transaction") pursuant to which BSRT will loan the Company US$3,000,000 (the "Loan"). The first advance of US$1,000,000 was received on signing. The second advance of US$2,000,000 is drawable in four to six months and is subject to earlier drawdown in certain circumstances set out in the definitive agreement.

  The 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 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 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 Loan is secured against the shares of the Company's wholly-owned subsidiary Azarga Metals Limited, the beneficial owner of the Unkur Copper-Silver Project. BSRT has also been provided with anti-dilution rights.

  In connection with the Transaction:
  - the Company issued BSRT 13,490,414 share purchase warrants exercisable at a price of $0.17 until April 12, 2021; and
  - the Company issued 554,166 common shares as a finder's fee on the first advance. The finder is entitled to 1,108,333 common shares as a finder's fee on the second advance of US$2,000,000 once advanced.

- On April 15, 2019, the Company paid $526,758, being $491,400 of principal (Note 8) and $35,358 of interest (Note 7), in full and final settlement of the shareholders loans.

- 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 $182,004 which were included in trade and other payables (Note 7).

- On May 24, 2019, the Company granted 3,420,000 stock options to directors, officers, employees and consultants of the Company exercisable for a five year period at an exercise price of $0.09 per share.