



**MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS**

For the three months ended December 31, 2019

(Expressed in Canadian dollars)

AZARGA METALS CORP.
For the three months ended December 31, 2019
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is management's discussion and analysis – quarterly highlights (“MD&A”) of the results of operations and financial condition of Azarga Metals Corp. (the “Company” or “Azarga”) for the three months ended December 31, 2019 and up to the date of this MD&A, and has been prepared to provide material updates to the business operations, financial condition, liquidity and capital resources of the Company since its last management's discussion and analysis for the fiscal year ended September 30, 2019 (the “Annual MD&A”).

This MD&A should be read in conjunction with the Annual MD&A and the audited consolidated financial statements for the year ended September 30, 2019, together with the notes thereto, and the accompanying unaudited condensed consolidated interim financial statements and related notes thereto for the three months ended December 31, 2019 (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 February 27, 2020.

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.

Unkur Copper-Silver Project, eastern Russia

Azarga acquired control of the Unkur Copper-Silver Project, located 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. A Maiden Resource was published in April 2017 and then in March 2018 the Resource was enlarged and a preliminary economic assessment (“PEA”) was completed.

The PEA report 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 August 30, 2018 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 38.6 g/t silver, containing 328,600 tonnes (724 million pounds) of copper and 76.8 million troy ounces of silver. The PEA was positive, envisaging an 8-year mine life producing 13.2 kilo-tonnes of copper and 3.7 million ounces of silver per year and resulting in an estimated pre-tax net present value of US\$206.3 million (post-tax US\$147.5 million) and internal rate of return of 28.9% (post-tax 24.4%).

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2019/2020 Drill program

The Company's diamond drilling program began in October 2019 and is progressing well with approximately 4,500 meters completed to date. At the present rate of progress, the drilling should be completed in late March to early April 2020, with assay results continuing to be published as received between now and May/June 2020.

On November 13, 2019, the Company announced that two recent drill holes numbered AM19-002 and AM19-003b, which were drilled two kilometers southeast of the current Inferred Resource, intercepted visible copper sulphide mineralization. This is an area that was identified by the magnetic survey and appears to verify the interpretation that mineralization at Unkur is located between magnetic highs and magnetic lows (see details in October 17, 2019 news release).

On February 11, 2020, the Company announced that it had received complete assay results from the first four drill holes and partial results from two more holes from the ongoing drilling program – see Table 1 below. These results indicate the possibility of expanding the mineralized envelope at Unkur at depth and along strike. Drill-hole AM19-004 discovered the widest intercept of mineralization to date at Unkur – 86 meters with an average grade of 0.60% copper and 57.6 g/t silver. The mineralization in this hole consists of chalcopyrite-bornite-chalcocite material with two subintervals of 15m with an average grade of 0.84% copper and 43.9g/t silver, and 32m with an average grade of 1.02% copper and 128.7g/t silver. These results are supported by similar mineralization with partially received assays for holes AM19-005 and AM19-006, together with the 2016 drilling results indicating the presence of higher than the average of the resource grade mineralization extending over 1,200m in length and 400m down dip in the northern part of the current resource envelope. This suggests that it may be possible to expand the mineralized envelope at this location. Furthermore, assay results from drill holes AM19-002 and AM19-003b showed strong copper-silver mineralization some 2km southeast from the current resource envelope indicating a strong possibility for its expansion to the southeast – see Figure 1 below.

Table 1

Drill-hole	From, meters	To, meters	Interval, meters	Copper, %	Silver, g/t
AM19-002	324	330	6	0.94	23.0
AM19-003b	172	180	8	0.33	22.0
AM19-004	194	280	86	0.60	57.6
Including	212	227	15	0.84	43.9
Including	238	270	32	1.02	128.7
AM19-005	238	239	1	0.31	26.2
	247	266	19	0.76	61.2
Including	257	266	9	1.34	99.4
	294	296	2	0.15	7.3
AM19-006	307	310	3	0.17	8.3
	314	323	9	1.07	60.5
	330	335	5	0.15	19.5

Notes to Table 1: There were no significant assay results from drill hole AM19-001 which was drilled to test an induced polarization geophysical anomaly in the central part above the current resource shell. Results from drill holes AM19-005 and AM19-006 are based on partial assay results – final assay results may change these figures. All assays presented are uncapped.

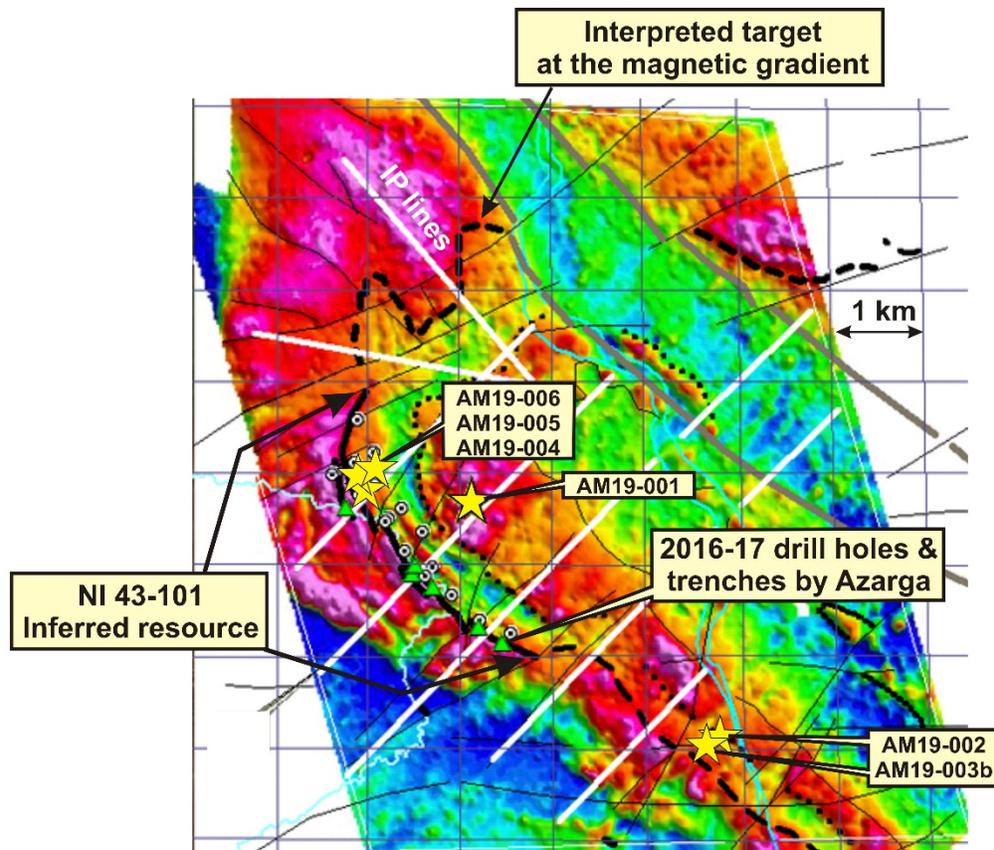


Figure 1. Drill hole location map. Position of copper-silver target zones (black solid and dashed lines), 2016 holes (white spots) and trenches (green triangles) on 2019-2020 holes on reduced-to-pole magnetic image of Unkur.

Qualified Person

The Company's President and Chief Executive Officer, Michael Hopley, a Qualified Person as defined by NI 43-101, has reviewed and approved the exploration information and resource disclosures contained in this MD&A.

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.

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Financial Condition and Results of Operations – three months ended December 31, 2019

The Company began the current fiscal period with cash of \$2,599,062. During the three months ended December 31, 2019, the Company spent \$1,034,415 on operating activities net of working capital changes, to end at December 31, 2019 with a cash balance of \$1,564,647.

The consolidated loss for the three months ended December 31, 2019 was \$364,016 compared to \$232,960 for the three months ended December 31, 2018.

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

Exploration and evaluation expenditures totalled \$824,266 for the current period compared to \$39,856 in the comparative period and all relates to exploration work on the Unkur project.

During the three months ended December 31, 2019, the Company recorded a change in the fair value of the derivative liability of \$870,012. The derivative liability is a component of the Convertible Loan and is 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.

During the three months ended December 31, 2019, the Company recorded interest expense of \$210,334, being \$80,305 of interest expense on the Convertible Loan, accretion of \$111,418, and amortization of financing costs of \$18,611.

Liquidity and Capital Resources

As at December 31, 2019, the Company had working capital of \$1,475,495. However, given that management intends to continue to explore the Unkur project, management estimates that this working capital will not provide the Company with sufficient financials 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.

Related Party Transactions

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.

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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 December 31, 2019	93,531,414	13,490,414	7,215,000
Balance as at the date of this MD&A	93,531,414	13,490,414	7,215,000

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 web site www.azargametals.com.