



Azarga Uranium Corp.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

Notice to Reader

These condensed consolidated interim financial statements of Azarga Uranium 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.

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AZARGA URANIUM CORP.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in U.S. Dollars)

		As at	
	Notes	June 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		\$ 620,374	\$ 184,447
Other assets		37,993	23,913
Total current assets		658,367	208,360
Non-current assets			
Restricted cash		22,716	22,716
Exploration and evaluation assets	5	41,776,271	41,440,616
Property, plant and equipment		66,419	67,577
Right-of-use assets		89,712	111,357
Total non-current assets		41,955,118	41,642,266
Total assets		\$ 42,613,485	\$ 41,850,626
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		\$ 565,041	\$ 793,864
Loans payable	6	350,670	-
Operating lease obligations		30,757	45,014
Total current liabilities		946,468	838,878
Non-current liabilities			
Trade and other payables		60,000	70,000
Deferred income tax liabilities		3,112,193	3,112,193
Decommissioning liabilities		259,268	251,550
Operating lease obligations		63,548	70,445
Warrant liabilities		453,160	265,029
Total non-current liabilities		3,948,169	3,769,217
Total liabilities		4,894,637	4,608,095
Equity			
Common shares	7	61,240,518	60,303,924
Contributed surplus	7	1,168,722	1,117,679
Share option reserve	8	2,965,765	2,809,429
Accumulated deficit		(27,656,157)	(26,988,501)
Total equity		37,718,848	37,242,531
Total liabilities and equity		\$ 42,613,485	\$ 41,850,626
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Approved by the Audit Committee of the Board of Directors of the Company:

“Joseph L. Havlin”, Director _____

“Matthew O’Kane”, Director _____

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

AZARGA URANIUM CORP.
Condensed Consolidated Interim Statements of Loss and Other
Comprehensive Loss
(Unaudited – Expressed in U.S. Dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Administrative expenses	9	\$ (453,714)	\$ (380,143)	\$ (808,862)	\$ (795,455)
Foreign exchange gain (loss)		(1,288)	20,999	14,263	13,981
Loss from operations		(455,002)	(359,144)	(794,599)	(781,474)
Finance costs		(9,273)	(2,549)	(15,876)	(4,938)
Unrealized gain (loss) on warrant liabilities		3,537	(10,839)	142,819	239,064
Net loss from continuing operations		(460,738)	(372,532)	(667,656)	(547,348)
Net loss from discontinued operations		-	(4,119,832)	-	(4,137,120)
Net loss		(460,738)	(4,492,364)	(667,656)	(4,684,468)
Net loss attributable to:					
Equity holders of the Company		(460,738)	(4,199,110)	(667,656)	(4,386,028)
Non-controlling interest		-	(293,254)	-	(298,440)
Net loss		\$ (460,738)	\$ (4,492,364)	\$ (667,656)	\$ (4,684,468)
Basic and diluted loss per share					
Basic and diluted loss per share from continuing operations		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Basic and diluted loss per share from discontinued operations		\$ -	\$ (0.03)	\$ -	\$ (0.03)
Basic and diluted loss per share		\$ (0.00)	\$ (0.03)	\$ (0.00)	\$ (0.03)
Weighted average number of common shares outstanding					
		195,313,925	183,616,851	190,683,534	177,715,106
Net loss		\$ (460,738)	\$ (4,492,364)	\$ (667,656)	\$ (4,684,468)
Other comprehensive income (loss)					
Item that may be reclassified subsequently as profit or loss					
Foreign currency translation adjustment		-	42,323	-	(47,175)
Total other comprehensive loss		\$ (460,738)	\$ (4,450,041)	\$ (667,656)	\$ (4,731,643)
Other comprehensive income (loss) attributable to:					
Equity holders of the Company		-	29,627	-	(33,022)
Non-controlling interest		-	12,696	-	(14,153)
Other comprehensive income (loss)		\$ -	\$ 42,323	\$ -	\$ (47,175)

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

AZARGA URANIUM CORP.
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Expressed in U.S. Dollars)

	Attributable to equity holders of the Company						Total equity	Non-controlling interest	Total equity
	Number of shares	Common shares	Contributed surplus	Share option reserve	Foreign currency translation reserve	Accumulated deficit			
Balances, December 31, 2019	185,543,926	\$ 60,303,924	\$ 1,117,679	\$ 2,809,429	\$ -	\$ (26,988,501)	\$ 37,242,531	\$ -	\$ 37,242,531
Issuance of shares for private placement	10,933,333	816,383	-	-	-	-	816,383	-	816,383
Issuance of shares to settle ESPP	719,186	92,711	(92,711)	-	-	-	-	-	-
Issuance of shares to settle DSA	260,170	27,500	(27,500)	-	-	-	-	-	-
Compensation to be settled by equity	-	-	171,254	-	-	-	171,254	-	171,254
Share-based compensation	-	-	-	156,336	-	-	156,336	-	156,336
Net loss for the period	-	-	-	-	-	(667,656)	(667,656)	-	(667,656)
Balances, June 30, 2020	197,456,615	\$ 61,240,518	\$ 1,168,722	\$ 2,965,765	\$ -	\$ (27,656,157)	\$ 37,718,848	\$ -	\$ 37,718,848

	Attributable to equity holders of the Company						Total equity	Non-controlling interest	Total equity
	Number of shares	Common shares	Contributed surplus	Share option reserve	Foreign currency translation reserve	Accumulated deficit			
Balances, December 31, 2018	169,833,806	\$ 57,976,321	\$ 1,001,818	\$ 2,500,078	\$ (863,092)	\$ (18,973,266)	\$ 41,641,859	\$ (494,477)	\$ 41,147,382
Issuance of shares for private placement	13,106,046	1,871,110	-	-	-	-	1,871,110	-	1,871,110
Issuance of shares to settle ESPP	620,656	107,586	(107,586)	-	-	-	-	-	-
Issuance of shares to settle DSA	158,639	27,500	(27,500)	-	-	-	-	-	-
Compensation to be settled by equity	-	-	133,255	-	-	-	133,255	-	133,255
Share-based compensation	-	-	-	200,648	-	-	200,648	-	200,648
NCI adjustment on acquisition of 23.1% of UrAsia	-	-	-	-	(202,249)	(551,162)	(753,411)	753,411	-
Net loss for the period	-	-	-	-	-	(4,386,028)	(4,386,028)	(298,440)	(4,684,468)
Other comprehensive loss for the period	-	-	-	-	(33,022)	-	(33,022)	(14,153)	(47,175)
Balances, June 30, 2019	183,719,147	\$ 59,982,517	\$ 999,987	\$ 2,700,726	\$ (1,098,363)	\$ (23,910,456)	\$ 38,674,411	\$ (53,659)	\$ 38,620,752

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

AZARGA URANIUM CORP.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Expressed in U.S. Dollars)

	Notes	Six months ended June 30,	
		2020	2019
OPERATING ACTIVITIES			
Net loss from continuing operations		\$ (667,656)	\$ (547,348)
Adjustments for:			
Depreciation	9	22,803	20,543
Share-based compensation	8	156,336	157,214
Unrealized gain on warrant liabilities		(142,819)	(239,064)
Equity compensation expense		171,254	133,255
Finance costs		15,876	4,938
Unrealized foreign exchange gain		(4,011)	(20,916)
Operating cash flows before changes in non-cash working capital items		(448,217)	(491,378)
Change in other assets		(14,080)	(2,348)
Change in trade and other payables		(264,292)	(521,112)
Net cash used in operating activities of continuing operations		(726,589)	(1,014,838)
Net cash used in operating activities of discontinued operations		-	(47,900)
INVESTING ACTIVITIES			
Expenditures on exploration and evaluation assets	5	(327,937)	(453,763)
Sale of property, plant and equipment		-	1,057
Reclamation bonds		-	99,000
Net cash used in investing activities of continuing operations		(327,937)	(353,706)
Net cash generated by investing activities of discontinued operations		-	70,029
FINANCING ACTIVITIES			
Proceeds from issuance of common shares	7	1,165,998	2,266,169
Share issue costs	7	(24,380)	(16,553)
Loan proceeds	6	345,714	-
Net cash generated by financing activities of continuing operations		1,487,332	2,249,616
Effect of foreign exchange rate changes on cash		3,121	24,677
Increase in cash from continuing operations		435,927	905,749
Increase in cash from discontinued operations		-	22,129
Cash, beginning of period		184,447	352,001
Cash, end of period		\$ 620,374	\$ 1,279,879

Supplemental cash flow information, see Note 13

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

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

1. CORPORATE INFORMATION AND GOING CONCERN

Azarga Uranium Corp. (“Azarga Uranium”) was incorporated on February 10, 1984 under the laws of the Province of British Columbia, Canada. Azarga Uranium’s common shares are publicly traded on the Toronto Stock Exchange (“TSX”) (Symbol: AZZ), the Frankfurt Stock Exchange (Symbol: P8AA), and the OTCQB Venture Market (Symbol: AZZUF). Azarga Uranium, together with its subsidiaries (collectively referred to as the “Company”), is an integrated uranium exploration and development company.

The Company controls uranium properties located in the United States of America (“USA”) with a primary focus of developing in-situ recovery uranium projects. The Company’s Dewey Burdock Project, located in South Dakota, USA, is the Company’s initial development priority. The Company also owns uranium projects in Wyoming, Colorado, and Utah.

The Company’s corporate and registered and records office address is Unit 1 – 15782 Marine Drive, White Rock, BC, V4B 1E6.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they fall due. To date, the Company has not generated revenues from operations and is currently in the exploration and development stage. As at June 30, 2020, the Company had a working capital deficit of \$288,101 and an accumulated deficit of \$27,656,157 and will continue incurring losses for the foreseeable future. Additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. There is no certainty that additional financing, at terms that are acceptable to the Company, will be available. The Company has successfully raised financing in the past and will continue to assess available alternatives; however, there is no assurance that the Company will be able to raise additional funds in the future. These material uncertainties cast significant doubt on the Company’s ability to continue as a going concern.

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.

These condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

2. BASIS OF PRESENTATION

2.1 Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee.

These condensed consolidated interim financial statements for the six months ended June 30, 2020 were approved and authorized for issue by the Company’s Audit Committee on August 12, 2020.

2.2 Basis of presentation

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 December 31, 2019.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments, which are measured at fair value. The Company’s financial instruments are further disclosed in Note 11.

2.3 Presentation and functional currency

These condensed consolidated interim financial statements are presented in United States Dollars, unless otherwise indicated. All references to \$ refer to the United States Dollar and all references to C\$ refer to the Canadian Dollar.

The functional currency of each entity is determined by the currency of the primary economic environment in which the entity operates. The functional currency of each entity is the United States Dollar.

2.4 Significant accounting judgments and estimates

Information about judgments and estimates 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 2.4 to the Company’s December 31, 2019 consolidated annual financial statements. There were no material changes to the significant accounting judgments and estimates from December 31, 2019.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 December 31, 2019.

3.2 Comparative figures

Certain comparative figures may have been reclassified to conform with current year's presentation.

3.3 Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of June 30, 2020 and have not been applied in preparing these condensed consolidated interim financial statements. These standards are not expected to materially impact the Company's financial position or results of operations.

4. SEGMENTED INFORMATION

The Company operates in one business and geographical segment being the exploration and development of uranium properties in the USA. The total assets attributable to the geographical location relate primarily to exploration and evaluation assets and have been disclosed in Note 5.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

5. EXPLORATION AND EVALUATION ASSETS

Projects	Balance, December 31, 2019	Salaries and consulting	License fees	Decommissioning liabilities	Balance, June 30, 2020
South Dakota					
Dewey Burdock	\$ 27,750,988	\$ 147,599	\$ 78,689	\$ -	\$ 27,977,276
Wyoming					
Gas Hills	8,832,441	42,294	960	4,905	8,880,600
Juniper Ridge	2,822,377	5,780	1,920	-	2,830,077
Other	1,098,011	20,169	3,801	-	1,121,981
Colorado					
JB	446,594	7,000	-	-	453,594
Utah					
Ticaboo	490,205	19,725	-	2,813	512,743
Total	\$ 41,440,616	\$ 242,567	\$ 85,370	\$ 7,718	\$ 41,776,271

Details on the Company's exploration and evaluation assets are found in Note 6 of the December 31, 2019 consolidated financial statements and only material differences are disclosed.

6. LOANS PAYABLE

In February 2020, the Company received third party loans of \$245,089 (C\$325,000) that bear interest at 12% per annum, are unsecured, and mature November 4, 2020, as amended.

In May 2020, the Company received a loan under the USA Payroll Protection Plan ("PPP") of \$100,650 that bears interest at 1% per annum and matures May 3, 2022. In accordance with the terms of the PPP, the Company can apply for the loan to be forgiven.

During the three and six months ended June 30, 2020, the Company recorded interest expense of \$7,174 and \$11,561, respectively.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

7. EQUITY

7.1 Authorized share capital

The Company has authorized the issuance of an unlimited number of common and preferred shares with no par value. As at June 30, 2020 and December 31, 2019, the Company had 197,456,615 and 185,543,926 common shares outstanding, respectively, and no preferred shares were outstanding.

7.2 Issued share capital

During the six months ended June 30, 2020, the Company completed the following equity transactions:

- In April 2020, the Company closed a non-brokered private placement for gross proceeds of \$1,165,998 (C\$1,640,000) through the issuance of 10,933,333 units at a price of C\$0.15 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of C\$0.20 per share until April 17, 2023.

The warrants were valued on a relative fair value basis at \$325,235 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.36%; an expected volatility of 72.4%; an expected life of 3 years; a forfeiture rate of zero; an expected dividend of zero; and an exchange rate of \$/C\$ 1.4037.

The Company paid cash finder's fees of \$24,380.

- During the six months ended June 30, 2020, the Company issued 719,186 common shares to settle \$92,711 owing pursuant to the Company's employee share purchase plan ("ESPP") and 260,170 common shares to settle \$27,500 owing pursuant to the Company's director services agreements ("DSA").

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

7. EQUITY (Continued)

7.3 Share purchase warrants

The continuity of share purchase warrants for the six months ended June 30, 2020 is as follows:

Expiry date	Exercise price C\$	Balance, December 31, 2019	Issued	Exercised	Expired	Balance, June 30, 2020
July 27, 2020	\$ 0.36	2,333,968	-	-	-	2,333,968
December 22, 2020	\$ 0.35	1,567,500	-	-	-	1,567,500
March 20, 2022	\$ 0.31	6,553,022	-	-	-	6,553,022
April 17, 2023	\$ 0.20	-	5,466,665	-	-	5,466,665
		10,454,490	5,466,665	-	-	15,921,155
Weighted average exercise price (C\$)	\$ 0.33	\$ 0.20	\$ -	\$ -	\$ -	\$ 0.28

The weighted average remaining contractual life is 1.73 years.

7.4 Equity settled compensation arrangements

ESPP

In 2015, the Company adopted an ESPP, as amended. The Company is authorized to issue up to 9,000,000 common shares pursuant to the terms and conditions of the ESPP. Employees, who elect to participate in the ESPP, can contribute up to 50% of their salary (the “Employee Contribution”). The Company will then match 66.67% of the Employee’s Contribution (the “Matching Contribution”). The purchase price of the common shares is calculated based on the five-day volume weighted average trading price of the common shares on the TSX immediately preceding the end of each calendar quarter. The Employee Contribution and the Matching Contribution are expensed in the period in which they are incurred with the offsetting amount being recorded in contributed surplus until the common shares are issued.

For the three and six months ended June 30, 2020, Employee Contributions totaled \$43,125 and \$86,250, respectively, and Matching Contributions totaled \$28,752 and \$57,504, respectively. For the three and six months ended June 30, 2019, Employee Contributions totaled \$31,175 and \$63,450, respectively, and Matching Contributions totaled \$20,787 and \$42,305, respectively. As at June 30, 2020, a cumulative total of 5,781,876 common shares have been issued pursuant to the ESPP. Subsequent to June 30, 2020, the Company issued additional common shares pursuant to the ESPP, see Note 14.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

7. EQUITY (Continued)

7.4 Equity settled compensation arrangements (Continued)

DSA

In 2015, the Company adopted the DSA, as amended. The Company is authorized to issue up to 3,500,000 common shares pursuant to the terms and conditions of the DSA. Directors who elect to participate in the DSA contribute 50% of their director fee/salary to the ESPP and the remaining 50% of their director fee/salary is settled through the issuance of common shares in accordance with the DSA. The purchase price of the common shares is calculated based on the five-day volume weighted average trading price of the common shares on the TSX immediately preceding the end of each calendar quarter. Amounts settled in accordance with the DSA are expensed in the period in which they are incurred with the offsetting amount being recorded in contributed surplus until the common shares are issued.

For the three and six months ended June 30, 2020, \$13,750 and \$27,500, respectively, were expensed under the DSA. For the three and six months ended June 30, 2019, \$13,750 and \$27,500, respectively, were expensed under the DSA. As at June 30, 2020, a cumulative total of 1,816,764 common shares had been issued pursuant to the DSA. Subsequent to June 30, 2020, the Company issued additional common shares pursuant to the DSA, see Note 14.

8. SHARE OPTION RESERVE

8.1 Stock option plan

The Company has a rolling stock option plan, which permits the Board of Directors of the Company to grant stock options for up to 10% of the outstanding common shares of the Company. 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. The maximum term of the stock options is ten years from the grant date. Vesting terms are at the discretion of the Board of Directors.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

8. SHARE OPTION RESERVE (Continued)

8.2 Stock option continuity

The continuity of stock options for the six months ended June 30, 2020 is as follows:

Expiry date	Exercise price C\$	Balance, December 31, 2019	Issued	Exercised	Expired/ Forfeited	Balance, June 30, 2020				
May 19, 2020	\$ 0.335	930,000	-	-	(930,000)	-				
May 19, 2021	\$ 0.36	1,130,000	-	-	(20,000)	1,110,000				
May 16, 2022	\$ 0.32	1,995,000	-	-	(20,000)	1,975,000				
August 22, 2023	\$ 0.24	3,692,500	-	-	(30,000)	3,662,500				
May 23, 2024	\$ 0.23	2,395,000	-	-	-	2,395,000				
May 19, 2025	\$ 0.175	-	2,787,000	-	-	2,787,000				
March 14, 2027	\$ 0.075	4,480,000	-	-	-	4,480,000				
		14,622,500	2,787,000	-	(1,000,000)	16,409,500				
Weighted average exercise price (C\$)	\$	0.21	\$	0.18	\$	-	\$	0.33	\$	0.20

As at June 30, 2020, 12,532,333 stock options were exercisable.

The weighted average remaining contractual life is 4.22 years.

8.3 Share-based compensation

During the three and six months ended June 30, 2020, the Company recognized share-based compensation expense of \$112,299 and \$156,336, respectively, all of which has been allocated to administrative expenses.

During the three and six months ended June 30, 2019, the Company recognized share-based compensation expense of \$140,072 and \$200,648, respectively, of which \$110,110 and \$157,214, respectively has been allocated to administrative expenses and \$29,962 and \$43,434, respectively has been allocated to exploration and evaluation assets.

In May 2020, the Company granted 2,787,000 stock options to officers, employees, directors and other eligible persons at an exercise price of C\$0.175 with an expiry date of May 19, 2025. The weighted average fair value of the stock options granted was estimated at C\$0.10 per stock option at the grant date using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.37%; an expected volatility of 67.3%; an expected life of 5 years; a forfeiture rate of zero; an expected dividend of zero; and an exchange rate of \$/C\$ 1.389.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited - Expressed in U.S. Dollars)

9. ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Salaries and benefits	\$ 164,485	\$ 131,608	\$ 327,206	\$ 295,714
Consulting and professional fees	75,315	70,394	131,768	179,991
Corporate administration	90,214	56,529	170,749	141,993
Depreciation of property, plant and equipment	579	11,502	1,158	20,543
Depreciation of right-of-use assets	10,822	-	21,645	-
Share-based compensation	112,299	110,110	156,336	157,214
	\$ 453,714	\$ 380,143	\$ 808,862	\$ 795,455

10. RELATED PARTY TRANSACTIONS AND BALANCES

10.1 Key management personnel compensation

The remuneration of the Company's directors and other key management personnel, who have the authority and responsibility for planning, directing and controlling the activities of the Company, consisted of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Salaries and benefits*	\$ 164,780	\$ 173,544	\$ 338,319	\$ 347,083
Consulting and professional fees	33,101	33,150	66,219	65,782
Share-based compensation	84,617	96,604	114,636	135,347
	\$ 282,498	\$ 303,298	\$ 519,174	\$ 548,212

* Salaries and benefits are included in administrative expenses (Note 9) and exploration and evaluation assets (Note 5).

10.2 Related party liabilities

	As at	
	June 30, 2020	December 31, 2019
Trade and other payables - current	\$ 193,684	\$ 276,042
Trade and other payables - non-current	60,000	70,000
	\$ 253,684	\$ 346,042

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited - Expressed in U.S. Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

11.1 Categories of financial instruments

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

Financial assets	As at	
	June 30, 2020	December 31, 2019
Amortized cost		
Cash	\$ 620,374	\$ 184,447
Restricted cash	22,716	22,716
	\$ 643,090	\$ 207,163

Financial liabilities	As at	
	June 30, 2020	December 31, 2019
Amortized cost		
Trade and other payables	\$ 625,041	\$ 863,864
Loans payable	350,670	-
Decommissioning liabilities	259,268	251,550
Operating lease obligations	94,305	115,459
Fair value through profit or loss		
Warrant liabilities	453,160	265,029
	\$ 1,782,444	\$ 1,495,902

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

11.2 Fair value

The fair value of financial assets and financial liabilities measured at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value.

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 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

The fair value of the Company's warrant liabilities is recorded at fair value using Level 3 of the fair value hierarchy. The carrying value of the warrant liabilities is determined using the Black-Scholes option pricing model.

The carrying values of cash, trade and other payables and loans payable approximate their fair values because of the short-term nature of these financial instruments and are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.

The carrying values of restricted cash, decommissioning liabilities, and operating lease obligations approximate their fair values and are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.

11.3 Financial risk management objectives and policies

The Company's risk management objectives and policies are consistent with those disclosed by the Company for the year ended December 31, 2019.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited – Expressed in U.S. Dollars)

12. COMMITMENTS

	Within 1 year	2-4 years	Over 4 years	Total
Annual license payments *	\$ 552,011	\$ 466,595	\$ 1,734,863	\$ 2,753,469
Centennial option agreement **	-	-	3,165,000	3,165,000
Dewey Burdock option agreements	62,500	322,500	1,540,000	1,925,000
	\$ 614,511	\$ 789,095	\$ 6,439,863	\$ 7,843,469

* annual license payments include lease and mineral claim payments

** the contingent payments are payable upon receipt of regulatory permits and licenses allowing uranium production on the area of the Centennial Project pertaining to these uranium interests. Further, since the required licenses and permits were not received by September 27, 2019, the uranium rights, at the option of the seller, can be transferred back to the seller. The Company is attempting to renegotiate the Centennial Project option agreement.

Certain of the Company's commitments may provide the Company with the ability to avoid funding those commitments; however, the Company discloses the contractual maturities of the Company's commitments based on management's intent.

13. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended June 30, 2020, the Company completed the following non-cash investing and financing activities:

- Issued 719,186 common shares to settle \$92,711 owing pursuant to the Company's ESPP;
- Issued 260,170 common shares to settle \$27,500 owing pursuant to the Company's DSA;
- Issued 5,466,665 share purchase warrants valued at \$325,235 as part of the April 2020 financing; and
- No cash interest or income taxes were paid.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2020

(Unaudited – Expressed in U.S. Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

During the six months ended June 30, 2019, the Company completed the following non-cash investing and financing activities:

- Issued 620,656 common shares to settle \$107,586 owing pursuant to the Company's ESPP;
- Issued 158,639 common shares to settle \$27,500 owing pursuant to the Company's DSA;
- Issued 6,553,022 share purchase warrants valued at \$378,506 as part of a financing; and
- No cash interest or income taxes were paid.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company completed the following transactions:

- In July 2020, the Company issued 1,750,000 common shares to settle \$267,845 of outstanding employee remuneration;
- In July 2020, the Company issued 200,000 common shares to settle debt of C\$35,000.
- In July 2020, 2,333,968 warrants expired unexercised.
- In August 2020, the Company issued 1,227,389 common shares to settle \$199,920 owing pursuant to the Company's ESPP and 112,205 common shares to settle \$13,750 owing pursuant to the Company's DSA.
- In August 2020, the Company received third party loans of \$1,000,000 that bear interest at 12% per annum, are unsecured, and mature February 5, 2021. The loan proceeds will be used to fund financial assurance bonds related to Environmental Protection Agency permits for the Dewey Burdock project.