



Azarga Uranium Corp.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2020
(Unaudited – Expressed in U.S. Dollars)

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AZARGA URANIUM CORP.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited – Expressed in U.S. Dollars)

		As at	
	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash		\$ 181,022	\$ 184,447
Other assets		56,007	23,913
Total current assets		237,029	208,360
Non-current assets			
Restricted cash	6	952,449	22,716
Exploration and evaluation assets	5	42,276,927	41,440,616
Property, plant and equipment		65,840	67,577
Right-of-use assets		81,321	111,357
Total non-current assets		43,376,537	41,642,266
Total assets		\$ 43,613,566	\$ 41,850,626
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		\$ 639,461	\$ 793,864
Loans payable	6	1,482,357	-
Operating lease obligations		22,590	45,014
Total current liabilities		2,144,408	838,878
Non-current liabilities			
Trade and other payables		45,000	70,000
Deferred income tax liabilities		3,112,193	3,112,193
Decommissioning liabilities		263,441	251,550
Operating lease obligations		63,548	70,445
Warrant liabilities		567,743	265,029
Total non-current liabilities		4,051,925	3,769,217
Total liabilities		6,196,333	4,608,095
Equity			
Common shares	7	61,670,876	60,303,924
Contributed surplus	7	862,334	1,117,679
Share option reserve	8	3,007,303	2,809,429
Accumulated deficit		(28,123,280)	(26,988,501)
Total equity		37,417,233	37,242,531
Total liabilities and equity		\$ 43,613,566	\$ 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 September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Administrative expenses	9	\$ (329,273)	\$ (417,368)	\$ (1,138,135)	\$ (1,212,823)
Foreign exchange gain (loss)		(6,890)	(66,247)	7,373	(52,266)
Impairment of exploration and evaluation assets		-	(2,422,398)	-	(2,422,398)
Loss from operations		(336,163)	(2,906,013)	(1,130,762)	(3,687,487)
Finance costs		(28,315)	(2,442)	(44,191)	(7,380)
Unrealized gain (loss) on warrant liabilities		(102,645)	85,052	40,174	324,116
Net loss from continuing operations		(467,123)	(2,823,403)	(1,134,779)	(3,370,751)
Net loss from discontinued operations		-	(59,295)	-	(4,196,415)
Net loss		(467,123)	(2,882,698)	(1,134,779)	(7,567,166)
Net loss attributable to:					
Equity holders of the Company		(467,123)	(2,878,499)	(1,134,779)	(7,264,527)
Non-controlling interest		-	(4,199)	-	(302,639)
Net loss		\$ (467,123)	\$ (2,882,698)	\$ (1,134,779)	\$ (7,567,166)
Basic and diluted loss per share					
Basic and diluted loss per share from continuing operations		\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.02)
Basic and diluted loss per share from discontinued operations		\$ -	\$ (0.00)	\$ -	\$ (0.02)
Basic and diluted loss per share		\$ (0.00)	\$ (0.02)	\$ (0.01)	\$ (0.04)
Weighted average number of common shares outstanding					
		200,080,285	184,643,360	193,838,647	180,049,902
Net loss		\$ (467,123)	\$ (2,882,698)	\$ (1,134,779)	\$ (7,567,166)
Other comprehensive income (loss)					
Item that may be reclassified subsequently as profit or loss					
Foreign currency translation adjustment		-	30,246	-	(16,929)
Total other comprehensive loss		\$ (467,123)	\$ (2,852,452)	\$ (1,134,779)	\$ (7,584,095)
Other comprehensive income (loss) attributable to:					
Equity holders of the Company		\$ -	\$ 21,172	\$ -	\$ (11,850)
Non-controlling interest		-	9,074	-	(5,079)
Other comprehensive income (loss)		\$ -	\$ 30,246	\$ -	\$ (16,929)

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								
	Number of shares	Common shares	Contributed surplus	Share option reserve	Foreign currency translation reserve	Accumulated deficit	Total equity	Non-controlling interest	Total equity
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 employee remuneration	1,750,000	267,845	(267,845)	-	-	-	-	-	-
Issuance of shares to settle trade and other payables	200,000	25,843	-	-	-	-	25,843	-	25,843
Issuance of shares to settle ESPP	1,946,575	215,631	(215,631)	-	-	-	-	-	-
Issuance of shares to settle DSA	372,375	41,250	(41,250)	-	-	-	-	-	-
Compensation to be settled by equity	-	-	269,381	-	-	-	269,381	-	269,381
Share-based compensation	-	-	-	197,874	-	-	197,874	-	197,874
Net loss for the period	-	-	-	-	-	(1,134,779)	(1,134,779)	-	(1,134,779)
Balances, September 30, 2020	200,746,209	\$ 61,670,876	\$ 862,334	\$ 3,007,303	\$ -	\$ (28,123,280)	\$ 37,417,233	\$ -	\$ 37,417,233

	Attributable to equity holders of the Company								
	Number of shares	Common shares	Contributed surplus	Share option reserve	Foreign currency translation reserve	Accumulated deficit	Total equity	Non-controlling interest	Total equity
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 employee remuneration	900,000	170,068	(170,068)	-	-	-	-	-	-
Issuance of shares to settle ESPP	887,323	159,547	(159,547)	-	-	-	-	-	-
Issuance of shares to settle DSA	229,205	41,251	(41,251)	-	-	-	-	-	-
Compensation to be settled by equity	-	-	218,882	-	-	-	218,882	-	218,882
Share-based compensation	-	-	-	264,830	-	-	264,830	-	264,830
NCI adjustment on acquisition of 23.1% of UrAsia	-	-	-	-	(202,249)	(551,162)	(753,411)	753,411	-
Net loss for the period	-	-	-	-	-	(7,264,527)	(7,264,527)	(302,639)	(7,567,166)
Other comprehensive loss for the period	-	-	-	-	(11,850)	-	(11,850)	(5,079)	(16,929)
Balances, September 30, 2019	184,956,380	\$ 60,218,297	\$ 849,834	\$ 2,764,908	\$ (1,077,191)	\$ (26,788,955)	\$ 35,966,893	\$ (48,784)	\$ 35,918,109

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)

		Nine months ended September 30,	
	Notes	2020	2019
OPERATING ACTIVITIES			
Net loss from continuing operations		\$ (1,134,779)	\$ (3,370,751)
Adjustments for:			
Depreciation	9	31,773	32,045
Share-based compensation	8	197,874	212,187
Impairment of exploration and evaluation assets		-	2,422,398
Unrealized gain on warrant liabilities		(40,174)	(324,116)
Equity compensation expense		269,381	218,882
Finance costs		44,191	7,380
Unrealized foreign exchange loss		14,227	28,764
Operating cash flows before changes in non-cash working capital items		(617,507)	(773,211)
Change in other assets		(32,094)	(18,353)
Change in trade and other payables		(188,987)	(448,343)
Net cash used in operating activities of continuing operations		(838,588)	(1,239,907)
Net cash used in operating activities of discontinued operations		-	(39,648)
INVESTING ACTIVITIES			
Expenditures on exploration and evaluation assets	5	(824,420)	(1,149,729)
Recoveries of expenditures on exploration and evaluation assets		-	2,000
Sale of property, plant and equipment		-	1,126
Restricted cash	6	(929,733)	-
Reclamation bonds		-	99,000
Net cash used in investing activities of continuing operations		(1,754,153)	(1,047,603)
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	1,445,714	-
Net cash generated by financing activities of continuing operations		2,587,332	2,249,616
Effect of foreign exchange rate changes on cash		1,984	(710)
Decrease in cash from continuing operations		(3,425)	(38,604)
Increase in cash from discontinued operations		-	30,381
Cash, beginning of period		184,447	352,001
Cash, end of period		\$ 181,022	\$ 343,778

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 nine months ended September 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 September 30, 2020, the Company had a working capital deficit of \$1,907,379 and an accumulated deficit of \$28,123,280 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. To date, this pandemic has had a limited impact on the Company’s operations as the Company has continued to advance permitting on its Dewey Burdock project and raise capital. However, it is not possible for the Company to ultimately 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 nine months ended September 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 nine months ended September 30, 2020 were approved and authorized for issue by the Company’s Audit Committee on November 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 nine months ended September 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 September 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 nine months ended September 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, September 30, 2020
South Dakota					
Dewey Burdock	\$ 27,750,988	\$ 205,264	\$ 197,579	\$ -	\$ 28,153,831
Wyoming					
Gas Hills	8,832,441	69,252	109,703	7,557	9,018,953
Juniper Ridge	2,822,377	8,670	23,718	-	2,854,765
Other	1,098,011	45,228	107,215	-	1,250,454
Colorado					
JB	446,594	10,500	11,006	-	468,100
Utah					
Ticaboo	490,205	30,587	5,698	4,334	530,824
Total	\$ 41,440,616	\$ 369,501	\$ 454,919	\$ 11,891	\$ 42,276,927

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

6. LOANS PAYABLE

	As at	
	September 30, 2020	December 31, 2019
Balance, beginning of period	\$ -	\$ -
Loan proceeds	1,445,714	-
Interest expense	38,085	-
Currency translation effect	(1,442)	-
Balance, end of period	\$ 1,482,357	\$ -

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 December 4, 2020, as amended.

In May 2020, the Company received a loan under the USA Payroll Protection Plan ("PPP") of \$100,625 that bears interest at 1% per annum and matures May 3, 2022. In accordance with the terms of the PPP, the Company applied for forgiveness of the principal and interest and expects the amounts to be forgiven.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited – Expressed in U.S. Dollars)

6. LOANS PAYABLE (Continued)

In the third quarter of 2020, the Company received loans of \$1,100,000 from two minority shareholders that bear interest at 12% per annum, are unsecured, and mature February 5, 2021. The loan proceeds were primarily used to fund financial assurance bonds and related costs on the Company's Dewey Burdock project. The Company funded financial assurance bonds totaling \$929,733 in the third quarter of 2020. This amount is included in restricted cash as at September 30, 2020.

During the three and nine months ended September 30, 2020, the Company recorded interest expense of \$26,524 and \$38,085, respectively.

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 September 30, 2020 and December 31, 2019, the Company had 200,746,209 and 185,543,926 common shares outstanding, respectively, and no preferred shares were outstanding.

7.2 Issued share capital

During the nine months ended September 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.

- In July 2020, the Company issued 1,750,000 common shares to settle \$267,845 of outstanding employee remuneration.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited – Expressed in U.S. Dollars)

7. EQUITY (Continued)

7.2 Issued share capital (Continued)

- In July 2020, the Company issued 200,000 common shares to settle \$25,843 of trade and other payables.
- During the nine months ended September 30, 2020, the Company issued 1,946,575 common shares to settle \$215,631 owing pursuant to the Company's employee share purchase plan ("ESPP") and 372,375 common shares to settle \$41,250 owing pursuant to the Company's director services agreements ("DSA").

7.3 Share purchase warrants

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

Expiry date	Exercise price C\$	Balance, December 31, 2019	Issued	Exercised	Expired	Balance, September 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	-	(2,333,968)	13,587,187				
Weighted average exercise price (C\$)	\$	0.33	\$	0.20	\$	-	\$	0.36	\$	0.27

The weighted average remaining contractual life is 1.76 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.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended September 30, 2020

(Unaudited – Expressed in U.S. Dollars)

7. EQUITY (Continued)

7.4 Equity settled compensation arrangements (Continued)

ESPP (Continued)

For the three and nine months ended September 30, 2020, Employee Contributions totaled \$50,625 and \$136,875, respectively, and Matching Contributions totaled \$33,752 and \$91,256, respectively. For the three and nine months ended September 30, 2019, Employee Contributions totaled \$43,125 and \$106,575, respectively, and Matching Contributions totaled \$28,752 and \$71,056, respectively. As at September 30, 2020, a cumulative total of 7,009,265 common shares had been issued pursuant to the ESPP. Subsequent to September 30, 2020, the Company issued additional common shares pursuant to the ESPP, see Note 14.

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 nine months ended September 30, 2020, \$13,750 and \$41,250, respectively, were expensed under the DSA. For the three and nine months ended September 30, 2019, \$13,751 and \$41,251, respectively, were expensed under the DSA. As at September 30, 2020, a cumulative total of 1,928,969 common shares had been issued pursuant to the DSA. Subsequent to September 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 nine months ended September 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 nine months ended September 30, 2020 is as follows:

Expiry date	Exercise price C\$	Balance, December 31, 2019	Issued	Exercised	Expired/ Forfeited	Balance, September 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 September 30, 2020, 13,753,167 stock options were exercisable.

The weighted average remaining contractual life is 3.97 years.

8.3 Share-based compensation

During the three and nine months ended September 30, 2020, the Company recognized share-based compensation expense of \$41,538 and \$197,874, respectively, which has been allocated to administrative expenses.

During the three and nine months ended September 30, 2019, the Company recognized share-based compensation expense of \$64,182 and \$264,830, respectively, of which \$54,973 and \$212,187, respectively has been allocated to administrative expenses and \$9,209 and \$52,643, respectively has been allocated to exploration and evaluation assets.

In May 2020, the Company granted 2,787,000 stock options to officers, directors, employees and consultants 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 nine months ended September 30, 2020

(Unaudited - Expressed in U.S. Dollars)

9. ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries and benefits	\$ 162,471	\$ 150,095	\$ 489,677	\$ 445,809
Consulting and professional fees	64,705	43,363	196,473	223,354
Corporate administration	51,589	157,435	222,338	299,428
Depreciation of property, plant and equipment	579	11,502	1,737	32,045
Depreciation of right-of-use assets	8,391	-	30,036	-
Share-based compensation	41,538	54,973	197,874	212,187
	\$ 329,273	\$ 417,368	\$ 1,138,135	\$ 1,212,823

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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries and benefits *	\$ 169,181	\$ 160,417	\$ 507,500	\$ 507,500
Consulting and professional fees	32,938	32,744	99,157	98,526
Share-based compensation	30,615	41,902	145,251	177,249
	\$ 232,734	\$ 235,063	\$ 751,908	\$ 783,275

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

10.2 Related party liabilities

	As at	
	September 30, 2020	December 31, 2019
Trade and other payables - current	\$ 240,021	\$ 276,042
Trade and other payables - non-current	45,000	70,000
	\$ 285,021	\$ 346,042

AZARGA URANIUM CORP.

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For the nine months ended September 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	
	September 30, 2020	December 31, 2019
Amortized cost		
Cash	\$ 181,022	\$ 184,447
Restricted cash	952,449	22,716
	\$ 1,133,471	\$ 207,163

Financial liabilities	As at	
	September 30, 2020	December 31, 2019
Amortized cost		
Trade and other payables	\$ 684,461	\$ 863,864
Loans payable	1,482,357	-
Decommissioning liabilities	263,441	251,550
Operating lease obligations	86,138	115,459
Fair value through profit or loss		
Warrant liabilities	567,743	265,029
	\$ 3,084,140	\$ 1,495,902

AZARGA URANIUM CORP.

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(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 as they are measured at amortized cost and discounted using appropriate rates.

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.

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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 *	\$ 563,719	\$ 466,319	\$ 1,655,116	\$ 2,685,154
Centennial option agreement **	-	-	3,165,000	3,165,000
Dewey Burdock option agreements	62,500	322,500	1,540,000	1,925,000
	\$ 626,219	\$ 788,819	\$ 6,360,116	\$ 7,775,154

* 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 nine months ended September 30, 2020, the Company completed the following non-cash investing and financing activities:

- Issued 1,946,575 common shares to settle \$215,631 owing pursuant to the Company's ESPP;
- Issued 372,375 common shares to settle \$41,250 owing pursuant to the Company's DSA;
- Issued 1,750,000 common shares to settle \$267,845 of outstanding employee remuneration;
- Issued 200,000 common shares to settle \$25,843 of trade and other payables;
- 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.

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Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited – Expressed in U.S. Dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

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

- Issued 887,323 common shares to settle \$159,547 owing pursuant to the Company's ESPP;
- Issued 229,205 common shares to settle \$41,251 owing pursuant to the Company's DSA;
- Issued 900,000 common shares to settle \$170,068 of outstanding employee remuneration;
- 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 EVENT

In October 2020, the Company issued 577,179 common shares to settle \$84,377 owing pursuant to the Company's ESPP and 94,057 common shares to settle \$13,750 owing pursuant to the Company's DSA.