



Azarga Uranium Corp.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2021
(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, 2021	December 31, 2020
ASSETS			
Current assets			
Cash		\$ 1,526,218	\$ 2,400,060
Other assets		94,622	59,499
Total current assets		1,620,840	2,459,559
Non-current assets			
Restricted cash		720,020	952,472
Exploration and evaluation assets	5	43,177,298	42,621,402
Property, plant and equipment		64,104	65,261
Right-of-use assets		59,795	74,145
Total non-current assets		44,021,217	43,713,280
Total assets		\$ 45,642,057	\$ 46,172,839
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		\$ 427,282	\$ 525,904
Loan payable	6	-	101,284
Lease obligations		15,661	15,661
Total current liabilities		442,943	642,849
Non-current liabilities			
Trade and other payables		25,000	55,000
Deferred income tax liabilities		3,277,193	3,277,193
Decommissioning liabilities		267,807	267,807
Lease obligations		49,277	63,548
Warrant liabilities	7	1,703,168	1,960,499
Total non-current liabilities		5,322,445	5,624,047
Total liabilities		5,765,388	6,266,896
Equity			
Common shares	8	65,505,581	64,899,866
Contributed surplus	8	1,119,053	1,127,178
Share option reserve	9	2,998,384	3,008,477
Accumulated deficit		(29,746,349)	(29,129,578)
Total equity		39,876,669	39,905,943
Total liabilities and equity		\$ 45,642,057	\$ 46,172,839
Corporate information and going concern	1		
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Approved by 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 Income (Loss) and Other Comprehensive Income (Loss)

(Unaudited – Expressed in U.S. Dollars)

		Three months ended June 30,		Six months ended June 30,	
	Notes	2021	2020	2021	2020
Administrative expenses	10	\$ (604,397)	\$ (453,714)	\$ (967,341)	\$ (808,862)
Foreign exchange (loss) gain		(46,818)	(1,288)	(58,920)	14,263
Loss from operations		(651,215)	(455,002)	(1,026,261)	(794,599)
Finance costs		(1,259)	(9,273)	(2,874)	(15,876)
Gain on forgiveness of loan	6	101,532	-	101,532	-
Realized gain on warrant liabilities	7	25,854	-	25,854	-
Unrealized gain on warrant liabilities	7	645,964	3,537	284,978	142,819
Net income (loss) and other comprehensive income (loss)		\$ 120,876	\$ (460,738)	\$ (616,771)	\$ (667,656)
Basic and diluted income (loss) per share		\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		233,164,353	195,313,925	232,649,551	190,683,534

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)

	Number of shares	Common shares	Contributed surplus	Share option reserve	Accumulated deficit	Total equity
Balances, December 31, 2020	231,645,445	\$ 64,899,866	\$ 1,127,178	\$ 3,008,477	\$ (29,129,578)	\$ 39,905,943
Issuance of shares on exercise of warrants	207,000	67,783	-	-	-	67,783
Issuance of shares on exercise of options	1,500,000	350,845	-	(257,535)	-	93,310
Issuance of shares to settle ESPP	836,194	168,754	(168,754)	-	-	-
Issuance of shares to settle DSA	93,251	18,333	(18,333)	-	-	-
Compensation to be settled by equity	-	-	178,962	-	-	178,962
Share-based compensation	-	-	-	247,442	-	247,442
Net loss and other comprehensive loss for the period	-	-	-	-	(616,771)	(616,771)
Balances, June 30, 2021	234,281,890	\$ 65,505,581	\$ 1,119,053	\$ 2,998,384	\$ (29,746,349)	\$ 39,876,669

	Number of shares	Common shares	Contributed surplus	Share option reserve	Accumulated deficit	Total equity
Balances, December 31, 2019	185,543,926	\$ 60,303,924	\$ 1,117,679	\$ 2,809,429	\$ (26,988,501)	\$ 37,242,531
Issuance of shares for private placement	10,933,333	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
Share-based compensation	-	-	-	156,336	-	156,336
Net loss and other comprehensive loss for the period	-	-	-	-	(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

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,	
		2021	2020
OPERATING ACTIVITIES			
Net loss for the period		\$ (616,771)	\$ (667,656)
Adjustments for:			
Depreciation	10	15,507	22,803
Share-based compensation	9	247,442	156,336
Gain on forgiveness of loan	6	(101,532)	-
Unrealized gain on warrant liabilities	7	(284,978)	(142,819)
Equity compensation expense	8	178,962	171,254
Finance costs		2,874	15,876
Unrealized foreign exchange loss (gain)		90,427	(4,011)
Operating cash flows before changes in non-cash working capital items		(468,069)	(448,217)
Change in other assets		(35,123)	(14,080)
Change in trade and other payables		(145,519)	(264,292)
Net cash used in operating activities		(648,711)	(726,589)
INVESTING ACTIVITIES			
Expenditures on exploration and evaluation assets, net	5	(555,896)	(327,937)
Restricted cash		232,452	-
Net cash used in investing activities		(323,444)	(327,937)
FINANCING ACTIVITIES			
Private placement		-	1,165,998
Share issue costs		-	(24,380)
Exercise of warrants	8	41,929	-
Exercise of options	8	93,310	-
Loan proceeds		-	345,714
Net cash generated by financing activities		135,239	1,487,332
Effect of foreign exchange rate changes on cash		(36,926)	3,121
Change in cash for the period		(873,842)	435,927
Cash, beginning of period		2,400,060	184,447
Cash, end of period		\$ 1,526,218	\$ 620,374

Supplemental cash flow information, see Note 14

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, 2021

(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, 2021, the Company had working capital of \$1,177,897 and an accumulated deficit of \$29,746,349 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 its business objectives 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 six months ended June 30, 2021

(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, 2021 were approved and authorized for issue by the Company’s Audit Committee on August 11, 2021.

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, 2020.

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 12 of these condensed consolidated interim financial statements.

2.3 Presentation 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, 2020 consolidated annual financial statements. There were no material changes to the significant accounting judgments and estimates from December 31, 2020.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(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, 2020.

3.2 New standards, interpretations and amendments not yet effective

There have been no recent IFRS accounting pronouncements with respect to new standards, interpretations and amendments during the six months ended June 30, 2021, as compared to the recent accounting pronouncements described under Note 3.19 in the Company's annual audited consolidated financial statements for the year ended December 31, 2020, which are of potential significance to the Company.

4. SEGMENTED INFORMATION

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

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited – Expressed in U.S. Dollars)

5. EXPLORATION AND EVALUATION ASSETS

	South Dakota	Wyoming			Colorado	Utah	Total
	Dewey Burdock	Gas Hills	Juniper Ridge	Other	JB	Ticaboo	
Balance, December 31, 2020	\$ 28,391,463	\$ 9,065,709	\$ 2,857,655	\$ 1,291,696	\$ 471,600	\$ 543,279	\$ 42,621,402
Salaries and consulting	334,104	91,787	12,830	45,185	7,208	12,650	503,764
License fees	43,675	960	1,920	7,427	-	150	54,132
Recoveries	-	-	-	-	-	(2,000)	(2,000)
Balance, June 30, 2021	\$ 28,769,242	\$ 9,158,456	\$ 2,872,405	\$ 1,344,308	\$ 478,808	\$ 554,079	\$ 43,177,298

Details on the Company's exploration and evaluation assets are found in Note 5 of the December 31, 2020 consolidated financial statements.

6. LOAN PAYABLE

In May 2020, the Company received a loan under the USA Payroll Protection Plan ("PPP") of \$100,625 that bore interest at 1% per annum and matured May 3, 2022. During the six months ended June 30, 2021 and 2020, the Company recorded interest expense of \$248 and \$152, respectively.

In accordance with the terms of the PPP, the Company applied for forgiveness of the principal and interest in November 2020 and received confirmation that it had been forgiven in June 2021. Accordingly, during the six months ended June 30, 2021, the Company recorded a gain on forgiveness of loan of \$101,532.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited – Expressed in U.S. Dollars)

7. WARRANT LIABILITIES

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Balance, beginning of period	\$ 1,960,499	\$ 265,029	\$ 1,960,499	\$ 265,029
Issuance of warrants	-	325,235	-	325,235
Exercise of warrants	(25,854)	-	(25,854)	-
Unrealized gain on revaluation	(645,964)	(3,537)	(284,978)	(142,819)
Currency translation effect	24,516	14,662	53,501	5,715
Balance, end of period	\$ 1,313,197	\$ 601,389	\$ 1,703,168	\$ 453,160

Warrant liabilities were revalued as at June 30, 2021 using the Black-Scholes option pricing model with the following assumptions: a risk free interest rate of 0.44; an expected volatility of 65.7%; an expected life of 1 year; a forfeiture rate of zero; an expected dividend of zero; and an exchange rate of \$1/C\$ 1.2394.

8. EQUITY

8.1 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, 2021 and December 31, 2020, the Company had 234,281,890 and 231,645,445 common shares outstanding, respectively, and no preferred shares were outstanding.

8.2 Issued share capital

During the six months ended June 30, 2021, the Company completed the following equity transactions:

- In April 2021, the Company issued 82,000 common shares on the exercise of warrants for gross proceeds of \$12,935. On exercise, the Company recorded an allocation of \$10,936 from warrant liability to common shares.
- In May 2021, the Company issued 125,000 common shares on the exercise of warrants for gross proceeds of \$28,994. On exercise, the Company recorded an allocation of \$14,918 from warrant liability to common shares.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited – Expressed in U.S. Dollars)

8. EQUITY (Continued)

8.2 Issued share capital (Continued)

- In May 2021, the Company issued 800,000 common shares on the exercise of stock options for gross proceeds of \$49,704. On exercise, the Company recorded an allocation of \$137,352 from share option reserve to common shares.
- In June 2021, the Company issued 700,000 common shares on the exercise of stock options for gross proceeds of \$43,606. On exercise, the Company recorded an allocation of \$120,183 from share option reserve to common shares.
- The Company issued 836,194 common shares to settle \$168,754 owing pursuant to the Company's employee share purchase plan ("ESPP") and 93,251 common shares to settle \$18,333 owing pursuant to the Company's director services agreements ("DSA").

8.3 Share purchase warrants

The continuity of share purchase warrants for the six months ended June 30, 2021 is as follows:

Expiry date	Exercise price C\$	Balance, December 31, 2020	Issued	Exercised	Expired	Balance, June 30, 2021				
March 20, 2022	\$ 0.31	6,553,022	-	-	-	6,553,022				
December 31, 2022	\$ 0.28	15,000,000	-	(125,000)	-	14,875,000				
April 17, 2023	\$ 0.20	5,438,665	-	(82,000)	-	5,356,665				
		26,991,687	-	(207,000)	-	26,784,687				
Weighted average exercise price (C\$)	\$	0.27	\$	-	\$	0.25	\$	-	\$	0.27

As at June 30, 2021, all share purchase warrants were exercisable.

The weighted average remaining contractual life is 1.37 years.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited – Expressed in U.S. Dollars)

8. EQUITY (Continued)

8.4 Equity settled compensation arrangements

ESPP

In 2015, the Company adopted an ESPP, as amended. The Company is authorized to issue up to 12,000,000 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, 2021, Employee Contributions totaled \$50,625 and \$101,250, respectively, and Matching Contributions totaled \$33,752 and \$67,504, respectively. 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. As at June 30, 2021, a cumulative total of 8,422,638 common shares have been issued pursuant to the ESPP. Subsequent to June 30, 2021, the Company issued 402,219 common shares pursuant to the ESPP, see Note 15.

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 payment of cash or by 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, 2021, \$5,625 and \$10,208, respectively, were expensed under the DSA. For the three and six months ended June 30, 2020, \$13,750 and \$27,500, respectively, were expensed under the DSA. As at June 30, 2021, a cumulative total of 2,116,277 common shares had been issued pursuant to the DSA. Subsequent to June 30, 2021, the Company issued 26,814 common shares pursuant to the DSA, see Note 15.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited – Expressed in U.S. Dollars)

9. SHARE OPTION RESERVE

9.1 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.

9.2 Stock option continuity

The continuity of stock options for the six months ended June 30, 2021 is as follows:

Expiry date	Exercise price C\$	Balance, December 31, 2020	Issued	Exercised	Expired/ Forfeited	Balance, June 30, 2021				
May 19, 2021	\$ 0.36	1,110,000	-	-	(1,110,000)	-				
May 16, 2022	\$ 0.32	1,975,000	-	-	-	1,975,000				
August 22, 2023	\$ 0.24	3,662,500	-	-	-	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				
May 13, 2026	\$ 0.30	-	3,429,375	-	-	3,429,375				
March 14, 2027	\$ 0.075	4,280,000	-	(1,500,000)	-	2,780,000				
		16,209,500	3,429,375	(1,500,000)	(1,110,000)	17,028,875				
Weighted average exercise price (C\$)	\$	0.20	\$	0.30	\$	0.08	\$	0.36	\$	0.22

As at June 30, 2021, 13,813,625 stock options were exercisable.

The weighted average remaining contractual life is 3.52 years.

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited – Expressed in U.S. Dollars)

9. SHARE OPTION RESERVE (Continued)

9.3 Share-based compensation

During the three and six months ended June 30, 2021, the Company recognized share-based compensation expense of \$214,556 and \$247,442, respectively.

During the three and six months ended June 30, 2020, the Company recognized share-based compensation expense of \$112,299 and \$156,336, respectively.

In May 2021, the Company granted 3,429,375 stock options to officers, employees, directors and other eligible persons at an exercise price of C\$0.30 with an expiry date of May 13, 2026. The weighted average fair value of the stock options granted was estimated at C\$0.17 per stock option at the grant date using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.76%; an expected volatility of 71.3%; an expected life of 5 years; a forfeiture rate of zero; an expected dividend of zero; and an exchange rate of \$/C\$ 1.2150.

10. ADMINISTRATIVE EXPENSES

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Salaries and benefits	\$ 196,628	\$ 164,485	\$ 368,632	\$ 327,206
Consulting and professional fees	44,891	75,315	90,732	131,768
Corporate administration	140,569	90,214	245,028	170,749
Depreciation of property, plant and equipment	578	579	1,157	1,158
Depreciation of right-of-use assets	7,175	10,822	14,350	21,645
Share-based compensation	214,556	112,299	247,442	156,336
	\$ 604,397	\$ 453,714	\$ 967,341	\$ 808,862

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited – Expressed in U.S. Dollars)

11. RELATED PARTY TRANSACTIONS AND BALANCES

11.1 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,	
	2021	2020	2021	2020
Salaries and benefits *	\$ 175,835	\$ 164,780	\$ 345,003	\$ 338,319
Consulting and professional fees	34,744	33,101	68,918	66,219
Share-based compensation	172,227	84,617	197,747	114,636
	\$ 382,806	\$ 282,498	\$ 611,668	\$ 519,174

* Salaries and benefits are included in administrative expenses (Note 10) and exploration and evaluation assets (Note 5).

11.2 Related party liabilities

		As at	
		June 30, 2021	December 31, 2020
Chief Executive Officer	Expense reimbursement	\$ -	\$ 12,952
Chief Financial Officer	Expense reimbursement	767	1,647
Former Chief Executive Officer	Severance pay	100,000	115,000
		\$ 100,767	\$ 129,599

All amounts are included in trade and other payables

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited - Expressed in U.S. Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

12.1 Categories of financial instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVTOCI"); 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, 2021	December 31, 2020
Amortized cost		
Cash	\$ 1,526,218	\$ 2,400,060
Restricted cash	720,020	952,472
	\$ 2,246,238	\$ 3,352,532

Financial liabilities	As at	
	June 30, 2021	December 31, 2020
Amortized cost		
Trade and other payables	\$ 452,282	\$ 580,904
Loan payable	-	101,284
Decommissioning liabilities	267,807	267,807
Lease obligations	64,938	79,209
Fair value through profit or loss		
Warrant liabilities	1,703,168	1,960,499
	\$ 2,488,195	\$ 2,989,703

AZARGA URANIUM CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended June 30, 2021

(Unaudited – Expressed in U.S. Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

12.2 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 loan 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 lease obligations approximate their fair values as they are measured at amortized cost and discounted using appropriate rates.

12.3 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, 2020.

AZARGA URANIUM CORP.

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(Unaudited – Expressed in U.S. Dollars)

13. COMMITMENTS

	Within 1 year	2-4 years	Over 4 years	Total
Annual license payments *	\$ 467,027	\$ 456,158	\$ 1,695,687	\$ 2,618,872
Centennial option agreement **	-	-	3,165,000	3,165,000
Dewey Burdock option agreements	62,500	457,500	1,342,500	1,862,500
	\$ 529,527	\$ 913,658	\$ 6,203,187	\$ 7,646,372

* 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.

AZARGA URANIUM CORP.

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14. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended June 30, 2021, the Company completed the following non-cash investing and financing activities:

- Issued 836,194 common shares to settle \$168,754 owing pursuant to the Company's ESPP;
- Issued 93,251 common shares to settle \$18,333 owing pursuant to the Company's DSA; and
- No cash interest or income taxes were paid.

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.

15. SUBSEQUENT EVENTS

In July 2021, the Company issued 402,219 common shares to settle \$84,377 owing pursuant to the Company's ESPP and 26,814 common shares to settle \$5,625 owing pursuant to the Company's DSA.

In July 2021, the Company issued 1,405,000 common shares to settle \$264,844 of outstanding employee remuneration.

In August 2021, the Company issued 300,000 common shares on the exercise of stock options for gross proceeds of C\$22,500.

In August 2021, the Company issued 693,750 common shares on the exercise of warrants for gross proceeds of C\$194,250.