



POWERTECH URANIUM CORP.
(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2014

(Stated in United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements for Powertech Uranium Corp have been prepared by management in accordance with International Financial Reporting Standards. These interim condensed consolidated financial statements, which are the responsibility of management are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors has reviewed and approved these interim condensed consolidated financial statements.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators.

POWERTECH URANIUM CORP.

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

June 30, 2014 and December 31, 2013

(Stated in United States Dollars)

	<u>June 30,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,424	\$ 133,510
Receivable	8,858	29,891
Deposits	16,090	20,857
Note receivable	250,000	250,000
Prepaid expenses	<u>8,106</u>	<u>15,209</u>
	284,478	449,467
Non-current		
Restricted cash	208,030	208,030
Note receivable	250,000	250,000
Mineral properties –Schedule 1	39,676,052	38,375,502
Building and equipment – Note 4	<u>86,565</u>	<u>94,922</u>
Total assets	<u>\$ 40,505,125</u>	<u>\$ 39,377,921</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,246,104	\$ 1,106,311
Deferred compensation – Note 7	381,718	294,844
Warrant liability – Note 6	85,584	376,821
Loan facility – Note 5	1,574,695	408,509
Current portion of agreements payable – Note 5	<u>435,000</u>	<u>435,000</u>
	3,723,101	2,621,485
Non-current		
Accounts payable	336,378	–
Agreements payable – Note 5	<u>761,583</u>	<u>744,828</u>
Total liabilities	4,821,062	3,366,313
SHAREHOLDERS' EQUITY		
Share capital – Note 6	73,850,105	73,850,105
Contributed surplus – Note 6	9,043,482	8,298,355
Deficit	<u>(47,209,524)</u>	<u>(46,136,852)</u>
	<u>35,684,063</u>	<u>36,011,608</u>
Total liabilities and shareholder's equity	<u>\$ 40,505,125</u>	<u>\$ 39,377,921</u>

APPROVED BY THE DIRECTORS:

“Richard F. Clement, Jr.”
Richard F. Clement, Jr.

Director

“Douglas Eacrett”
Douglas Eacrett

Director

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(UNAUDITED)

for the three and six months ended June 30, 2014 and 2013

(Stated in United States Dollars)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General and administrative expenses				
Depreciation	\$ 3,998	\$ 6,570	\$ 8,357	\$ 16,484
Audit and accounting fees	35,287	14,282	60,159	14,282
Community and media relations	6,925	11,046	14,412	26,933
Director fees – Note 7	16,562	13,191	33,412	26,587
Filing fees	465	575	22,851	42,137
Foreign exchange (gain)/loss	57,719	39,545	15,431	34,202
Insurance	16,221	22,586	29,282	40,357
Investor relations and promotion	59,902	3,185	69,124	12,776
Legal fees	140,753	18,809	199,550	46,354
Management and consulting fees – Note 7	–	102,321	–	222,897
Office and miscellaneous	109,780	80,362	181,298	178,128
Transfer agent fees	11,258	1,643	15,889	4,808
Travel and accommodation	8,241	28,651	61,035	60,427
Wages and benefits – Note 7	<u>159,322</u>	<u>146,346</u>	<u>320,239</u>	<u>298,982</u>
Loss from operations	(626,433)	(489,112)	(1,031,039)	(1,025,354)
Finance income (costs)				
Interest income	–	1,681	–	3,708
Accretion – Note 5	(28,751)	(27,197)	(56,758)	(53,674)
Gain on re-measurement of warrant liability – Note 6	154,769	291,459	284,427	327,097
Loss on re-measurement of derivative liability – Note 4	<u>(354,834)</u>	<u>–</u>	<u>(269,302)</u>	<u>–</u>
	<u>(228,816)</u>	<u>265,943</u>	<u>(41,633)</u>	<u>277,131</u>
Loss and comprehensive loss for the period	\$ (855,249)	\$ (223,169)	\$ (1,072,672)	\$ (748,223)
Basic and diluted loss per common share – Note 9	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Basic and diluted weighted average number of shares outstanding – Note 9	<u>152,946,133</u>	<u>140,801,362</u>	<u>152,946,133</u>	<u>135,994,732</u>

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended June 30, 2014 and 2013 and the period ended December 31, 2013

(Stated in United States Dollars)

	Number of Common Shares	Share capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2012	125,801,362	\$ 72,291,985	\$ 7,642,929	\$ (31,712,720)	\$ 48,222,194
Share issuance	15,000,000	589,228	53,836	–	643,064
Total comprehensive loss for the period	–	–	–	(748,223)	(748,223)
Balance, June 30, 2013	140,801,362	\$ 72,881,213	\$ 7,696,765	\$ (32,460,943)	\$ 48,117,035
Share issuance, net	12,144,771	968,892	–	–	968,892
Loan Facility	–	–	601,590	–	601,590
Total comprehensive loss for period	–	–	–	(13,675,909)	(13,675,909)
Balance, December 31, 2013	152,946,133	\$ 73,850,105	\$ 8,298,355	\$ (46,136,852)	\$ 36,011,608
Loan Facility	–	–	745,127	–	745,127
Total comprehensive loss for the period	–	–	–	(1,072,672)	(1,072,672)
Balance, June 30, 2014	152,946,133	\$ 73,850,105	\$ 9,043,482	\$ (47,209,524)	\$ 35,684,063

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
for the six months ended June 30, 2014 and 2013
(Stated in United States Dollars)

	<u>2014</u>	<u>2013</u>
Operating Activities		
Loss for the period	\$ (1,072,672)	\$ (748,223)
Adjustments to reconcile loss to net cash used in operating activities:		
Accretion	56,758	53,674
Depreciation	8,357	16,484
Loss on re-measurement of financial and derivative liability	269,302	–
Gain on warrant liability	(284,427)	(327,097)
Unrealized foreign exchange (gain)/loss	<u>24,407</u>	<u>(11,670)</u>
	(998,275)	(1,016,832)
Net change in non-cash working capital balances:		
Receivables	20,645	38,329
Deposits	4,650	–
Prepaid expenses	6,936	1,995
Accounts payable and accrued liabilities	<u>863,594</u>	<u>774,735</u>
Total cash outflows from operating activities	<u>(102,450)</u>	<u>(201,773)</u>
Investing Activity		
Mineral property interests	<u>(1,600,550)</u>	<u>(1,672,501)</u>
Total cash outflows from investing activity	<u>(1,600,550)</u>	<u>(1,672,501)</u>
Financing Activities		
Long-term debt repayment	(40,000)	(40,000)
Loan facility proceeds	1,615,000	–
Issuance of common shares	–	1,463,400
Costs of issuance of common shares	<u>–</u>	<u>(83,352)</u>
Total cash inflows from financing activities	<u>1,575,000</u>	<u>1,340,048</u>
Foreign exchange gain on cash	<u>(4,086)</u>	<u>(14,021)</u>
Total decrease in cash during the period	(132,086)	(548,247)
Cash and cash equivalents, beginning of the period	<u>133,510</u>	<u>649,828</u>
Cash and cash equivalents, end of the period	<u>\$ 1,424</u>	<u>\$ 101,581</u>
Non-cash Transactions – Note 8		

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.

Schedule 1

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES (UNAUDITED)

for the six months ended June 30, 2014 and year ended December 31, 2013

(Stated in United States Dollars)

	South <u>Dakota</u>	<u>Wyoming</u>	<u>Colorado</u>	<u>Total</u>
Balance, December 31, 2012	\$ 30,397,541	\$3,732,395	\$14,839,382	\$ 48,969,318
Legal fees	490,338	-	-	490,338
Claims fees	51,800	106,678	-	158,478
Land/lease payments	134,225	89,350	13,986	237,561
Permitting	1,693,675	-	-	1,693,675
Impairment	-	-	(12,344,868)	(12,344,868)
Sale of property	-	-	(1,600,000)	(1,600,000)
Wages	<u>690,000</u>	<u>81,000</u>	<u>-</u>	<u>771,000</u>
Balance, December 31, 2013	\$ 33,457,579	\$4,009,423	\$ 908,500	\$ 38,375,502
Land services	12,000	-	-	12,000
Legal fees	194,645	-	-	194,645
Land/lease payments	33,252	3,639	-	36,891
Engineering	14,455	-	-	14,455
Permitting	641,309	-	-	641,309
Wages	<u>363,000</u>	<u>38,250</u>	<u>-</u>	<u>401,250</u>
Balance, June 30, 2014	<u>\$ 34,716,240</u>	<u>\$4,051,312</u>	<u>\$ 908,500</u>	<u>\$ 39,676,052</u>

SEE ACOMPANYING NOTES

POWERTECH URANIUM CORP.
(An Exploration Stage Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013
(UNAUDITED)

Note 1 Nature of Operations

The Company was incorporated in British Columbia on February 10, 1984. The Company's shares are publicly traded on the Toronto Stock Exchange ("TSX") and the Frankfurt Stock Exchange. The Company's business is the exploration and development of uranium properties located in South Dakota, Wyoming, and Colorado, USA. During November 2013, the address of the Company's corporate office and principal place of business changed to 5575 DTC Parkway Suite 104, Greenwood Village, Colorado, United States.

The Company is in the process of evaluating its properties and has not yet determined whether these properties contain reserves that are economically recoverable. The success of the Company and the recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of the reserves, and upon future profitable production or proceeds from disposition of the properties. The Company's success is subject to a number of risks including environmental risks, contractual risks, legal and political risks, fluctuations in the price of minerals and other factors beyond the Company's control.

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2014, the Company had not yet achieved profitable operations, had a deficit of \$47,209,524 and negative working capital of \$3,353,039, excluding the warrant liability of \$85,584. The Company will incur future losses which cast significant doubt as to the Company's ability to continue as a going concern which is dependent upon its ability to raise the necessary funds and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company has had success in the past in raising equity and will continue to assess all alternatives if additional funds are required, however, there is no assurance that the Company will be able to raise additional funds in the future.

Note 2 Statement of Compliance

These interim condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These interim condensed consolidated financial statements should be read in conjunction with the Company's 2013 annual consolidated financial statements. There have been no changes to accounting policies during the six months ended June 30, 2014.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2014.

Note 3 Basis of Measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and the Loan Facility (defined in Note 5) which are measured at fair value through profit and loss. These consolidated financial statements are presented in US dollars, which is also the Company's functional currency. References to "C\$" refer to Canadian currency and "\$" to United States currency.

The preparation of interim condensed consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. See Note 4 of our December 31, 2013 audited consolidated financial statements for more details on our critical accounting estimates and judgements.

Note 4 Building and Equipment

	<u>Building</u>	<u>Computer equipment</u>	<u>Field equipment</u>	<u>Office equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost						
Balance, December 31, 2013	\$ 92,628	\$ 230,916	\$ 127,923	\$ 55,435	\$ 30,505	\$ 537,407
Balance, June 30, 2014	\$ 92,628	\$ 230,916	\$ 127,923	\$ 55,435	\$ 30,505	\$ 537,407
Depreciation						
Balance, December 31, 2013	\$ 11,349	\$ 226,394	\$ 119,222	\$ 55,015	\$ 30,505	\$ 442,485
For the period	<u>1,158</u>	<u>3,256</u>	<u>3,701</u>	<u>242</u>	<u>–</u>	<u>8,357</u>
Balance, June 30, 2014	<u>\$ 12,507</u>	<u>\$ 229,650</u>	<u>\$ 122,923</u>	<u>\$ 55,257</u>	<u>\$ 30,505</u>	<u>\$ 450,842</u>
Carrying amount						
At December 31, 2013	<u>\$ 81,279</u>	<u>\$ 4,522</u>	<u>\$ 8,701</u>	<u>\$ 420</u>	<u>\$ –</u>	<u>\$ 94,922</u>
At June 30, 2014	<u>\$ 80,121</u>	<u>\$ 1,266</u>	<u>\$ 5,000</u>	<u>\$ 178</u>	<u>\$ –</u>	<u>\$ 85,565</u>

Note 5 Long-term Debt

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Agreements payable		
\$100,000 payable ^(a)	\$ 20,000	\$ 30,000
\$300,000 payable ^(b)	79,992	102,245
\$2,000,000 payable ^(c)	<u>1,096,594</u>	<u>1,047,583</u>
	1,196,586	1,179,828
Less current portion of agreements payable	<u>(435,000)</u>	<u>(435,000)</u>
Non-current portion of agreements payable	761,583	744,828
Loan facility ^(d)	<u>1,574,695</u>	<u>408,509</u>
Total debt	<u>\$ 2,336,278</u>	<u>\$ 1,153,337</u>

As of June 30, 2014, principal and interest payments due are as follows:

	<u>2014</u>	<u>2015-2017</u>	<u>2018-2019</u>	<u>Thereafter</u>	<u>Total</u>
Agreements payable	\$ 435,000	\$ 890,000	\$ nil	\$ nil	\$ 1,325,000
Loan Facility	\$ nil	\$ 2,640,000	\$ nil	\$ nil	\$ 2,640,000

- (a) Agreement payable of \$100,000, payable in annual instalments of \$10,000 of which \$80,000 (2013: \$70,000) has been paid to date. As of June 30, 2014, the balance owed is \$20,000. Of this amount, \$10,000 is due within the next 12 months. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default, the lender has the option to obtain the mineral property interest for \$1. Upon receipt of certain permits, the Company will owe an additional \$750,000 in increments of \$187,500 annually for four years.

Note 5 Long-term Debt – (cont'd)

- (b) Agreement payable of \$300,000, payable in annual instalments of \$30,000 of which \$180,000 (2013: \$150,000) has been paid to date. As of June 30, 2014, the balance owed is \$150,000. Of this amount, \$30,000 is due within the next 12 months. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default, the lender has the option to obtain the mineral property interest for \$1. In accordance with the accounting policy for financial instruments, the initial fair value was determined using a market interest rate applicable at that time. The difference between the period balance of \$79,992 at June 30, 2014 and the debt obligation of approximately \$120,000 is being accreted over the remaining life until maturity using amortized cost method. Upon receipt of certain permits, the Company will owe an additional \$1,300,000 in increments of \$325,000 annually for four years.

During the three and six months ended June 30, 2014, \$3,965 and 7,747, respectively, (three and six months June 30, 2013: \$4,464 and \$8,722, respectively), imputed effective interest expense has been charged to the consolidated statement of comprehensive income/(loss) and credited to agreements payable.

- (c) Agreement payable of \$2,000,000, payable in annual instalments ranging from \$5,000 to \$395,000 of which \$815,000 (2013: \$815,000) has been paid to date. Instalment payments are as follows: 2011 through 2013: \$5,000 and 2014 through 2016: \$395,000. As of June 30, 2014, the balance owing was \$1,185,000. Of this amount, \$395,000 is due within the next 12 months. Upon receipt of the regulatory permits and licenses on the Centennial Project, an additional \$2,000,000 will be due.

The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default, the lender has the option to obtain the mineral property interest for \$1. In accordance with the accounting policy for financial instruments, the initial fair value was determined using a market interest rate applicable at that time. The difference between the period balance of \$1,096,594 at June 30, 2014 and the debt obligation of approximately \$1,185,000 is being accreted over the remaining life until maturity using amortized cost method.

During the three and six months ended June 30, 2014, \$24,786 and 49,011, respectively, (three and six months ended June 30, 2013: \$22,733 and \$44,952, respectively) of imputed effective interest expense has been charged to the consolidated statement of comprehensive income/(loss) and credited to agreements payable.

- (d) During July 2013, Azarga agreed to make a strategic investment in the Company and to form certain strategic alliances with the Company. The Company issued a debenture to Azarga in the principal amount of C\$514,350 (\$500,000) (the "Debenture"). The Debenture did not bear interest and was unsecured. The Debenture had a maturity date of July 31, 2015 (the "Maturity Date"), and could have been prepaid or converted by the Company, in whole or in part, during the first 12 months for an amount equal to 115% of the principal sum being repaid or converted. The instrument could also have been converted into shares of the Company at C\$0.07 per share. The conversion element was treated as a separate financial liability as the exercise price was denominated in a currency other than the Company's functional currency. The fair value of this embedded derivative was \$250,904 at inception with the residual from the proceeds being allocated to the host debt. Subsequent to initial recognition, the host debt liability was measured at amortized cost using the effective interest rate method which resulted in imputed effective interest expense of \$30,638 for the year ended December 31, 2013. In October 2013 and in connection with the Loan Facility described below, the Company and Azarga agreed to convert the Debenture plus 115% premium of C\$591,502 into 8,450,035 common shares of the Company at C\$0.07 per share. The C\$77,152 (\$74,510) premium was treated as an interest expense and recorded to the consolidation statement of comprehensive income/(loss). On settlement of the debenture, an accumulated fair value gain in the derivative liability of \$42,401 was recorded to the consolidation statement of comprehensive income/(loss). The settlement is a non-cash transaction.

Note 5 Long-term Debt - (cont'd)

Also during October 2013, Azarga agreed to make available to the Company a loan facility (the “Loan Facility”) in the amount of \$3,600,000 (the “Loan Amount”). The Loan Facility contains features providing for conversion into common shares of the Company at a premium to the closing price on October 18, 2013.

The Loan Facility provides for Azarga to make one or more advances of the Loan Amount to the Company at the discretion of the Company (each, “Advance” or “Tranche”) provided that: (a) there shall be only one Advance in any calendar month, (b) if Azarga and the Company cannot agree on the applicable amount of the Advance, the amount of the Advance will be \$300,000, and (c) until such time as the Company has obtained disinterested shareholder approval for the Loan Facility (and the conversion right thereunder) (the “Shareholder Approval”), the aggregate amount of Advances shall be limited to \$2,450,000. The Company obtained Shareholder Approval on December 18, 2013. As at June 30, 2014, the Company has drawn down \$2,640,000 of the Loan Facility.

The Loan Facility matures October 2015 (the “Maturity Date”) or on such earlier date as the principal amount of all Advances owing from time to time and all other amounts (collectively, the “Principal Amount”) may become payable under the Loan Facility, and may be repaid by the Company, in whole or in part, during the first 12 months following the October 2013, for an amount equal to 115% of the Principal Amount being repaid, and during the second 12 months, but on or before the Maturity Date, for an amount equal to 130% of the Principal Amount being repaid.

The Company can convert the Principal Amount at its discretion provided that the amount of shares to be issued if the conversion is prior to October 2014 will be equal to the number of shares as determined by dividing the amount which is 115% of the outstanding Principal Amount by the Conversion Price, and if the conversion is after October 2014, the shares to be issued will be equal to the number of shares as determined by dividing the amount which is 130% of the outstanding Principal Amount by the Conversion Price. For the purposes of the conversion, the Principal Amount shall be converted into Canadian dollars at the time of conversion at an exchange rate of C\$1.03 per \$1.00 of Principal Amount.

Azarga has the option to convert the Principal Amount after the date that is nine months after October 18, 2013. The amount of shares to be issued if the conversion is prior to October 2014 will be equal to the number of shares as determined by dividing the amount which is 115% of the outstanding Principal Amount by the Conversion Price, and if the conversion is after October 2014, the shares to be issued will be equal to the number of shares as determined by dividing the amount which is 130% of the outstanding Principal Amount by the Conversion Price. On maturity, there is a mandatory conversion to shares.

The Company elected under IAS 39 to use the fair value option since the instrument has multiple embedded derivatives. Under this approach, each Tranche is measured at fair value through profit or loss. On initial recognition, the fair value of each Tranche was recorded as a current loan facility with the excess from proceeds being credited to contributed surplus. See the table below for details.

Note 5 Long-term Debt - (cont'd)

	Loan Facility	Contributed Surplus
Balance, December 31, 2013	\$ 408,509	\$ 601,590
Fair value of \$300,000 Tranche 4, January 2014	162,698	137,302
Fair value of \$300,000 Tranche 5, February 2014	148,715	151,285
Fair value of \$300,000 Tranche 6, March 2014	207,567	92,433
Fair value of \$220,000 Tranche 7, April 2014	94,122	125,878
Fair value of \$230,000 Tranche 8, May 2014	114,101	115,899
Fair value of \$265,000 Tranche 9, June 2014	139,438	122,330
Fair value change on derivative liability and foreign currency translation at period end	299,545	-
Balance, June 30, 2014	\$ 1,574,695	\$ 1,346,717

The fair values of the tranches were estimated using an estimated market discount rate of a comparable plain vanilla debt instrument of approximately 30.5% and the Binomial pricing model. Assumptions used in the pricing model for the call and put options were as follows: exercise price of \$0.095 to \$0.1026; 41% to 79% volatility; 0.97 to 1.11% interest risk free rate; estimated life of 0.2, 1 and 1.5 years; and 0% dividend yield.

Note 6 Share Capital and Contributed Surplus

Authorized:

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

Common Shares Issued:

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus^(a)</u>
Balance, December 31, 2013	152,946,133	\$ 73,850,105	\$ 8,298,355
Loan Facility (Note 5)	—	—	745,127
Balance, June 30, 2014	<u>152,946,133</u>	<u>\$ 73,850,105</u>	<u>\$ 9,043,482</u>

^(a) Contributed surplus is comprised of the fair value of stock-based compensation, the fair value of warrants associated with financing costs, and the equity portion of the Loan Facility (Note 5).

During February 2014, the Company announced that it has entered into a share purchase agreement pursuant to which the Company will acquire all of the issued and outstanding common shares of Azarga in exchange for common shares of Powertech (the “Merger”). Closing of the Merger remains subject to, among other things, approval of the Toronto Stock Exchange and the satisfaction of the other conditions to closing set out in the Share Purchase Agreement, as amended. The Transaction was approved by the shareholders of Powertech at the annual general and special meeting of shareholders held on June 30, 2014.

As at June 30, 2014, Azarga owns 68,991,571 common shares of Powertech, representing approximately 45% of the issued and outstanding shares of the Company.

Upon completion of the Transaction:

- Azarga would become a wholly-owned subsidiary of the Company and the current Azarga shareholders would own approximately 77% of the issued and outstanding shares of the Company;
- the Company would continue to carry on its and Azarga’s business and change its name to “Azarga Uranium Corp.”; and

Note 6 Share Capital and Contributed Surplus – (cont'd)

Common Shares Issued – (cont'd)

- the Company's Board of Directors would be reconstituted to include the members of the existing Board with the addition of certain representatives of the existing Azarga Board of Directors, with the board expected to consist of Alexander Molyneux (Chairman), Richard Clement, Curtis Church, Douglas Eacrett, Paul Struijk, Matthew O'Kane and Joseph Havlin.

See Note 10 for subsequent event discussion.

Share Purchase Warrants:

Share purchase warrant liability

	June 30, 2014	December 31, 2013
Balance, beginning of period	\$ 376,821	\$ 49,397
Fair value at inception, February 2013 ^(a)	–	738,546
Fair value change on derivative liability and foreign currency translation for the period	(291,237)	(411,122)
Balance, end of period	\$ 85,584	\$ 376,821

^(a) On February 27, 2013, the Company completed a non-brokered private placement of 15,000,000 units at a price of \$0.09 (C\$0.10) per unit to raise gross proceeds of approximately \$1,484,000 (C\$1,500,000). Each unit was comprised of one common share and one share purchase warrant. As a result, 15,849,800 whole share purchase warrants were issued. Each whole warrant entitles the holder to purchase one common share as follows: 15,000,000 warrants at an exercise price of C\$0.20 and 849,800 warrants at an exercise price C\$0.115 for three years following the closing of the offering under certain circumstances. The 15,000,000 warrants were considered a derivative liability as the exercise price is different than the functional currency of the Company. The fair value of the share purchase warrant liability of \$738,546 was estimated at inception using the Black-Scholes option pricing model. Assumptions used in the pricing model at inception, February 27, 2013 are as follows: 84.18% volatility, 1% interest risk free rate, estimated life of 3 years and 0% dividend yield. As at June 30, 2014, the fair value of the share purchase warrant liability was \$85,584. Assumptions used in the pricing model at June 30, 2014 are as follows: 78.98% volatility, 1% interest risk free rate, estimated life of 1.66 years and 0% dividend yield.

Changes in share purchase warrants for the six months ended June 30, 2013 are as follows:

Expiration Date	Exercise Price (C)	Outstanding at December 31, 2013	Issued during the period	Expired during the period	Outstanding at June 30, 2014
November 6, 2014	\$0.20	5,000,000	–	–	5,000,000
February 27, 2016	\$0.20	15,000,000	–	–	15,000,000
February 27, 2016	\$0.115	849,800	–	–	849,800
Totals		<u>20,849,800</u>	<u>–</u>	<u>–</u>	<u>20,849,800</u>

Stock Option Plan:

Under its 2011 Stock Option Plan (the "2011 Plan"), the Company is authorized to grant share purchase options to directors, employees, contractors or consultants of the Company. The Company is permitted to grant options under the Plan equal to 10% of the issued and outstanding common shares of the Company until the 10th anniversary of the effective date of the 2011 Plan. The exercise price of options granted under the Plan may not

Note 6 Share Capital and Contributed Surplus – (cont'd)

Stock Option Plan - (cont'd)

be less than the fair market value of the Company's common shares at the date such options are granted. The Company's Board of Directors specifies a vesting period and expiry on a grant-by-grant basis.

At June 30, 2014, there were 3,050,000 options outstanding entitling the holders thereof to purchase one common share for each option held. Share options outstanding were as follows:

<u>Grant Date</u>	<u>Expiration Date</u>	<u>Exercise (C)</u>	<u>Outstanding at December 31, 2013</u>	<u>Granted during period</u>	<u>Expired/ Forfeited during period</u>	<u>Outstanding at June 30, 2014</u>	<u>Vested and exercisable</u>
May 15, 2012	May 15, 2017	\$0.20	3,450,000	–	(400,000)	3,050,000	3,050,000
Weighted average exercise price (C)			\$0.20			\$0.20	\$0.20
Weighted average life remaining (years)			3.37			2.88	2.88

See Note 10 for subsequent event discussion.

Stock-based Compensation:

The Company did not incur stock-based compensation expense during either of the three and six month periods ended June 30, 2014 or 2013.

Note 7 Related Party Transactions

Key management Compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprise:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Director fees and other compensation	\$ 16,562	\$ 13,191	\$ 33,412	\$ 26,587
Management compensation and short-term benefits	212,831	272,547	429,583	534,298
	<u>\$ 229,393</u>	<u>\$ 285,738</u>	<u>\$ 462,995</u>	<u>\$ 560,885</u>

As of June 30, 2014 and December 31, 2013, the Company had an accrued liability of approximately \$4,500 and \$9,000, respectively, to its directors for services rendered but not yet paid.

As of June 30, 2014, under the Company's deferred compensation arrangement with certain officers, the Company has a recorded liability of approximately \$381,700 in accrued liabilities (December 31, 2013: \$255,000) which has been included in management compensation and short-term benefits. During May 2014, the Company reached settlement agreements with certain officers and employees to settle its deferred compensation debts to said officers and employees in common shares pending TSX approval. Pursuant to the terms of the settlement agreement, the Company will allot and issue a maximum total of 2,977,970 common shares at a deemed floor price of C\$0.065 per common share. See Note 10 for settlement discussion.

Note 7 Related Party Transactions – (cont'd)

The transactions involving Azarga discussed in Notes 5 and 6 were considered related party transactions as they are considered to be significant shareholders as of October 2013.

Note 8 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows were excluded from the statements of cash flows. The following transactions are excluded from the statements of cash flows:

- (a) Included in accounts payable and accrued liabilities is approximately \$300,000 (June 30, 2013: \$324,000) relating to mineral properties.
- (b) Fair value of the warrant liability, at inception, of \$743,000 in connection with the 2013 Private Placement.
- (c) Note receivable of \$500,000 is accrued and not paid.

Note 9 Loss per share

Basic loss per common share is computed by dividing income/ (loss) available to the Company's common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed similarly to basic earnings per common share except that weighted average common shares is increased to include the potential issuance of dilutive common shares

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Loss for the period	\$ (855,249)	\$ (223,169)	\$ (1,072,672)	\$ (748,223)
Weighted average common shares - basic and diluted	152,946,133	140,801,362	152,946,133	135,994,732
Loss per common share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

Note 10 Subsequent Events

Dewey-Burdock Project

During May 2014, Powertech entered into a Transfer, Bill of Sale and Assignment Agreement dated effective as of May 9, 2014 (the "Data Purchase Agreement") with Energy Fuels Resources (USA) Inc. ("Energy Fuels"), whereby the Company has agreed to purchase certain data (the "Data") concerning the Dewey Burdock uranium property located in Fall River and Custer Counties, South Dakota from Energy Fuels.

In consideration for the transfer and conveyance of the Data, the Company has agreed to pay to Energy Fuels a total purchase price of \$200,000 (the "Purchase Price") on the terms and conditions of the Data Purchase Agreement, which Purchase Price was payable as follows: (a) a down payment of \$100,000 payable in common shares of the Company (collectively, the "Payment Shares"), with the number of Payment Shares to be allotted and issued calculated based on the volume weighted average price for the five trading days immediately preceding the date of payment or as otherwise required by the TSX, and (b) \$100,000 payable in cash no later than August 15, 2014, provided that if, at the end of the four month statutory hold period on the Payment Shares (the "Hold Period") which commences on the date of issuance of the Payment Shares, the aggregate value of the Payment Shares, based upon the volume weighted average price for the five trading days immediately preceding the last day of the Hold Period (the "Share Value"), is less than \$100,000, then the Company shall promptly pay in cash to Energy Fuels the difference between \$100,000 less the Share Value.

Note 10 Subsequent Events – (cont'd)

During July 2014, the Company issued 1,745,902 Payment Shares at a deemed price of C\$0.061 per Payment Share. The Company intends to pay \$50,000 to Energy Fuels in satisfaction of the Purchase Price no later than August 15, 2014 and \$50,000 no later than September 30, 2014 in accordance with the Data Purchase Agreement. The Payment Shares are subject to a Hold Period expiring on November 10, 2014. The Company and Energy Fuels have an arm's length relationship. The Data Purchase Agreement and transactions contemplated thereby, including issuance of the Payment Shares, have been approved by the TSX.

The data being acquired consists of historical drill hole logs and maps prepared by the Tennessee Valley Authority from the 1970's and 1980's when the Dewey Burdock uranium deposit was originally discovered as well as digitized data generated from this work. This data is expected to assist Powertech's planning of wellfields for the Dewey Burdock uranium property by providing additional quality data to complement Powertech's existing database.

Corporate

During July 2014, Powertech and Azarga agreed to extend the closing date of the merger from July 31, 2014 to September 15, 2014, or such other date as agreed to by the parties. In all other respects, the terms of the original agreement remain the same. Closing of the Transaction remains subject to, among other things, approval of the Toronto Stock Exchange and the satisfaction of the other conditions to closing set out in the Share Purchase Agreement, as amended.

During July 2014, 300,000 options were forfeited.