# Azarga Uranium Corp.
## MANAGEMENT DISCUSSION AND ANALYSIS

## For the year ended December 31, 2017
(Expressed in U.S. Dollars)

The following management discussion and analysis ("MD&A") of the results of operations and financial condition of Azarga Uranium Corp. for the year ended December 31, 2017 and up to the date of this MD&A, should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2017, together with the notes thereto (the "Financial Report").

All financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in US dollars unless otherwise indicated.

The effective date of this MD&A is March 22, 2018.

Additional information relating to the Company, including the Annual Information Form, is available under the Company's profile on SEDAR at www.sedar.com.

## DESCRIPTION OF THE BUSINESS

Azarga Uranium Corp. ("Azarga Uranium") was incorporated 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) and the Frankfurt Stock Exchange (Symbol: P8AA). 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") and in the Kyrgyz Republic. The Company's Dewey Burdock Project, located in South Dakota, is the Company's initial development priority. The Company also owns the Centennial Project in Colorado, the Aladdin Deposit in Wyoming, two uranium exploration properties in Wyoming and 70% of the Kyzyl Ompul Project in the Kyrgyz Republic.

## OPERATIONAL HIGHLIGHTS

The Company's significant events and highlights for the year ended December 31, 2017 and to the date of this MD&A are as follows:

- **Dewey Burdock permitting advanced –** in March 2017, the United States Environmental Protection Agency ("EPA") issued two key permits for the Dewey Burdock Project representing the completion of a major regulatory milestone for the Company. In October 2017, the Atomic Safety and Licensing Board ("ASLB") issued a memorandum and order resolving one of two remaining contentions on the Nuclear Regulatory Commission ("NRC") license. The Company is now working to resolve the remaining contention on the NRC license and to receive the final EPA permits.

- **Dewey Burdock – growth potential identified –** new uranium mineralization identified at both the Dewey and the Burdock areas of the Dewey Burdock Project through the review and analysis of historical data owned by the Company and the evaluation of revised in-situ recovery ("ISR") cutoff criteria, consistent with other producing ISR projects in nearby Wyoming.

- **Dewey Terrace – uranium mineralization adjacent to Dewey Burdock –** through reviewing and analyzing historical exploration data the Company identified new uranium mineralization covering seven separate mineralized zones at the Dewey Terrace Project over a trend of approximately 2.5 miles.

- **Kyzyl Ompul Project – earn-in agreement –** In July 2017, UrAsia in Kyrgyzstan LLC ("UrAsia") executed an earn-in agreement (the "Earn-in Agreement") with Mining Investment Company Alliance ("Alliance") providing Alliance with an earn-in option to acquire a 100% interest in the Kyzyl Ompul Project, in which the Company holds a 70% interest, for $6 million and a retained 2% net smelter return ("NSR") royalty capped at $5 million.

## INDUSTRY TRENDS AND OUTLOOK

Although uranium prices have recovered from their recent lows in the fourth quarter of 2016, the Company believes that the following key elements will contribute to further improvements in the uranium sector:

- **Global reactor pipeline exceeds pre-Fukushima total** – The global reactor pipeline consists of 1,014 [1] nuclear reactors that are operable, under construction, planned or proposed compared to 983[2] before the Fukushima incident in 2011. Of the 1,014 nuclear reactors, 447 reactors are operable[1]. A total of 216[1] nuclear reactors are under construction or planned, which represents approximately 48% of the current operating fleet. China, Russia and India lead the world in terms of the number of nuclear power plants under construction, with twenty, seven and six, respectively[1]. China continues to accelerate their nuclear growth plans and intends to have 58 GWe of installed capacity by 2020-21 and 150 GWe by 2030[3] (currently 35 GWe[4]). According to their latest Five Year Plan, China is forecasting the approval and construction of 6-8 units per year between 2016 and 2020, increasing to 10 units per year thereafter[3].

- **Current prices will constrain supply** – Low prices are forcing producers to curtail mining, development and exploration. Annual $U_3O_8$ supply has decreased

[1] World Nuclear Association – *World Nuclear Power Reactors & Uranium Requirements (September 2017)*
[2] Haywood Securities Inc. – *Target & Commodity Price Revisions (January 25, 2017)*
[3] World Nuclear Association – *Nuclear Power in China (September 2017)*
[4] The Business Times – *China had 20 nuclear reactors under construction at end-March: nuclear association (April 27, 2017)*

by 5% from 2013 to 2016[5]. In 2016, Cameco Corp. ("Cameco") announced the shut down of its Rabbit Lake Mine, which produced 4.2 million pounds of uranium in 2015[6], curtailed its United States operations and announced production halts at its McArthur River and Cigar Lake mines for periods in 2017. Further, Kazatomprom announced a 10% production cut commencing in 2017, which equates to approximately 3% of the global uranium supply[7]. In November 2017, Cameco further announced that it would suspend operations at McArthur River and Key Lake for 10 months by the end of January 2018. These operations produced 11.1 million pounds of uranium in the first nine months of 2017[8]. Cantor Fitzgerald estimates that this announcement by Cameco removes 13.2 million pounds or 9% of uranium production from its 2018 forecast.[9]

Despite the Company's belief that a uranium sector turnaround has commenced, its strategies are focused on making prudent plans to progress its business, whilst conserving its financial resources. At this time, the Company's strategy involves the following key elements:

- **Continue with the advancement of the Dewey Burdock Project** – Receiving the NRC license for the Dewey Burdock Project in April 2014 and the draft EPA permits in March 2017 were significant milestones for the Dewey Burdock Project. The Company is now working to resolve the remaining contention on the NRC license and to receive the final EPA permits. In parallel with advancing the Dewey Burdock Project on the permitting front, the Company will continue to evaluate project-financing options, with a view to having a funding solution in place prior to or concurrent with the finalization of permits.

- **Expand uranium resources at the Dewey Burdock Project and identify uranium resources at the Dewey Terrace Project** – The Company will continue the evaluation and analysis of historical data at the Dewey Burdock Project with the goal of publishing a resource update and revised preliminary economic assessment ("PEA") and the Dewey Terrace Project with the goal of identifying additional uranium mineralization.

- **Future uranium production off-take** – The Company will continue the process of engaging with potential customers for future uranium production off-take. Although the Company plans to continue these discussions, in parallel with the advancement of the Dewey Burdock Project, the level of these activities will be dependent on the market environment.

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[5] TD Securities Inc. – *Equity Research: Metals & Minerals (August 1, 2017)*
[6] Saskatoon Star Phoenix – *Rabbit Lake closure 'right economic decision' given tough market: Cameco VP (April 26, 2016)*
[7] World Nuclear News – *Oversupply prompts Kazakh uranium production cut (January 10, 2017)*
[8] Cameo Corp. press release *(November 8, 2017)*
[9] Cantor Fitzgerald – *Cameco: A Necessary Move: McArthur River/Key Lake Suspended; Dividend cut (November 2017)*

- **Minimize activities in the Kyrgyz Republic** – The execution of the Earn-In Agreement should alleviate the Company's need to fund future exploration and development expenditures at the Kyzyl Ompul Project and is expected to provide the Company with significant cash payments over a three-year period, which can be deployed towards core strategic initiatives, such as the advancement of the Dewey Burdock Project. The Company also retains upside from the Kyzyl Ompul Project through the NSR royalty.

The Company expects to successfully execute its strategy, as the Company believes that:

- uranium prices will move higher in the near to medium term;
- the PEA demonstrates that Dewey Burdock Project is one of the world's leading undeveloped uranium deposits in terms of its low initial capital expenditure and post start-up operating cash costs;
- on completion of permitting the Company will be able to attract financing and move into the construction phase;
- the Company's asset suite includes mineral properties at various stages of development, providing a pipeline for continued growth; and
- management and the Board of Directors have extensive experience in uranium, the broader mining sector and financial markets.

## OVERALL PERFORMANCE

### Dewey Burdock permitting advanced

*The Dewey Burdock Project (100% interest) – South Dakota, USA*

The Company's 100% owned Dewey Burdock Project is an ISR uranium project located in the Edgemont uranium district, in South Dakota, USA. Through property purchase agreements, mining leases and/or mining claims, the Dewey Burdock Project is comprised of approximately 12,500 surface acres and 17,320 net mineral acres. The Dewey Burdock Project is the Company's initial development priority.

In April 2015, the Company filed an updated NI 43-101 compliant independent resource estimate and PEA for the Dewey Burdock Project prepared by TREC Inc. and Rough Stock Mining Services (the "Dewey Burdock PEA") with an effective date of January 29, 2015. The Dewey Burdock Project contains measured uranium resources of 4,122,000 pounds at 0.33% $U_3O_8$ and indicated uranium resources of 4,460,000 pounds at 0.21% $U_3O_8$ at a 0.5 grade-thickness ("GT") cut-off and inferred uranium resources of 3,528,000 pounds at 0.05% $U_3O_8$ at a 0.2 GT cut-off in the ISR mineral resource estimate. The mineral resource estimate includes an additional 940,000 pounds of non-ISR (located above the water table) inferred resources at 0.17% $U_3O_8$. The non-ISR resources are not included in the resources presented in the economic analysis of the Dewey Burdock PEA.

Details of the assumptions and parameters used with respect to the Dewey Burdock PEA, including information on data verification, are set out in the Dewey Burdock Technical Report dated April 21, 2015, a copy of which is available under the Company's profile at www.sedar.com. The Dewey Burdock PEA is preliminary in nature; it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Dewey Burdock PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Dewey Burdock PEA resulted in a pre-federal income tax net present value of $149.4 million at a discount rate of 8% and an internal rate of return of 67% compared to a post-federal income tax net present value of $113.8 million at a discount rate of 8% and an internal rate of return of 57%. The Dewey Burdock PEA post-federal income tax calculations do not include a corporate level assessment of federal income tax liabilities; taxes have only been calculated at the Dewey Burdock Project level. The estimate of federal income tax at the corporate level is subject to a number of additional considerations that have not been factored in when calculating federal taxes at the project level, including but not limited to, the capital structure to finance the Dewey Burdock Project, which has not yet been determined and loss carry forwards available at the corporate level. Further, In December 2017, the US government enacted the Tax Cuts and Jobs Act of 2017, which reduced the statutory tax rate from 34% to 21%.

The Dewey Burdock PEA assumed uranium prices of $65/lb $U_3O_8$, cash operating costs of $18.86/lb $U_3O_8$, which included $6.33/lb of local taxes and royalties, and initial capital expenditures of $27.0 million. Total cash operating costs and capital expenditures are assumed to be $35.66/lb $U_3O_8$ (pre-federal income tax). Over its 16-year mine life, the Dewey Burdock Project is forecast to produce 9.7 million lbs of $U_3O_8$ with a pay-back period in the third quarter of the second year of production. The estimated federal income tax is equal to US$6.53/lb of estimated $U_3O_8$ production.

The Company's immediate objective is to obtain the necessary permits and licenses to advance the Dewey Burdock Project to the construction phase.

| Permit, License or Approval Name | Agency | Status |
|---|---|---|
| UIC Class III Permit<br><br>UIC Class V Permit | EPA | • Draft permits issued March 2017<br>• Public comment period closed June 2017<br>• Working with EPA to obtain final permits |

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|---|---|---|
| Final Source and Byproduct Materials License | NRC | • Issued April 2014 and in good standing<br>• Final contention, which pertains to identification and protection of historic and cultural resources, has path to completion |
| Groundwater Discharge Plan<br><br>Water Rights Permit<br><br>Large Scale Mine Permit | DENR | • Applications complete and recommended for conditional approval by DENR staff<br>• Hearings for final approval commenced in late-2013, continuance ordered until completion of federal regulatory approvals (NRC and EPA) |
| Plan of Operations | BLM | • Approval anticipated on successful resolution of final NRC contention |

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|---|---|
| DENR | South Dakota Department of Environment and Natural Resources |
| EPA | United States Environmental Protection Agency |
| NRC | United States Nuclear Regulatory Commission |
| BLM | Bureau of Land Management |

The NRC issued the final Supplemental Environment Impact Statement ("SEIS") for the Dewey Burdock Project in the first quarter of 2014. The Section 106 programmatic agreement ("PA") was executed on April 7, 2014 by the Advisory Council on Historic Preservation, the NRC, the South Dakota State Historic Preservation Office and the BLM. Subsequent to the PA being executed, the NRC issued a final Safety Evaluation Report and the Company's Dewey Burdock Project received its Source and Byproduct Materials License SUA-1600 on April 8, 2014, covering 10,580 acres. In the fourth quarter of 2016, the Company received approval from the NRC for the first amendment to the NRC license, which completed certain NRC license conditions. The Company controls the mineral and surface rights for the area pertaining to the NRC license.

In August 2014, the evidentiary hearing was held with the ASLB in regards to the contentions raised with respect to the Dewey Burdock Project. These ASLB hearings are normal practice and are undertaken after the NRC license has been granted to determine whether or not the NRC staff has considered all issues related to the NRC license. In April 2015, the ASLB ruled on seven contentions raised by the consolidated intervenors and the Oglala Sioux Tribe (collectively, the "Intervenors") regarding the

NRC license for the Dewey Burdock Project. For five contentions, including those related to groundwater usage, groundwater quality, ability to contain fluid migration, mitigation measures, and connected actions, the ASLB ruled in favor of the NRC staff and the Company. For the remaining two contentions, which relate to identification and protection of historic and cultural resources, the ASLB requested additional consultation between the NRC staff and the Oglala Sioux Tribe. The ASLB also ruled inadmissible two new contentions that were filed by the Intervenors after the evidentiary hearing.

Subsequent to the ASLB partial initial decision in April 2015, the Company and the NRC staff filed petitions for review of the ASLB decision to the NRC Commission with respect to their ruling that additional consultation efforts were required between the Oglala Sioux Tribe and the NRC staff regarding the two contentions relating to the identification and protection of historic and cultural resources. The Intervenors filed petitions for review of the ASLB decision to the NRC Commission covering most of the contentions heard by the ASLB. Upon consideration of the information presented, the NRC Commission denied the party's petitions for review of the ASLB decision, with the exception of 1) the NRC staff's and the Company's petition for review with respect to the ASLB's direction to the NRC staff regarding the resolution of the outstanding two contentions relating to the identification and protection of historic and cultural resources, in which the NRC Commission ultimately affirmed the ASLB's decision and 2) a petition for review filed by the Oglala Sioux Tribe claiming that the draft SEIS had been issued without the requisite scoping process, in which the NRC Commission affirmed the ASLB's decision and dismissed the contention.

In August 2017, the Company received notice that the NRC staff filed a motion for summary disposition before the ASLB to resolve the remaining two contentions from the ASLB partial initial decision. The Company filed a brief in support of the NRC staff motion, while the Intervenors filed briefs opposing the motion. In October 2017, the ASLB issued a memorandum and order pertaining to this motion. With respect to the outstanding contention requiring additional consultation between the NRC staff and the Oglala Sioux Tribe under the National Historic Preservation Act, the ASLB granted the motion for summary disposition in favor of the NRC staff and the Company. With respect to the outstanding contention pertaining to the identification and protection of historic and cultural resources for the purposes of compliance with the National Environmental Policy Act ("NEPA"), the ASLB did not grant the motion for summary disposition; however, the ASLB did provide specific guidance and establish a schedule to address the only remaining contention. As a result, the Company expected to have the final contention resolved by the second quarter of 2018, however that deadline is not certain. The Company plans to fully support the NRC staff in resolving the only remaining contention.

In February 2017, the Oglala Sioux Tribe filed an appeal of the decision made by the NRC Commission to the United States Court of Appeals for the District of Columbia Circuit (the "DC Circuit"). Subsequently, the NRC staff filed a motion to dismiss the Oglala Sioux Tribe's appeal. The Company supported the motion to dismiss filed by the

NRC staff, while the Oglala Sioux Tribe opposed this motion. The DC Circuit ruled that the motion to dismiss would be referred to the merits panel and the parties were directed to address the motion to dismiss in their briefs. The Oglala Sioux Tribe has filed their brief to the DC Circuit and their brief covers the majority of issues previously heard by the ASLB and the NRC Commission. The NRC staff and the Company have filed their briefs refuting the issues raised by the Oglala Sioux Tribe. On March 20, 2018, the DC Circuit heard oral arguments from the parties.

The NRC license for the Dewey Burdock Project continues to remain in good standing.

The Company continues to be in compliance with the existing conditions of the NRC license and other permitting/licensing requirements. Prior to commencing construction and operations at the Dewey Burdock Project, the Company requires regulatory approvals from two other major agencies, the EPA and the DENR. These approvals include the final Class III and Class V Underground Injection Control ("UIC") permits from the EPA and three state permits to be issued by the DENR. Additional requirements that need to be addressed prior to commencing construction and operations at the Dewey Burdock Project include the satisfaction of pre-operational conditions under the NRC license and the development and implementation of mitigation plans for protection of cultural resources under the PA, including resolution of the one outstanding contention related to NEPA. In March 2017, the Company received notice that the EPA issued draft Class III and Class V UIC permits completing a major regulatory milestone.

The Company submitted applications to the DENR in 2012 for its Groundwater Discharge Plan ("GDP"), Water Rights ("WR") and Large Scale Mine Plan ("LSM") permits. All permit applications have been deemed complete and have been recommended for conditional approval by the DENR staff. The GDP and WR permits are subject to hearing with public participation. The hearing commenced on October 28, 2013 and continued through November 25, 2013, at which point it was determined that the hearing will resume once the NRC and EPA have ruled and set the federal surety. The LSM permit has been finalized subject to continuation of a hearing before the Board of Minerals and Environment, which commenced the week of September 23, 2013 and continued through November 5, 2013, at which point it was determined that the hearing will resume once the NRC and EPA have ruled and set the federal surety. Subject to improved market conditions, the Company plans to re-commence the regulatory process with the DENR once the final EPA Class III and Class V UIC permits have been issued.

On July 8, 2014, the BLM requested additional information on the Company's plan of operations for the Dewey Burdock Project. The Company submitted the requested information and anticipates that the BLM will approve the plan of operations subsequent to the successful resolution of the remaining contention on the NRC license, at which point it is also anticipated that the BLM will prepare an environmental assessment and issue its Record of Decision.

### Dewey Burdock – growth potential identified from reviewing and analyzing historical data

On February 8 and 26, 2018, the Company announced newly identified uranium mineralization at the Dewey Burdock Project. The Company has identified new uranium mineralization at the Dewey Burdock Project through the analysis of historical data owned by the Company (the "Data Set") and the evaluation of revised ISR cutoff criteria, consistent with other producing ISR projects in nearby Wyoming.

Highlights of the new uranium mineralization at the Dewey Burdock Project includes:

- Dewey resource area: 107 mineralized drill holes with 111 intercepts equal to or exceeding a 0.20 GT cutoff using a .02% grade cutoff with an average $eU_3O_8$ grade of 0.105% and an average thickness of 5.5 feet
- Burdock resource area: 706 mineralized drill holes with 787 intercepts equal to or exceeding a 0.20 GT cutoff using a 0.02% grade cutoff with an average $eU_3O_8$ grade of 0.139% and an average thickness of 5.1 feet
- Falls within the existing NRC license boundary for the Dewey Burdock Project
- Contiguous with ISR resources already identified at the Dewey Burdock Project
- Indicates the potential to significantly expand the Dewey Burdock Project resource estimate within the NRC license boundary
- Larger and more continuous resource areas within the Dewey Burdock Project could achieve certain cost reductions compared to the existing preliminary economic assessment

The Data Set includes historical drilling information that has been reviewed by the Company's geological team, as well as 91 exploratory drill holes completed by the Company in a previous exploration campaign. The Company's review of the records and information within the Data Set reasonably substantiate the validity of this information; however, the Company cannot directly verify the accuracy of the historical data, including the procedures used for sample collection and analysis. Therefore, the Company encourages investors not to place undue weight on these results.

The objective of the Company is to use this additional information to complete a resource update and revised PEA for the Dewey Burdock Project.

### Dewey Terrace – adjacent to Dewey Burdock, further growth potential identified

*Dewey Terrace Project (100% interest) – Wyoming, USA*

The Company's 100% owned Dewey Terrace Project is located in the Weston and Niobrara Counties of Wyoming. The Company acquired this project primarily through the staking of federal mining claims, along with the acquisition of lease agreements.

Through mining leases and/or mining claims, the Dewey Terrace Project is comprised of approximately 1,834 acres of surface rights and approximately 7,514 acres of mineral rights. The Dewey Terrace Project is located adjacent to the Company's NRC licensed Dewey Burdock Project.

The Company has identified uranium mineralization at the Dewey Terrace Project through the review and analysis of historical data in the Data Set. The Data Set identified 259 mineralized drill holes indicating significant potential for a new resource area at the Dewey Terrace Project. Further, deposition is consistent with sand channel systems categorized within the Dewey Burdock Project and conditions that indicate possible in-situ recovery amenability. Several drill holes encountered multiple intercepts demonstrating a vertically stacked group of separate mineralized zones similar to those at the Dewey Burdock Project. The uranium mineralization covers seven separate mineralized zones over a trend of approximately 2.5 miles.

As announced on October 31, 2017, the Data Set analysis has identified 91 mineralized drill holes with 129 intercepts equal to or exceeding a 0.2 GT cutoff using a 0.02% grade cutoff with an average eU308 grade of 0.062% and an average thickness of 7.4 feet. The Company also identified 93 drill holes with 112 intercepts that had GT values ranging from 0.1 to 0.2 GT based on review of the Data Set. These intercepts had an average thickness of 4.1 feet with an average grade of 0.041% eU3O8. The remaining 187 drill holes reviewed range from barren to an average GT of 0.1.

The Data Set includes historical drilling information that has been reviewed by the Company's geological team, as well as 20 exploratory drill holes completed by the Company in a previous exploration campaign. The exploratory drill holes completed by the Company confirm the presence of uranium mineralization at the Dewey Terrace Project. The Company's review of the records and information within the Data Set reasonably substantiate the validity of this information; however, the Company cannot directly verify the accuracy of the historical data, including the procedures used for sample collection and analysis. Therefore, the Company encourages investors not to place undue weight on these results.

The objective of the Data Set analysis is to identify uranium mineralization in a cost-effective manner in the vicinity of the Company's Dewey Terrace and Dewey Burdock Projects. The Company is continuing its review of the Data Set with the objective of identifying additional uranium mineralization.

**Kyzyl Ompul Project – earn-in agreement**

*Kyzyl Ompul Project (70% interest) – Kyrgyz Republic*

The uranium deposit/prospects of the Kyzyl Ompul Project are located in the Kyrgyz Republic, approximately 125 kilometers ("km") east of the capital of Bishkek. More specifically, the Kyzyl Ompul Project is located in the Kochkor region of the Naryn Oblast and the Issyk-Kul region of the Issyk-Kul Oblast. The Kyzyl Ompul Project is

100% owned and operated by UrAsia, in which the Company owns a 70% interest, and consists of one exploration license with an area of 42,379 hectares. The license is valid until December 31, 2020 and permits exploration for uranium.

In July 2017, UrAsia executed the Earn-In Agreement with Alliance, which provides Alliance with an earn-in option to acquire a 100% interest in the Kyzyl Ompul Project in exchange for an aggregate $6.0 million of cash payments over three years and a two percent NSR royalty of up to $5.0 million as well as Alliance funding $1.6 million of exploration and development expenditures over a three-year period.

In April 2014, Ravensgate Mining Industry Consultants ("Ravensgate") prepared a maiden NI 43-101 compliant independent resource estimate for the Kok Moinok deposit located within the Kyzyl Ompul Project. Ravensgate estimated that the Kok Moinok deposit contained inferred uranium resources of 7.51 million pounds at 225.2 parts per million U3O8 using a cut-off of 100 parts per million as at December 31, 2013, the effective date of the resource estimate. Details of the assumptions and parameters used for the resource estimate at Kyzyl Ompul, including information on data verification, are set out in the Kyzyl Ompul Technical Report dated April 14, 2014, a copy of which is available under the Company's profile at www.sedar.com. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

In 2016, the Company conducted desktop studies for the Kyzyl Ompul Project, in order to conserve the Company's financial resources. In 2017, up to the execution of the Earn-In Agreement, the Company continued these desktop studies and conducted minimum exploration activities as required under the exploration license.

**Other mineral property interests**

The Company continues to maintain its interests in the Centennial and Aladdin deposits and continues to analyse development scenarios for the Centennial Project and the Aladdin deposits to maximize the value that can be extracted from these projects.

*The Centennial Project (100% interest) – Colorado, USA*

The Company's 100% owned Centennial Project is located in the western part of Weld County in northeastern Colorado. Through property purchase and/or lease agreements, the Centennial Project is comprised of approximately 1,360 acres of surface rights and approximately 6,230 acres of mineral rights.

Historical exploration work included drilling, recovery tests, water well tests and environmental studies. At the request of the Colorado Division of Reclamation, Mining and Safety, the Company prepared and submitted an updated Site Characterization Plan in April 2009. All the required environmental surveys and studies have been completed and the draft reports have been received. The Company completed its application to the EPA for a Class I UIC Permit in November 2010. In December 2010, the EPA informed the Company that the application was deemed complete. The majority of the major mine permit applications for the Centennial Project have not been prepared or submitted to date.

In August 2010, a NI 43-101 compliant independent PEA (the "Centennial PEA") was prepared by SRK Consulting (U.S.), Inc. and Lyntek Incorporated with an effective date of June 2, 2010. The Centennial PEA indicated that the Centennial Project can be developed using the ISR method and resulted in a pre-tax net present value of $51.8 million at a discount rate of 8% and an internal rate of return of 18%. The Centennial PEA assumed uranium prices of $65/lb $U_3O_8$, cash operating costs of $34.95/lb $U_3O_8$ and capital costs of $71.1 million. The Centennial PEA included indicated uranium resources of 10,371,571 pounds at 0.09% $U_3O_8$ and inferred uranium resources of 2,325,514 pounds at 0.09% $U_3O_8$ at a 0.20 GT cut-off and annual production of 700,000 lbs per annum, which resulted in a 14-year mine life.

Details of the assumptions and parameters used with respect to the Centennial PEA, including information on data verification, are set out in the Centennial PEA dated August 6, 2010, a copy of which is available under the Company's profile at www.sedar.com. The Centennial PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Centennial PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Subsequent to the Centennial PEA being completed, certain lease agreements with respect to the Centennial Project were not renewed and certain parcels of redundant land at the Centennial Project were sold; however, the impact to the Centennial PEA is immaterial.

*The Aladdin Deposit (100% interest) – Wyoming, USA*

The Aladdin Deposit is comprised of approximately 5,100 acres of surface rights and 4,600 acres of mineral rights located in Wyoming along the Wyoming/South Dakota border on the northwestern flank of the Black Hills Uplift, within sandstones of the Lower Cretaceous-age Inyan Kara Group. The Aladdin property is 80 miles northwest of the Dewey Burdock Project. Uranium resources at the Aladdin Deposit have developed within the same host rocks that contain the Dewey Burdock uranium resources.

In June 2012, the Company completed a NI 43-101 compliant technical report for the Aladdin Deposit, with an effective date of June 21, 2012, describing the results of the Company's confirmation drilling program and continued evaluation of the historic exploration drilling data from the Teton Exploration Company. The Aladdin Deposit contains indicated uranium resources of 1,038,023 pounds at 0.111% $U_3O_8$ and inferred uranium resources of 101,255 pounds at 0.119% $U_3O_8$ at a 0.20 GT cut-off. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

In addition, using the same cut-off, the quantity of mineralization for the exploration target was determined to be 5.0 to 11.0 million pounds of uranium, averaging 0.11% - 0.12% $U_3O_8$. In over 80% of the project area, the density of exploration drilling is light and insufficient to calculate resources. In these lightly explored areas, there is sufficient drill hole control for subsurface geochemical mapping and thirteen mineralized trends were identified. This estimation used a range of i) mineralized trend lengths, ii) widths of mineralization and iii) grades of mineralization. The grade and quantity of this exploration target is conceptual in nature and there has been insufficient exploration work performed with respect to the exploration target to define a NI 43-101 compliant resource. It is uncertain whether further exploration of the exploration target will result in the delineation of a NI 43-101 compliant resource.

Details of the assumptions and parameters used with respect to the Aladdin NI 43-101 Technical Report, including quality estimates and information on data verification, are available under the Company's profile on SEDAR at www.sedar.com.

Subsequent to the NI 43-101 compliant technical report being completed, certain lease agreements/claims were not renewed; however, the impact to the Aladdin NI 43-101 Technical Report is immaterial.

## QUALIFIED PERSON

Disclosure of a scientific or technical nature in this MD&A has been reviewed and approved by John Mays, P.E., Chief Operating Officer and a "qualified person" as defined under NI 43-101.

## SELECTED ANNUAL INFORMATION

| | Fiscal Year Ended December 31, 2017 | Fiscal Year Ended December 31, 2016 | Fiscal Year Ended December 31, 2015 |
|---|---|---|---|
| Statement of Loss: | | | |
| Net revenues | $Nil | $Nil | $Nil |
| Net loss | $5,280,632 | $3,112,945 | $3,744,830 |
| Net loss per share | $0.07 | $0.05 | $.06 |
| Financial Position: | | | |
| Total assets | $33,695,520 | $39,473,305 | $40,354,891 |
| Long term liabilities | $6,229,824 | $7,365,390 | $8,370,749 |
| Dividends | $Nil | $Nil | $Nil |

The net loss in the year ended December 31, 2017 included a $6.3 million impairment of exploration and evaluation assets related to Kyzyl Ompul Project.

## RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2017

The consolidated net loss for the year ended December 31, 2017 was $5,280,632 (2016 - $3,112,945).

The significant changes between the current year and the comparative year are discussed below:

Administrative expenses totaled $1,659,228 (2016 - $1,554,213). The overall increase in administrative expenses primarily relates to increased consulting and professional fees and corporate administration expenses offset by decreased salaries and benefits.

During the year ended December 31, 2017, the Company recognized an impairment charge of $6,346,899 for the Kyzyl Ompul Project on execution of the Earn-In Agreement that established the fair value of the project. As the recoverable amount of the project was determined to be less than its carrying value, the carrying value was impaired.

Finance costs totaled $216,478 (2016 - $191,080). The increase in finance costs primarily relates to the interest rate increase from 10% to 15% on the Shareholders Loan Agreement (defined below) as a result of the Company exercising its option to extend the term of the Shareholders Loan Agreement.

The Company recognized an unrealized gain of $595,801 for the year ended December 31, 2017 (2016 – unrealized loss of $1,204,160). The unrealized gain in the current year relates primarily to the revaluation of the Company's warrant liability whereas the unrealized loss in the prior year relates primarily to losses on the revaluation of the Company's investments in Western Uranium Corp. and Uranium Resources, Inc. ("URI") as well as the loss on revaluation of the Company's warrant liability.

## SUMMARY OF QUARTERLY RESULTS

The following tables provide selected quarterly financial information for the most recent eight quarters.

| | 3 Months Ended December 31, 2017 | 3 Months Ended September 30, 2017 | 3 Months Ended June 30, 2017 | 3 Months Ended March 31, 2017 |
|---|---|---|---|---|
| Total revenues | $Nil | $Nil | $Nil | $Nil |
| Net income (loss) | $1,782,760 | $(6,438,864) | $(347,086) | $(277,442) |
| Net income (loss) per share, basic and diluted | $0.02 | $(0.08) | $(0.01) | $(0.00) |

| | 3 Months Ended December 31, 2016 | 3 Months Ended September 30, 2016 | 3 Months Ended June 30, 2016 | 3 Months Ended March 31, 2016 |
|---|---|---|---|---|
| Total revenues | $Nil | $Nil | $Nil | $Nil |
| Net loss | $996,351 | $382,491 | $655,688 | $1,078,415 |
| Net loss per share, basic and diluted | $0.01 | $0.01 | $0.01 | $0.02 |

The Company impaired the value of its Kyzyl Ompul Project by $6,346,899 in the third quarter of 2017.

**Fourth Quarter 2017**

The Company began the fourth quarter with $318,133 cash. During the fourth quarter, the Company expended $109,339 on operating activities net of working capital changes, $199,640 on investing activities and received $419,368 from financing activities to end the quarter and the year with $432,192 cash.

## LIQUIDITY AND CAPITAL RESOURCES

The Company began the fiscal year with $941,370 cash. During the year ended December 31, 2017, the Company expended $818,169 on operating activities net of working capital changes, $943,451 on investing activities and received $1,248,931 from financing activities to end at December 31, 2017 with $432,192 cash.

In July 2017, the Company closed its non-brokered private placement of C$1.14 million through the issuance of 4,391,938 units at a price of C$0.26 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$0.36 per share for a period of three years. An insider of the Company sold 1,000,000 freely tradable shares to an arm's length third party and subscribed for 1,000,000 units. The issuance of the 500,000 share purchase warrants at C$0.36 to the insider is subject to disinterested shareholder approval, in addition to the final approval of the Toronto Stock Exchange.

In December 2017, the Company closed the first tranche of its non-brokered private placement of $558,750 through the issuance of 2,235,000 units at a price of C$0.25 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$0.35 per share for a period of three years. An insider of the

Company sold 1,000,000 freely tradable shares to an arm's length third party and subscribed for 1,000,000 units. The issuance of 500,000 share purchase warrants at C$0.35 to the insider is subject to disinterested shareholder approval, in addition to the final approval of the Toronto Stock Exchange.

In January 2018, the Company closed the second and final tranche of its non-brokered private placement of $195,000 through the issuance of 780,000 units at a price of C$0.25 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$0.35 per share for a period of three years.

The remaining cash payments from the Alliance Earn-In Agreement on the Kyzyl Ompul Project are expected to be received as follows: $60,000 per month commencing February 1, 2018, increasing to $229,000 per month commencing August 1, 2018, and a final payment of $223,000 on July 1, 2020. During the year ended December 31, 2017, UrAsia received $150,000 in cash payments from Alliance. The February 1 and March 1, 2018 cash payments have not yet been received and the Company is in discussions with Alliance to resolve this default using the remedies available to it under the Earn-In Agreement.

The Company's capital risk management objectives have been established to safeguard the Company's ability to continue as a going concern in order to support the Company's permitting and exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, progress on permitting, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The consolidated 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. 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. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern. 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.

### Powerlite Ventures Limited

The Company is party to a credit facility with Powerlite Ventures Limited ("Powerlite") for $21,000,000 of which the Company drew down and, in 2014, repaid $18,000,000 through the issuance of shares leaving an available balance of $3,000,000. The Company believes it is unlikely that Powerlite will be able to fund the remaining amount of the facility.

### Shareholders Loan Agreement

The Company has drawn down $1,776,000 under a shareholder's loan agreement dated July 31, 2012, as amended ("Shareholders Loan Agreement"). The loan is convertible into shares of the Company at a conversion price of C$1.23, at the shareholders option, matures on July 31, 2020, and bears interest at the rate of 15% per annum. The Company has accrued a total of $281,805 interest for a total amount owed at December 31, 2017 of $2,057,805. The loan is unsecured and may be prepaid at any time.

### Other Loans Payable

At December 31, 2017, the Company owed a total of $46,873 (2016 – $90,065) related to purchase agreements for the Company's Centennial and Dewey Burdock Projects.

## CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2017 the Company's commitments were as follows:

| | Within 1 year | 2-4 years | Over 4 years | Total |
|---|---|---|---|---|
| Operating lease | $ 45,847 | $ 7,667 | $ - | $ 53,514 |
| Exploration and evaluation | 507,738 | 4,120,283 | 3,441,651 | 8,069,672 |
| | $ 553,585 | $ 4,127,950 | $ 3,441,651 | $ 8,123,186 |

As at December 31, 2017, exploration and evaluation commitments include lease, mineral claim, exploration license and property purchase agreement payments. Certain of the Company's exploration and evaluation commitments may provide the Company with the ability to avoid funding those commitments; however, the Company discloses the contractual maturities of the Company's exploration and evaluation commitments based on management's intent.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); loans and receivables; or other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

| | As at December 31, | | | |
|---|---|---|---|---|
| **Financial assets** | | **2017** | | **2016** |
| **Loans and receivables** | | | | |
| Cash | $ | 432,192 | $ | 941,370 |
| Restricted cash | | 39,176 | | 42,687 |
| **Fair value through profit or loss** | | | | |
| Investment in URI | | - | | 68,264 |
| | $ | 471,368 | $ | 1,052,321 |

| | As at December 31, | | | |
|---|---|---|---|---|
| **Financial liabilities** | | **2017** | | **2016** |
| **Other financial liabilities** | | | | |
| Trade and other payables | $ | 1,525,906 | $ | 1,376,872 |
| Loan payable to shareholders | | 2,057,805 | | 1,848,135 |
| Other loans payable | | 46,873 | | 90,065 |
| Decommissioning liability | | 142,918 | | 129,933 |
| **Fair value through profit or loss** | | | | |
| Warrant liabilities | | 258,116 | | 596,602 |
| | $ | 4,031,618 | $ | 4,041,607 |

### 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 fair values of the Company's financial instruments classified as FVTPL are determined as follows:

- The fair value of financial instruments that are traded on an active liquid market are determined with reference to the quoted market prices. The fair value of the Company's investments are determined using this methodology.
- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are directly (i.e. prices) or indirectly (i.e. derived prices) observable. The fair value of the warrant liability is determined using the Black-Scholes Option Pricing model.
- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are not directly (i.e. prices) or indirectly (i.e. derived from prices) observable.

The fair value of all other financial instruments of the Company approximates their carrying value because of the demand nature or short-term maturity of these instruments. The Company's cash, restricted cash and other financial liabilities are carried at amortized cost.

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 investment in URI was recorded at fair value using Level 1 of the fair value hierarchy. The fair value of the Company's warrant liability is recorded at fair value using Level 2 of the fair value hierarchy.

**Risk Management**

The financial risk arising from the Company's operations are market risk, credit risk, and liquidity risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. During the year ended December 31, 2017, there were no significant changes in the Company's financial risk management objectives and policies. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

*Market risk*

Market risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in market factors. Market risk comprises three types of risks: currency risk, price risk and interest rate risk:

Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the United States Dollar. Management believes the currency risk related to currency conversions is minimal and therefore, does not hedge its currency risk.

Price risk

Price risk is the risk that the fair value of future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. The Company is exposed to the risk of fluctuations in prevailing market prices for its uranium products. However, as the Company is currently an exploration and development stage company, the risk is insignificant.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risk on cash is not significant.

The Company's Shareholders Loan Agreement accrues interest at a fixed rate; therefore, the Company is not exposed to interest rate risk on this instrument. The Company's other loans payable are non-interest bearing and interest is calculated using an effective interest rate.

*Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations.

The Company is exposed to credit risk associated with its cash. The Company's maximum exposure to credit risk is equal to the carrying amount of its cash.

The Company's credit risk on cash arises from default of the counterparty. The Company limits its exposure to counterparty credit risk on cash by only dealing with financial institutions with high credit ratings.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to settle or manage its obligations associated with financial liabilities. The Company's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash, access to financing facilities or access to cash generating opportunities, such as the liquidation of non-core and redundant assets to meet its liquidity requirements in the short and long term. In order to ensure that the Company has sufficient cash, access to financing facilities or access to cash generating opportunities, such as the liquidation of non-core and redundant assets to meet expected expenditures, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, progress on permitting, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company's current and expected remaining contractual maturities for its financial liabilities with agreed repayment periods are presented below. The table includes the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to satisfy the liabilities.

| As at December 31, 2017 | 1-3 months | 3 months - 1 year | 1-5 years | Total |
|---|---|---|---|---|
| Trade and other payables | $ 1,525,906 | $ - | $ - | $ 1,525,906 |
| Loan payable to shareholders | - | 281,805 | 1,776,000 | 2,057,805 |
| Other loans payable | - | 46,873 | - | 46,873 |
| | $ 1,525,906 | $ 328,678 | $1,776,000 | $ 3,630,584 |

## RELATED PARTY TRANSACTIONS

### Related party transactions

During the years ended December 31, 2017 and 2016, the Company had related party transactions with the Company's directors, management and shareholders including:

- Interest accruing to certain directors/shareholders of the Company on the Shareholders Loan Agreement;
- The extension of the term of the Shareholders Loan Agreement and other amendments and agreements related to the Shareholders Loan Agreement as disclosed; and
- The issuance of common shares to key management personnel of the Company to settle trade and other payables, employee remuneration and interest on the Shareholders Loan Agreement.

### Key management personnel compensation

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

| | Year ended December 31, 2017 | | 2016 | |
|---|---|---|---|---|
| Salaries and benefits | $ | 731,926 | $ | 871,312 |
| Share-based compensation | | 176,296 | | 87,194 |
| | $ | 908,222 | $ | 958,506 |

### Related party liabilities

| | Year ended December 31, 2017 | | 2016 | |
|---|---|---|---|---|
| Loan payable to shareholders | $ | 2,057,805 | $ | 1,848,135 |
| Trade and other payables for key management personnel - current | | 716,838 | | 339,043 |
| Trade and other payables for key management personnel - non-current | | - | | 310,000 |
| | $ | 2,774,643 | $ | 2,497,178 |

Included in trade and other payables as at December 31, 2017 is $512,500 (2016 - $557,500) owing to a director of the Company of which $325,000 (2016 - $370,000) is related to a severance agreement and $187,500 (2016 – $187,500) is related to a deferred compensation agreement. During the year ended December 31, 2017, the Company paid this director $45,000 (2016 - $60,000) towards the severance agreement. On February 14, 2018, the Company entered into an amended severance agreement with this director to defer the remaining severance payments over 48 months, whereby the amount payable was increased to $370,000. The Company and this director have agreed to settle the deferred compensation of $187,500 by the issue of up to 578,822 common shares of the Company before June 30, 2018.

**OUTSTANDING SHARE DATA AS AT THE DATE OF THIS MD&A**

Authorized: an unlimited number of common and preferred shares with no par value.

| | Common Shares Issued and Outstanding | Common Share Purchase Warrants | Common Share Purchase Options |
|---|---|---|---|
| Balance, December 31, 2017 | 83,619,850 | 7,133,123 | 5,903,762 |
| Isuance of shares for ESPP | 350,937 | - | - |
| Issuance of shares for DSA | 93,011 | - | - |
| Issuance of shares for private placement | 780,000 | 390,000 | - |
| Balance as at the date of this MD&A | 84,843,798 | 7,523,123 | 5,903,762 |

- In March 2018, the Company received conditional TSX approval to issue up to 186,512 common shares in settlement of C$46,628 of trade and other payables.
- In March 2018, the Company received conditional TSX approval to issue up to 162,900 common shares in settlement of $32,103 of trade and other payables.
- In March 2018, the Company received conditional TSX approval to issue up to 125,000 common shares to buy back a royalty on the Dewey Burdock Project.

**USE OF ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

**Liquidity and going concern assumption**

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include forecasted capital deployment, progress on permitting, results from the exploration and development of its properties and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

**Review of carrying value of assets and impairment charges**

In the determination of carrying values and impairment charges, management of the Company reviews the higher of the recoverable amount and the fair value less costs to sell or the value in use in the case of non-financial assets and at objective evidence indicating impairment in the case of financial assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. Changes in these assumptions may alter the results of non-financial asset and financial asset impairment testing, impairment charges recognized in profit or loss and the resulting carrying amounts of assets.

As at each reporting date, the Company reviews assets to determine whether there is any indication that those assets have suffered an impairment loss.

During the year ended December 31, 2017, the Company recorded an impairment loss of $6,346,899 on its Kyzul Ompul project in Kyrgyzstan.

**Capitalization of exploration and evaluation costs**

Management has determined that exploration and evaluation costs incurred during the year will have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including, but not limited to, the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping studies, preliminary economic assessments, proximity of operating facilities, operating management expertise and existing permits.

## RECENT ACCOUNTING PRONOUNCEMENTS

The Company has adopted the new and revised standards and interpretations issued by the International Accounting Standards Board or IFRS Interpretations Committee effective January 1, 2017. The adoption of these standards did not have a material impact on the Company's Financial Report.

Refer to the discussion of "Standards issued but not yet effective" in Note 2.4 to the consolidated financial statements. The Company has not applied any of the new and revised IFRS detailed therein, all of which have been issued, but are not yet effective at the date of this MD&A.

## PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. There is currently no proposed asset or business acquisitions or dispositions, other than those discussed in this MD&A and those in the ordinary course, before the board of directors for consideration. While we remain focused on our plans to continue exploration and development on our material property, should we enter into agreements in the future on new properties, we may be required to make cash payments and complete work expenditure commitments under those agreements.

## DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2017, the CEO and CFO have each concluded that the Company's disclosure controls and procedures, as required by the applicable rules of the Canadian Securities Administrators (or Canadian securities regulatory authorities), are effective to achieve the purpose for which they have been designed.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation of financial statements. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, under the supervision of the CEO and the CFO, has evaluated the effectiveness of the Company's internal controls over financial reporting using the framework and criteria as required by the applicable rules of the Canadian Securities Administrators (or Canadian securities regulatory authorities). Based on this evaluation, management has concluded that internal controls over financial reporting were effective as at December 31, 2017.

There were no changes in the Company's internal controls over financial reporting that occurred during the year ended December 31, 2017, that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

## DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

This MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that Azarga Uranium or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Azarga Uranium and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although Azarga Uranium believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of Azarga Uranium is subject to a number of risks and uncertainties, including those risk factors discussed under “Risk Factors” elsewhere in this MD&A, those listed under “Risk Factors” in the Company’s Annual Information Form and the documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, of Azarga Uranium may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by Azarga Uranium will be realized or, even if substantially realized, that they will have the expected consequences for Azarga Uranium.

Forward-looking statements are based on the beliefs, estimates and opinions of Azarga Uranium’s management on the date the statements are made. Unless otherwise required by law, Azarga Uranium expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Azarga Uranium does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.