Azarga Uranium Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016
(Expressed in U.S. Dollars)

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative and grammatical variations) of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Company's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management's current views and are based on certain expectations, estimates and assumptions, which may prove to be incorrect. Material expectations, estimates and assumptions pertaining to forward looking statements include, but are not limited to: the timing of draft and final permits and licenses necessary to project finance and develop the Company's Dewey Burdock Project, the improvement of uranium markets and uranium pricing, the availability of additional capital to enable the Company to continue as a going concern, including capital generated from the sale of assets classified as held for sale, and the Company's mineral properties provide a pipeline for continued growth. A number of risks and uncertainties could cause its actual results to differ materially from those expressed or implied by the forward looking statements, including, but not limited to: global economic conditions; uranium price fluctuations; government regulation and policy risks; public involvement in the permitting process; Native American involvement in the permitting process; environmental regulatory requirements and risks; the market price of the Company's shares; public acceptance of nuclear energy and competition from other energy sources; the Company will require significant amounts of additional capital in the future; competition for properties and experienced employees; uranium industry competition and international trade restrictions; exposure to emerging markets; possible loss of interests in exploration and development properties; mining and mineral exploration is inherently dangerous and subject to factors beyond the Company's control; the Company's mineral resources are estimates; the nature of exploration and development projects; political risk; currency fluctuations; the Company has no history of mining operations; property title rights; dependence on key personnel and qualified and experienced employees; delineation of mineral reserves and additional mineral resources; insurance coverage; dilution from further equity financing and outstanding stock options and share purchase warrants; the Company has never paid dividends and may not do so in the foreseeable future; litigation and other legal proceedings; technical innovation and obsolescence; disclosure and internal controls; and conflicts of interest.

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS (Continued)

Please refer to the Risks and Uncertainties section of this Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information on the above risk factors.

Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from statements made or incorporated by reference in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company undertakes no obligation to update forward-looking statements if management's beliefs, estimates and opinions or the Company's circumstances as at the date hereof should change. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether, as a result of new information, future events or otherwise.

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GENERAL

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Azarga Uranium Corp. ("Azarga Uranium") (which, together with its subsidiaries, is collectively referred to as the "Company") dated August 10, 2016 should be read in conjunction with the condensed consolidated interim financial statements of the Company and the notes thereto for the three and six months ended June 30, 2016 and 2015. The Company's condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Auditing Standard 34 "Interim Financial Reporting" using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The functional currency of each entity is determined by the currency of the primary economic environment in which the entity operates. The functional currency of each entity is the United States Dollar, with the exception of UrAsia in Kyrgyzstan Limited Liability Company ("UrAsia"), whose functional currency is the Kyrgyz Som.

All references to $ in this MD&A refer to the United States Dollar, all references to C$ refer to the Canadian Dollar and all references to A$ refer to the Australian Dollar.

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

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company's significant events and highlights for the three months ended June 30, 2016 and subsequent period to August 10, 2016 are as follows:

- In April 2016, the Company's largest shareholder, Powerlite Ventures Limited ("Powerlite"), a wholly owned subsidiary of Blumont Group Ltd. (SGX: A33) ("Blumont"), entered into a debt settlement agreement with Wintercrest Advisors LLC ("Wintercrest"), a wholly owned subsidiary of Platinum Partners Value Arbitrage Fund L.P., to transfer Powerlite's 18,053,510 Azarga Uranium common shares (approximately 28.8% of the Company's outstanding common shares) to Wintercrest conditional upon Blumont obtaining various approvals, including; but not limited to, shareholder approvals, regulatory and other approvals, consents, waivers and a legal opinion. Subsequent to April 2016, Blumont announced that they have been granted the whitewash waiver from the Securities Industries Council, subject to various conditions.

SIGNIFICANT EVENTS AND HIGHLIGHTS (Continued)

- In May 2016, the Company entered into shares for debt settlement agreements to settle up to $532,800 of interest on the Company's $1.8 million convertible loan agreement with certain shareholders. As a result, the Company will issue, subject to the Toronto Stock Exchange's ("TSX") approval, up to 1,140,626 common shares subject to a floor price of C$0.60 per share, a 67% premium to Azarga Uranium's May 18, 2016 closing share price.

- In July 2016, the Company announced that all resolutions put forward at the Annual General and Special Meeting of the Company's shareholders were approved; including, but not limited to, re-election of the Company's directors, the issuance of up to 123,010 common shares, subject to TSX approval, to settle $44,400 of debt and the issuance of 812,500 common shares, subject to TSX approval, for employee remuneration.

BACKGROUND

Azarga Uranium is a publicly listed company incorporated in Canada on February 10, 1984 with limited liability under the legislation of the Province of British Columbia. Its shares are listed on the TSX (symbol: AZZ) and the Frankfurt Stock Exchange (symbol: P8AA). 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.

INDUSTRY TRENDS AND OUTLOOK

Although uranium prices continue to remain depressed, the Company believes that the following key elements should help contribute to a turnaround in the uranium sector:

- **Global reactor pipeline exceeds pre-Fukushima total** – The global reactor pipeline consists of 1015[1] nuclear reactors that are operable, under construction, planned or proposed compared to 987[2] before the Fukushima incident in 2011. Of the 1015 nuclear reactors, 445 reactors are operable[1]. A total of 231[1] reactors are under construction or planned, which represents 52% 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, eight and six, respectively[1]. China has recently announced in its latest Five Year Plan that it intends to have at least 110 operating nuclear power reactors by 2030, accelerating its approval and construction process from 3-5 units per year (previous Five Year Plan) to 6-8 units per year between 2016 and 2020 and increasing to 10 units per year thereafter[3].

- **Current prices will constrain supply** – According to supply cost curves published by industry analysts, approximately one third of current mine supply is not economic at the current spot price[4]. Low prices are forcing producers to curtail mining, development and exploration. U_3O_8 supply has decreased by 11%[5] from 2013 to 2015. In 2016, producers continue to curtail operations. For example, in April 2016, Cameco Corp. announced the shut down of its Rabbit Lake Mine and that it was curtailing its United States operations due to weak uranium prices. The Rabbit Lake Mine had an annual production of 4.2 million lbs of uranium in 2015[6].

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[1] World Nuclear Association – *World Nuclear Power Reactors & Uranium Requirements (August 1, 2016)*
[2] Haywood Securities Inc. – *Target & Commodity Price Revisions (January 12, 2016)*
[3] Barclays Equity Research – *Asia ex-Japan Power & Utilities: Raising the heat in the nuclear space (October 16, 2015)*
[4] RBC Capital Markets – *Uranium Market Outlook – Third Quarter 2015 (August 24, 2015)*
[5] Cantor Fitzgerald – *Quarterly Commodity Outlook (July 27, 2016)*
[6] Saskatoon StarPheonix – *Rabbit Lake closure 'right economic decision' given tough market: Cameco VP (April 26, 2016)*

INDUSTRY TRENDS AND OUTLOOK (Continued)

Despite the Company's belief that a uranium sector turnaround is on the horizon, 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 United States Nuclear Regulatory Commission ("NRC") license for the Dewey Burdock Project in April 2014 and the United States Atomic Safety and Licensing Board ("ASLB") ruling in April 2015 were key risk reduction events for the Dewey Burdock Project. The Company is now continuing work to resolve the remaining two contentions on the NRC license and to complete the Environmental Protection Agency ("EPA") and South Dakota state permitting requirements through 2016 and 2017. The Company has embarked on a process to consider project-financing options for the Dewey Burdock Project, with a view to having a funding solution in place concurrent with the finalization of permits.

- **Future uranium production off-take –** In 2015, the Company commenced the process of engaging with potential customers for future uranium production off-take. Although the Company plans to continue these discussions throughout 2016, in parallel with the advancement of the Dewey Burdock Project, these activities have been scaled back due to the current market environment.

- **Curtail activities in the Kyrgyz Republic –** A maiden National Instrument 43-101 ("NI 43-101") uranium resource was completed in April 2014 on the foundations of a two-year exploration program on the Kyzyl Ompul Project. Subsequent to the completion of the NI 43-101 resource, the Company continues to focus on conducting desktop studies for the Kyzyl Ompul Project.

- **Identify opportunities to generate capital through the sale of redundant assets –** The Company expects to generate approximately $240,000 of additional cash from the sale of redundant assets, excluding investments held for sale. Since the third quarter of 2015, the Company has sold redundant assets for net proceeds of approximately $760,000. The redundant assets primarily include land at the Centennial Project; the Company will retain the surface rights as a condition of sale. The Company does not expect the sale of redundant assets to jeopardize its overall strategy.

INDUSTRY TRENDS AND OUTLOOK (Continued)

The Company believes a unique opportunity exists for investors to build an investment in Azarga Uranium. Firstly, the Company believes that uranium prices will move higher in the medium term. Secondly, the Company's 'flagship' 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 cash operating costs. Therefore, the Company believes that once permitting is complete, the Company will be able to attract financing and move into the construction phase. Thirdly, the Company has an asset suite inclusive of mineral properties at various stages of development, which provide a pipeline for continued growth. Lastly, management and the Board of Directors have extensive experience in uranium, the broader mining sector and financial markets.

MINERAL PROPERTIES

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

The Company's 100% owned Dewey Burdock Project is an in-situ recovery ("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 13,160 surface acres and 17,400 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 preliminary economic assessment ("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.

MINERAL PROPERTIES (Continued)

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.

The Dewey Burdock PEA assumed uranium prices of $65/lb U_3O_8, cash operating costs of $18.86/lb U_3O_8 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.

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 Bureau of Land Management ("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 (an operating license) on April 8, 2014, covering 10,580 acres. The Company controls the mineral and surface rights for the entire area pertaining to the NRC license.

MINERAL PROPERTIES (Continued)

In August 2014, the evidentiary hearing was held with the ASLB in regards to the limited 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 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. It also ruled inadmissible two new contentions that were filed by the Intervenors after the evidentiary hearing.

The NRC license continues to remain in good standing. The ASLB has decided to retain jurisdiction of the two contentions pertaining to identification and protection of historic and cultural resources and has asked for monthly status reports from the NRC staff until the outstanding issues are addressed. The Company is facilitating this process to the fullest extent possible.

The Company and the NRC staff filed petitions to the NRC Commission for review of the ASLB ruling on the identification and protection of historic and cultural resources. The Intervenors also filed petitions for review covering most of the contentions heard by the ASLB. The Company filed responses to each of the petitions for review submitted by the Intervenors to the NRC Commission. The NRC staff filed responses supporting the Company's petition and opposing the Intervenors' petitions, while of the Intervenors, only the Oglala Sioux Tribe filed a response to the Company and NRC staff petitions for review within the assigned timeframe. On September 21, 2015, all parties received a response from the NRC Commission indicating that the above filings are still being reviewed. In March 2016, the Company requested a status report from the NRC Commission requesting an update on the above filings that are currently under review. To date, the Company has not received a response; however, the Company anticipates a decision from the NRC Commission in the near term. However, due to the lack of mandated regulatory timelines, the dates may be subject to change.

MINERAL PROPERTIES (Continued)

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 South Dakota Department of Environment and Natural Resources ("DENR"). These approvals include the Class III and Class V underground injection control ("UIC") permits from the EPA and three state permits to be issued by the South Dakota 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 outstanding consultation with the Oglala Sioux Tribe.

The EPA continues to work on the draft Class III and Class V UIC permits. The EPA has informed the Company that they are currently conducting formal consultations with Native American Tribes that may be potentially impacted by the Dewey Burdock Project. The Company currently anticipates receiving the draft Class III and Class V UIC permits in the third quarter of 2016 and the final permits in the first half of 2017; however, due to the lack of mandated regulatory timelines, these dates may be subject to change.

The Company submitted applications to the South Dakota DENR in 2012 for its Groundwater Disposal 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.

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 for the Dewey Burdock Project in the second half of 2016, at which point it is also anticipated that the BLM will prepare an environmental assessment and issue its Record of Decision.

MINERAL PROPERTIES (Continued)

The Company anticipates the regulatory process with respect to the NRC Commission, the EPA, the South Dakota DENR and the BLM to be completed by the second half of 2017; however, the Company remains cautious regarding the anticipated schedule for obtaining the outstanding regulatory approvals because of factors outside the Company's control, including a lack of mandated regulatory timelines for permit issuances and the logistics of scheduling and holding regulatory hearings.

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 1,520 acres of surface rights and approximately 6,540 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.

MINERAL PROPERTIES (Continued)

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 Company continues to analyse development scenarios for the Centennial Project in order to maximize the value that can be extracted from this project.

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

The Aladdin Deposit is comprised of approximately 6,570 acres of surface rights and 6,000 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.

MINERAL PROPERTIES (Continued)

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.

The Company is currently evaluating the Aladdin Deposit in order to determine how to maximize the value that can be extracted from this deposit.

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.

The Kyzyl Ompul Project has been explored since the 1950s for uranium, with most historic exploration occurring during the 1950s and 1960s. This historic exploration identified a number of hydrothermal and placer uranium prospects within the Kyzyl Ompul Project. In total, five hydrothermal uranium prospects and five placer uranium prospects were identified.

The Kok Moinok deposit, the most advanced of the hydrothermal deposits, was discovered in 1953. From 1953 to 1957, 144 holes were drilled on a grid of 50m x 50m. Soviet classified C1 and C2 reserves were calculated using the information obtained from these drill holes. Additional drilling was completed from 1958 to 1969 on a 200m x 200m grid attempting to identify further extensions of the uranium prospects.

Further exploration was undertaken by UrAsia from 2005 to 2008, with the aim to confirm the hydrothermal uranium mineralization and placer uranium mineralization by targeting previously identified uranium deposits and prospects. The exploration program during this period included traverses, geological mapping ($80km^2$), trenching ($4,300m^3$), soil gas radon emanation surveys (60 readings), geophysical surveys and the collection of 84 hydrogeological samples for radon assays, 7,458 channel samples, 455 rock chip samples and 28 crushed samples.

MINERAL PROPERTIES (Continued)

In 2012, a more extensive exploration program commenced. In 2012 and 2013, the Company completed nine drill holes for approximately 2,275m at the Sai Bezvodniy hydrothermal prospect, 40 drill holes at the Tash Bulak placer prospect, 31 drill holes at the Backe placer prospect and 9 drill holes at the Tunduk placer prospect. The Company also completed 17 drill holes for approximately 4,345m at the Kok Moinok deposit. The 2012 and 2013 drilling program was designed to twin a selection of historic drill holes to confirm mineralized intervals and uranium grades in those mineralized intervals as well as confirm the geological and mineralogical understanding of the Kyzyl Ompul Project.

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 U_3O_8 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 2015, the Company conducted desktop studies for the Kyzyl Ompul Project in order to apply for an extension of the exploration license. The Kyzyl Ompul exploration license was successfully extended until December 31, 2020. In 2016, the Company will conduct additional desktop studies for the Kyzyl Ompul Project, in order to conserve the Company's financial resources.

INVESTMENTS

Uranium Resources, Inc.

On November 9, 2015, Uranium Resources, Inc. ("URI") merged with Anatolia Energy Limited ("Anatolia) (the "Anatolia Merger"). URI is listed on the NASDAQ (NASDAQ: URRE). URI owns a diverse portfolio of uranium mineral holdings in the USA, including the Kingsville Dome Project and the Rosita Project and advanced exploration and development projects in the central Anatolian region of Turkey, including the Temrezli Uranium Project. Please refer to the URI website at www.uraniumresources.com for additional details.

(Expressed in U.S. Dollars and shares, unless otherwise indicated)

INVESTMENTS (Continued)

Western Uranium Corporation

On September 16, 2015, Western Uranium Corporation ("Western Uranium") merged with Black Range Minerals Limited ("Black Range") (the "Black Range Merger"). Western Uranium is listed on the Canadian Securities Exchange (CSE: WUC). In the second quarter of 2016, the Company disposed of its remaining interest in Western Uranium.

SUMMARY OF QUARTERLY RESULTS

Management cautions the reader of the comparability of financial information presented in the summary of quarterly results presented in this MD&A. The financial information has been prepared as a continuation of Azarga Resources Limited's consolidated financial statements. The results of Powertech Uranium Corp.'s operations have been included in the Company's consolidated financial statements subsequent to the close of the reverse take-over on October 28, 2014.

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

	2016		2015	
QUARTER ENDED	**30-Jun**	31-Mar	31-Dec	30-Sep
Administrative expenses	$ (440,555)	$ (266,414)	$ (603,380)	$ (425,650)
Finance costs	(48,968)	(47,778)	(47,123)	(135,844)
Unrealized gain (loss)	(87,315)	(840,956)	(1,111,205)	756,455
Realized gain (loss)	(75,743)	13,438	58,056	85,928
Share of equity income from associates	-	-	-	4,769
Deferred income tax recovery (expense)	(67,028)	(11,600)	(384,771)	1,579
Net income (loss)	(721,827)	(1,078,415)	(2,097,262)	275,512
Net income (loss) attributable to equity holders of the Company	(705,075)	(1,110,595)	(2,055,607)	301,374
Total comprehensive loss	(585,454)	(810,727)	(2,435,886)	(102,570)
Basic income (loss) per share	(0.01)	(0.02)	(0.03)	0.00
Diluted income (loss) per share	(0.01)	(0.02)	(0.03)	0.00

(Expressed in U.S. Dollars and shares, unless otherwise indicated)

SUMMARY OF QUARTERLY RESULTS (Continued)

	2015		2014	
QUARTER ENDED	30-Jun	31-Mar	31-Dec	30-Sep
Administrative expenses	$ (719,187)	$ (1,080,032)	$ (1,622,416)	$ (464,607)
Finance costs	(146,656)	(164,734)	(164,118)	(138,134)
Unrealized gain (loss)	404	344,576	(749,459)	(1,283,982)
Realized gain (loss)	1,084,846	(206,705)	301,133	170,216
Share of equity income (loss) from associates	(76,175)	(530,969)	(1,942,957)	234,964
Impairment of investment in associates	(520,866)	-	(3,707,133)	-
Gain on bargain purchase on close of RTO	-	-	11,605,241	-
Deferred income tax recovery (expense)	30,627	(50,435)	(122,546)	(33,196)
Net income (loss)	(366,262)	(1,556,818)	3,633,140	(1,514,918)
Net income (loss) attributable to equity holders of the Company	(343,430)	(1,527,387)	3,723,211	(1,485,273)
Total comprehensive income (loss)	(249,549)	(1,868,055)	3,238,470	(1,679,572)
Basic income (loss) per share	(0.01)	(0.03)	0.07	(0.04)
Diluted income (loss) per share	(0.01)	(0.03)	0.07	(0.04)

For the three months ended June 30, 2016

The Company recorded a net loss of $721,827 for the three months ended June 30, 2016 compared to a net loss of $366,262 for the three months ended June 30, 2015. The net loss in each period primarily related to the following:

Administrative expenses were $440,555 for the three months ended June 30, 2016 compared to $719,187 for the three months ended June 30, 2015. The decrease primarily related to decreased salaries and benefits primarily due to a decrease in the number of employees.

Finance costs were $48,968 for the three months ended June 30, 2016 compared to $146,656 for the three months ended June 30, 2015. The decrease primarily related to the elimination of the interest expense on the put option on the non-controlling interest of UrAsia and the elimination of the interest expense on deferred consideration owing to the original sellers of UrAsia, as both of these liabilities were extinguished in October 2015.

The Company recognized an unrealized loss of $87,315 for the three months ended June 30, 2016 compared to an unrealized gain of $404 for the three months ended June 30, 2015. For the three months ended June 30, 2016, the unrealized loss related to the revaluation of the Company's investment in URI. For the three months ended June 30, 2015, the unrealized gain related to a dilution gain on the Company's investment in Black Range and a gain on the warrant liability, partially offset by a loss from the revaluation of the Company's investment in Anatolia.

SUMMARY OF QUARTERLY RESULTS (Continued)

The Company recognized a realized loss of $75,743 for the three months ended June 30, 2016 compared to a realized gain of $1,084,846 for the three months ended June 30, 2015. For the three months ended June 30, 2016, the realized loss primarily related to losses from the sale of the Company's investment in Western Uranium, partially offset by a fair value gain on the settlement of trade and other payables. For the three months ended June 30, 2015, the realized gain related to the extinguishment of other loans payable.

The Company recognized an equity loss pick-up of $76,175 for the three months ended June 30, 2015 related to the Company's investment in Black Range.

For the three months ended June 30, 2015, the Company recorded an impairment charge of $520,866 on its investment in Black Range due to the significant decline in the market capitalization of Black Range.

For the six months ended June 30, 2016

The Company recorded a net loss of $1,800,242 for the six months ended June 30, 2016 compared to a net loss of $1,923,080 for the six months ended June 30, 2015. The net loss in each period primarily related to the following:

Administrative expenses for the six months ended June 30, 2016 were $706,969 compared to $1,799,219 for the six months ended June 30, 2015. The decrease in administrative expenses primarily related to decreased salaries and benefits primarily due to a decrease in the number of employees and employee severance costs and decreased corporate administrative expenditures as a result of the Company's efforts to conserve cash.

Finance costs were $96,746 for the six months ended June 30, 2016 compared to $311,390 for the six months ended June 30, 2015. The decrease primarily related to the elimination of the interest expense on the put option on the non-controlling interest of UrAsia and the elimination of the interest expense on deferred consideration owing to the original sellers of UrAsia, as both of these liabilities were extinguished in October 2015.

The Company recognized an unrealized loss of $928,271 for the six months ended June 30, 2016 compared to an unrealized gain of $344,980 for the six months ended June 30, 2015. For the six months ended June 30, 2016, the unrealized loss primarily related to losses on the revaluation of the Company's investments in Western Uranium and URI. For the six months ended June 30, 2015, the unrealized gain primarily related to a gain on the warrant liability and a dilution gain on the Company's investment in Black Range.

SUMMARY OF QUARTERLY RESULTS (Continued)

The Company recognized a realized loss of $62,305 for the six months ended June 30, 2016 compared to a realized gain of $878,141 for the six months ended June 30, 2015. For the six months ended June 30, 2016, the realized loss primarily related to losses on the partial sale of the Company's investment in URI and the sale of the Company's investment in Western Uranium, partially offset by a fair value gain on the settlement of trade and other payables and a gain on the sale of redundant land at the Centennial Project. For the six months ended June 30, 2015, the realized gain primarily related to a gain on the extinguishment of other loans payable, partially offset by a loss on conversion of the Third Black Range Convertible Loan.

The Company recognized an equity loss pick-up of $607,144 for the six months ended June 30, 2015 related to the Company's investment in Black Range.

For the six months ended June 30, 2015, the Company recognized an impairment charge of $520,866 on its investment in Black Range due to the significant decline in the market capitalization of Black Range.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

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. In order 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 towards 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 condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they fall due. To date, the Company has not generated revenues from operations and is currently in the exploration and development stage.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

As at June 30, 2016, the Company had a working capital deficit of $1,386,951 and an accumulated deficit of $11,712,749 and will continue incurring losses in the foreseeable future. Additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. There is no certainty that additional financing, at terms that are acceptable to the Company, will be available. 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.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt or acquire or dispose of assets.

As at June 30, 2016, the Company had cash of $337,340 compared to cash of $239,327 as at December 31, 2015. The Company's working capital deficit (current assets less current liabilities) was $1,386,951 as at June 30, 2016 compared to working capital of $306,867 as at December 31, 2015. Of the Company's current liabilities, approximately $739,203 are expected to be settled through the issuance of Azarga Uranium shares in order to conserve cash resources. The Company continues to actively manage its cash and working capital positions. The Company is not subject to any externally imposed capital requirements.

The Company has also identified opportunities to generate cash through the sale of redundant assets; which primarily consists of land at the Centennial Project. For the six months ended June 30, 2016, the Company sold redundant assets for net proceeds of $333,039. Subsequent to June 30, 2016, the Company sold redundant assets for net proceeds of approximately $60,000. The Company expects to generate approximately $240,000 of additional cash from the sale of redundant assets.

Additionally, the Company will continue to monitor its investment in URI and plans to generate cash through the realization of this investment.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

UrAsia in Kyrgyzstan Limited Liability Company

On July 27, 2012, the Company acquired 80% of the charter capital of UrAsia through the Share Transfer Agreement and the Agreement of Participants (the "Purchase Agreements") for an upfront cash payment of $200,000 and a deferred payment of $5,800,000. Under the terms of the Purchase Agreements, as amended, the original sellers of UrAsia also had the right to sell the remaining 20% of UrAsia's charter capital to the Company for 1) $2,000,000 in cash; or 2) $2,000,000 of the Company's shares. In October 2015, the Company sold 10% of the charter capital of UrAsia back to the original sellers of UrAsia for consideration that included: i) forgiving the outstanding $1,700,000 of deferred payments related to the Purchase Agreements and ii) extinguishment of the put option on the non-controlling interest of UrAsia.

Investment in Western Uranium (formerly Black Range)

As at June 30, 2016, the Company no longer held an ownership interest in Western Uranium. The Company acquired its ownership in Western Uranium through the Black Range Merger. For the three and six months ended June 30, 2016, the Company sold 558,299 and 645,399 Western Uranium shares, respectively, for proceeds of $641,550 and $749,508, respectively.

On February 25, 2014, Black Range and the Company agreed to enter into a A$2,000,000 loan facility (the "Third Black Range Convertible Loan"), which was repayable in cash or shares. In March 2015, the Third Black Range Convertible Loan, in the amount of $410,397, was converted into 73,284,314 Black Range Shares at a conversion price of A$0.008 per share and the facility was extinguished. For the six months ended June 30, 2015, no amounts were drawn under the Third Black Range Convertible Loan.

In July 2015, the Company and Empire Equity Ltd. ("Empire Equity") agreed to terminate its share sale agreement and economic exposure sharing deed pertaining to the sale of Black Range shares (the "Termination Deed"). In accordance with the terms of the Termination Deed, Empire Equity transferred 120,000,000 Black Range shares to the Company, the Company was not obligated to repay A$280,000 received from Empire Equity and the Company granted Empire Equity 1,000,000 stock options to acquire the Company's shares at C$0.35 per share. The stock options expire on August 6, 2018.

Investment in URI (formerly Anatolia)

As at August 9, 2016, the Company's ownership interest in URI was 1.1% and had a market value of $119,149. The Company acquired its ownership in URI through the Anatolia Merger, where each Anatolia shareholder received one new URI share for every 15 Anatolia shares held.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

In August 2014, Anatolia and the Company entered into an agreement that provided the Company with the ability to acquire up to 8,333,334 Anatolia shares at a price of A$0.08 per share (the "Call Option Agreement"). The Call Option Agreement was not exercised by the Company and expired on March 31, 2015.

For the three and six months ended June 30, 2015, the Company purchased 300,000 and 1,350,000 Anatolia shares, respectively, for total consideration of $18,630 and $77,290, respectively. For the three and six months ended June 30, 2016, the Company sold 37,022 and 90,568 URI shares (adjusted for URI's 12 for 1 share consolidation on March 8, 2016), respectively, for proceeds of $79,367 and $271,832, respectively.

Powerlite Ventures Limited – Powerlite Facility

On May 22, 2013, the Company issued an equity instrument ("Powerlite Facility") to Powerlite. In accordance with the Powerlite Facility, as amended, the facility limit is $21,000,000. Any outstanding principal and accrued interest will be settled through the issuance of the Company's shares at C$1.54 per share. As a result, the financial instrument is classified as equity. Other key commercial terms of the financing include:

- Interest – 10% per annum, payable on conversion of each note (the Powerlite Facility can be drawn over multiple drawings, each a separate note);
- Maturity – May 22, 2023;
- Conversion price – C$1.54 per share;
- Powerlite's conversion right – to convert the outstanding notes plus accrued interest into the Company's shares after the date of issue;
- Company's conversion right – to convert the outstanding notes plus accrued interest at the earlier of six months from the issuance date of each note or an event causing conversion of any Black Range convertible loans held by the Company;
- Mandatory conversion – all outstanding notes plus accrued interest will automatically convert to shares within 10 business days of the maturity; and
- Other – the Powerlite Facility is unsecured.

As at June 30, 2016 and December 31, 2015, the Company had drawn a total of $18,000,000 under the Powerlite Facility. Although $3,000,000 remains available under the Powerlite Facility, in accordance with the terms noted above, the Company does not expect Powerlite to fund the remaining amount of the Powerlite Facility based on its discussions with Powerlite. The $18,000,000 drawn under the Powerlite Facility plus accrued interest was converted into shares in 2014.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

Shareholders Loan Agreement

On July 31, 2012, the Company entered into a $1,800,000 convertible loan agreement with certain shareholders ("Shareholders Loan Agreement"), as amended. The funds were used to fund the UrAsia 2012 exploration program and general working capital purposes. The key commercial terms of the loan include:

- Interest – 10% per annum payable on each anniversary date of the Shareholders Loan Agreement;
- Term – 5 years, commencing July 31, 2012;
- Conversion price – C$1.23;
- Shareholders' conversion right – to convert the outstanding balance of the loan plus accrued interest, in whole or in part, into ordinary shares of the Company at the conversion price;
- Extension of the term – the Company has the option, on maturity, to extend the term of the loan for an additional three years. Upon exercise of this option, the annual interest rate increases to 15% per annum;
- Early repayment option – the Company has the right, but not the obligation, to repay the whole balance of the loan plus accrued interest at any time out of the proceeds of a capital raising or if the loan is refinanced or replaced by a new loan on or before the maturity; and
- The Shareholders Loan Agreement is unsecured.

The terms of the Shareholders Loan Agreement were further amended to defer the July 31, 2014 and 2015 annual interest payments until July 31, 2016. In May 2016, the Company entered into shares for debt settlement agreements for up to $532,800 to settle the July 31, 2014, 2015 and 2016 annual interest payments. As a result, the Company will issue, subject to TSX approval, up to 1,140,626 common shares calculated based on the five-day volume weighted average price of the Company's common shares immediately preceding the share issuance, subject to a floor price of C$0.60 per common share.

As at June 30, 2016 and December 31, 2015, the Company had drawn $1,776,000 under the Shareholders Loan Agreement. No additional amounts can be drawn under the Shareholders Loan Agreement.

Other Loans Payable

For the three and six months ended June 30, 2016, the Company made payments totaling $30,000 and $40,000, respectively. For the three and six months ended June 30, 2015, the Company made payments totaling $30,000 and $60,000, respectively.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

Centennial Purchase Agreement

In 2006, the Company entered into an agreement, as amended, to purchase uranium rights on certain areas of the Centennial Project for consideration of $1,895,000, excluding contingent payments. As at June 30, 2016 and December 31, 2015, $1,835,000 had been paid. The outstanding consideration is payable in three annual installments of $20,000 in September 2016, 2017 and 2018. An additional $3,165,000 is payable upon receipt of regulatory permits and licenses allowing uranium production on the area of the Centennial Project pertaining to these uranium interests. If the Company does not obtain the regulatory permits and licenses allowing uranium production by September 27, 2019, the uranium rights will transfer back to the seller, at seller's option. In April 2015, the Company amended the payment terms of the Centennial Purchase Agreement and recognized a gain on extinguishment of $1,084,846 for the three and six months ended June 30, 2015.

Dewey Burdock Purchase Agreements

In 2006 and 2008, the Company entered into agreements to purchase mineral rights on certain areas of the Dewey Burdock Project for consideration of $800,000, excluding contingent payments. As at June 30, 2016 and December 31, 2015, $740,000 and $700,000, respectively, had been paid. The outstanding consideration is payable in two annual installments of $30,000 in May 2017 and 2018. An additional $2,050,000 is payable, in four equal annual installments, commencing 12 months subsequent to receipt of regulatory permits and licenses allowing uranium production on the area of the Dewey Burdock Project pertaining to these mineral interests.

Cash Flow Highlights

Net cash used in Operating Activities

For the six months ended June 30, 2016, the Company used $850,681 of cash in operating activities compared to $1,711,922 for the six months ended June 30, 2015. Cash used in operating activities decreased for the six months ended June 30, 2016 primarily due to reduced administrative expenditures as a result of the Company's efforts to conserve cash, partially offset by changes in working capital items related to trade and other payables.

(Expressed in U.S. Dollars and shares, unless otherwise indicated)

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

Net cash generated by (used in) Investing Activities

For the six months ended June 30, 2016, the Company generated $986,670 of cash from investing activities compared to using $752,870 of cash for the six months ended June 30, 2015. For the six months ended June 30, 2016, net cash generated by investing activities primarily related to proceeds of $1,021,340 from the partial sale of the Company's investment in URI and the sale of the Company's investment in Western Uranium and proceeds of $321,909 from the sale of exploration and evaluation assets pertaining to redundant land at the Centennial Project, partially offset by $367,709 of expenditures on the Company's exploration and evaluation assets.

For the six months ended June 30, 2015, net cash used in investing activities primarily related to $688,080 of expenditures on the Company's exploration and evaluation assets and the purchase of $77,290 of Anatolia shares.

Net cash used in Financing Activities

For the six months ended June 30, 2016 and 2015, the Company used $40,000 and $60,000, respectively, for financing activities related to payments on outstanding loans payable.

CONTRACTUAL COMMITMENTS

As at June 30, 2016 and December 31, 2015, the Company's commitments are as follows:

	As at June 30, 2016			
	Within 1 year	**2-4 years**	**Over 4 years**	**Total**
Operating lease commitments	$ 44,467	$ 76,053	$ -	$ 120,520
Exploration and evaluation commitments	552,331	5,150,864	3,111,609	8,814,804
Total commitments	$ 596,798	$ 5,226,917	$ 3,111,609	$ 8,935,324

	As at December 31, 2015			
	Within 1 year	**2-4 years**	**Over 4 years**	**Total**
Operating lease commitments	$ 44,160	$ 91,080	$ -	$ 135,240
Exploration and evaluation commitments	521,887	5,854,735	1,918,161	8,294,783
Total commitments	$ 566,047	$ 5,945,815	$ 1,918,161	$ 8,430,023

CONTRACTUAL COMMITMENTS (Continued)

As at June 30, 2016 and December 31, 2015, exploration and evaluation commitments include lease, mineral claim, exploration license and property purchase agreement payments (the "Leases") required to maintain the surface and/or mineral rights for the Company's mineral properties until the earlier of the Lease expiration or the date of the Lease's expected release.

For further information on the source of funds for the above contractual obligations and commitments, please refer to the *Financing, Liquidity and Capital Resources* section of this MD&A.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

FINANCIAL INSTRUMENTS

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 fair value through profit or loss 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 investment in the shares of URI is determined using this methodology and the fair value of the Company's investment in the shares of Western Uranium was 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 call option held by the Company for Anatolia shares was determined using the Black-Scholes Option Pricing Model.
    - The fair value of the warrant liability is determined using the Black-Scholes Option Pricing Model.

(Expressed in U.S. Dollars and shares, unless otherwise indicated)

FINANCIAL INSTRUMENTS (Continued)

- 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 loan asset component for the Third Black Range Convertible Loan was valued based on the present value of expected future cash flows at the discount rate that would have applied to the financial asset without conversion or other embedded derivative features. None of the fair value change in the Third Black Range Convertible Loan for the three months ended March 31, 2015 was related to a change in the credit risk of the convertible loan. All of the change in fair value was associated with changes in market conditions.

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.

	As at			
	June 30, 2016		**December 31, 2015**	
Financial assets				
Loans and receivables				
Cash	$	337,340	$	239,327
Restricted cash		43,163		40,882
Fair value through profit or loss				
Investment in Western Uranium		-		1,195,960
Investment in URI		145,527		1,132,695
Total financial assets	$	526,030	$	2,608,864

	As at			
	June 30, 2016		**December 31, 2015**	
Financial liabilities				
Other financial liabilities				
Trade and other payables	$	1,892,987	$	2,594,087
Loan payable to shareholders		2,292,588		2,202,445
Other loans payable		105,391		140,053
Decommissioning liability		123,842		118,097
Fair value through profit or loss				
Warrant liability		-		3,809
Total financial liabilities	$	4,414,808	$	5,058,491

(Expressed in U.S. Dollars and shares, unless otherwise indicated)

FINANCIAL INSTRUMENTS (Continued)

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.

The Company is subject to share price risk with respect to its investment in URI. The Company manages its exposure to share price fluctuations, to the extent possible, by actively monitoring its investment in URI. The Company's maximum exposure to share price risk with respect to its investment in URI is equal to the carrying amount of its investment.

The Company is subject to liquidity risk, which is the risk that the Company will not be able to settle or manage its obligations associated with financial liabilities. For further information on the Company's liquidity risk, please refer to the *Financing, Liquidity and Capital Resources* section of this MD&A.

RELATED PARTY TRANSACTIONS

This MD&A includes the financial statements of Azarga Uranium and its significant subsidiaries and associates listed in the following table:

		% equity interest As at	
Name	**Country of incorporation**	**June 30, 2016**	**December 31, 2015**
Azarga Resources (Hong Kong) Limited	Hong Kong	100%	100%
Azarga Resources Limited	British Virgin Islands	100%	100%
Azarga Resources Canada Ltd.	Canada	100%	100%
Azarga Resources USA Company	United States of America	100%	100%
Powertech USA, Inc.	United States of America	100%	100%
UrAsia	Kyrgyz Republic	70%	70%

The Company held a significant influence investment in Black Range until the close of the Black Range Merger, at which point Black Range was no longer an associate of the Company.

For the three and six months ended June 30, 2016 and 2015, the Company had related party transactions with the Company's directors, shareholders, management and significant influence investees including:

- Interest accruing to certain directors/shareholders of the Company on the Shareholders Loan Agreement;
- The conversion of the Third Black Range Convertible Loan; and
- An impairment charge on the Company's investment in Black Range.

(Expressed in U.S. Dollars and shares, unless otherwise indicated)

RELATED PARTY TRANSACTIONS (Continued)

Related party liabilities

The liabilities of the Company include the following amounts due to related parties:

	As at		
	June 30, 2016	December 31, 2015	
Loan payable to shareholders	$ 2,292,588	$ 2,202,445	(i)
Trade and other payables for key management personnel - current	453,241	435,518	
Trade and other payables for key management personnel - non-current	340,000	370,000	
Total liabilities with related parties	$ 3,085,829	$ 3,007,963	

(i) As at June 30, 2016, of the $2,292,588 loan payable to shareholders, $929,427 was payable to a director. As at December 31, 2015, of the $2,202,445 loan payable to shareholders, $892,883 was payable to a director.

Related party income and expenses

The Company's related party income and expenses consist of the following amounts:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Dilution gain on investment in associate	$ -	$ 7,696	$ -	$ 129,859
Total related party income	$ -	$ 7,696	$ -	$ 129,859

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Interest expense on loan payable to shareholders	$ 45,608	$ 45,588	$ 90,142	$ 89,619
Equity loss pick-up from associate	-	76,175	-	607,144
Realized loss on investment in Black Range	-	-	-	182,327
Impairment of investment in Black Range	-	520,866	-	520,866
Unrealized loss on Third Black Range Convertible Loan	-	-	-	16,742
Total related party expenses	$ 45,608	$ 642,629	$ 90,142	$ 1,416,698

(Expressed in U.S. Dollars and shares, unless otherwise indicated)

RELATED PARTY TRANSACTIONS (Continued)

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:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Share-based compensation	$ 24,827	$ 83,099	$ 39,548	$ 88,792
Salaries, fees and other benefits	122,384	127,009	244,833	322,715
Share-based payments	65,832	43,931	131,664	108,534
Severance benefits	-	-	-	480,000
Key management personnel compensation	$ 213,043	$ 254,039	$ 416,045	$ 1,000,041

SHARE CAPITAL

The Company has authorized the issuance of an unlimited number of common and preferred shares with no par value. As at August 10, 2016, the Company had 62,624,699 common shares outstanding and no preferred shares outstanding. Of the Company's outstanding common shares, 31,433,387 are in escrow until October 28, 2016 as a condition of the reverse take-over that occurred on October 28, 2014. The Company also had incentive share options outstanding to acquire 4,128,762 unissued common shares with exercise prices ranging from C$0.34 to C$2.00 per share and share purchase warrants outstanding to acquire 4,169,067 unissued common shares with an exercise price of C$1.00 per share.

In March 2016, the Company issued 732,866 common shares to settle trade and other payables in the amount of $193,273.

In May 2016, the Company issued 944,527 common shares to settle $238,859 owing pursuant to the Company's employee share purchase plan ("ESPP") and 474,186 common shares to settle $124,714 owing pursuant to the Company's director services agreements ("DSA"). As a result of the share issuances, $363,573 was reclassified from contributed surplus to share capital.

In May 2016, the Company also issued 140,806 common shares to settle trade and other payables of $70,234.

In May 2016, the Company entered into shares for debt settlement agreements to settle up to $532,800 of outstanding interest payments pertaining to the Shareholders Loan Agreement. As a result, the Company will issue, subject to TSX approval, up to 1,140,626 common shares.

SHARE CAPITAL (Continued)

For the six months ended June 30, 2016, the Company recorded $148,331 to contributed surplus for equity settled transactions pursuant to the Company's ESPP and DSA.

As at August 10, 2016, Powerlite holds 18,053,510 common shares representing approximately 28.8% of the issued and outstanding common shares of Azarga Uranium. In April 2016, Powerlite, a wholly owned subsidiary of Blumont, entered into a debt settlement agreement with Wintercrest, a wholly owned subsidiary of Platinum Partners Value Arbitrage Fund L.P., to transfer Powerlite's 18,053,510 Azarga Uranium common shares to Wintercrest conditional upon Blumont obtaining various approvals, including; but not limited to, shareholder approvals, regulatory and other approvals, consents, waivers and a legal opinion. Subsequent to April 2016, Blumont announced that they have been granted the whitewash waiver from the Securities Industries Council subject to various conditions.

The Company granted a total of 1,235,000 stock options for the six months ended June 30, 2016 to officers, employees, directors and other eligible persons at an exercise price of C$0.36 with an expiry date of May 19, 2021.

The Company granted a total of 1,315,000 stock options for the six months ended June 30, 2015 to officers, employees, directors and other eligible persons at exercise prices of C$0.34 and C$0.38 with expiry dates ranging from May 19, 2020 to June 3, 2020.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the Company to establish accounting policies and to make estimates and judgments that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses.

A detailed summary of the Company's significant accounting policies is included in Note 3 to the Company's consolidated annual financial statements for the year ended December 31, 2015. Information regarding judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are included in Note 3.22 to the Company's December 31, 2015 consolidated annual financial statements. There were no material changes to the significant accounting judgments and estimates from December 31, 2015.

RECENT ACCOUNTING PRONOUNCEMENTS

There have been no new and/or revised standards and interpretations issued by the IASB or IFRIC adopted by the Company effective January 1, 2016 that have had a material impact on the condensed consolidated interim financial statements of the Company.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's condensed consolidated interim financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's condensed consolidated interim financial statements were prepared by the Company's management in accordance with IFRS. The Company's condensed consolidated interim financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the Company's condensed consolidated interim financial statements are presented fairly in all material respects.

DISCLOSURE CONTROLS AND PROCEDURES

There has been no significant change in the Company's disclosure controls and procedures that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

There has been no significant change in the Company's internal controls over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

DISCLOSURE OF A SCIENTIFIC OR TECHNICAL NATURE

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.

RISKS AND UNCERTAINTIES

There are certain risks involved in the Company's operations, some of which are beyond its control. Material risks and uncertainties affecting the Company, their potential impact and the Company's principal risk management strategies are substantially unchanged from those disclosed in the Company's MD&A for the year ended December 31, 2015, which is available on SEDAR at www.sedar.com.