



Azarga Uranium Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017
(Expressed in U.S. Dollars)

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

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 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 that may be generated from the Kyzyl Ompul Earn-in Agreement, 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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

TABLE OF CONTENTS

	<i>Page</i>
1. General	5
2. Significant events and highlights	5
3. Background	6
4. Industry trends and outlook	6
5. Mineral properties	9
6. Summary of quarterly results	16
7. Financing, liquidity and capital resources	19
8. Contractual commitments	25
9. Off balance sheet arrangements	26
10. Financial instruments	26
11. Related party transactions	28
12. Share capital	29
13. Critical accounting estimates and judgments	29
14. Recent accounting pronouncements	30
15. Management's responsibility for financial information	30
16. Disclosure controls and procedures	30
17. Internal controls over financial reporting	31
18. Disclosure of a scientific or technical nature	31
19. Risks and uncertainties	31

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

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 14, 2017 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, 2017 and 2016. The Company's condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 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 and all references to C\$ refer to the Canadian 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, 2017 and subsequent period to August 14, 2017 are as follows:

- In August 2017, the Company received notice that the United States Nuclear Regulatory Commission (the "NRC") has filed a motion for summary disposition before the Atomic Safety and Licensing Board (the "ASLB") to resolve the remaining two contentions on the Company's Dewey Burdock Project NRC License in favor of the NRC staff and the Company.
- In July 2017, UrAsia executed an earn-in agreement (the "Earn-In Agreement") with Mining Investment Company Alliance ("Alliance"). The Earn-In Agreement provides Alliance with an earn-in option to acquire a 100% interest in the Kyzyl Ompul Project in exchange for project consideration of \$7.6 million and a two percent net smelter royalty of up to \$5.0 million.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

SIGNIFICANT EVENTS AND HIGHLIGHTS (Continued)

- In July 2017, the Company closed its non-brokered private placement of C\$1.14 million through the issuance of 4,391,938 units (each, a "Unit") at a price of C\$0.26 per Unit (the "Financing"). Each Unit consists of one common share of the Company and one-half of one share purchase warrant (two Units entitles the subscriber to one whole warrant, each a "Warrant"). One 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 from the close of the Financing.
- In July 2017, 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, election of the Company's directors, the issuance of 87,500 common shares, subject to Toronto Stock Exchange ("TSX") approval, for consultant fees and the issuance of 750,000 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 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:

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

INDUSTRY TRENDS AND OUTLOOK (Continued)

- **Global reactor pipeline exceeds pre-Fukushima total** – The global reactor pipeline consists of 1,016¹ nuclear reactors that are operable, under construction, planned or proposed compared to 983² before the Fukushima incident in 2011. Of the 1,016 nuclear reactors, 447 reactors are operable¹. A total of 220¹ nuclear reactors are under construction or planned, which represents approximately 49% 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, respectively¹. China continues to accelerate their nuclear growth plans and intends to have 58 GWe of installed capacity by 2020-21 and 150 GWe by 2030³ (currently 35 GWe⁴). 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 thereafter³.
- **Current prices will constrain supply** – Low prices are forcing producers to curtail mining, development and exploration. Annual U₃O₈ supply has decreased by 11% from 2013 to 2015⁵. In 2016, producers continued to curtail operations. For example, Cameco Corp. announced the shut down of its Rabbit Lake Mine, which produced 4.2 million pounds of uranium in 2015⁶, 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 supply⁷.

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:

¹ World Nuclear Association – *World Nuclear Power Reactors & Uranium Requirements (August 2017)*

² Haywood Securities Inc. – *Target & Commodity Price Revisions (January 25, 2017)*

³ World Nuclear Association – *Nuclear Power in China (April 2017)*

⁴ The Business Times – *China had 20 nuclear reactors under construction at end-March: nuclear association (April 27, 2017)*

⁵ Cantor Fitzgerald – *Quarterly Commodity Outlook (July 27, 2016)*

⁶ Saskatoon StarPhoenix – *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)*

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

INDUSTRY TRENDS AND OUTLOOK (Continued)

- **Continue with the advancement of the Dewey Burdock Project** – Receiving the NRC license for the Dewey Burdock Project in April 2014 and the draft Environmental Protection Agency (“EPA”) permits in March 2017 were significant milestones for the Dewey Burdock Project. In August 2017, the NRC filed for summary disposition to resolve the remaining two contentions on the NRC license in favor of the NRC staff and the Company. The Company plans to fully support the NRC’s position. 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** – The Company will undertake the evaluation of historical data at the Dewey Burdock 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.
- **Minimize activities in the Kyrgyz Republic** – The execution of the Earn-In Agreement alleviates the Company’s need to fund future exploration and development expenditures at the Kyzyl Ompul Project and will 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 towards construction. The Company also retains upside from the Kyzyl Ompul Project through the net smelter royalty.

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

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

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 17,340 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% U₃O₈ and indicated uranium resources of 4,460,000 pounds at 0.21% U₃O₈ at a 0.5 grade-thickness ("GT") cut-off and inferred uranium resources of 3,528,000 pounds at 0.05% U₃O₈ 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% U₃O₈. 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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

MINERAL PROPERTIES (Continued)

The Dewey Burdock PEA assumed uranium prices of \$65/lb U₃O₈, cash operating costs of \$18.86/lb U₃O₈, 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 U₃O₈ (pre-federal income tax). Over its 16-year mine life, the Dewey Burdock Project is forecast to produce 9.7 million lbs of U₃O₈ 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 U₃O₈ 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 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 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 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. It also ruled inadmissible two new contentions that were filed by the Intervenors after the evidentiary hearing. The ASLB has retained jurisdiction of the two contentions pertaining to identification and protection of historic and cultural resources.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

MINERAL PROPERTIES (Continued)

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 Intervenor 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 filed a motion for summary disposition before the ASLB to resolve the remaining two contentions from the ASLB partial initial decision related to the identification and protection of historic and cultural resources for the Company's Dewey Burdock Project NRC License. The NRC staff believes that they have now fulfilled their remaining responsibilities with respect to the two contentions and that the ASLB should grant the motion for summary disposition and resolve the remaining two contentions in favor of the NRC staff and the Company. The Company believes that the NRC staff has fully complied with the ASLB's partial initial decision and plans to fully support the NRC staff's position.

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 has filed their brief refuting the issues raised by the Oglala Sioux Tribe and the Company will file its brief in support of the NRC staff in accordance with the scheduling order issued by the DC Circuit Court.

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

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

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 final 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 two outstanding two contentions related to the identification and protection of historic and cultural resources.

In March 2017, the EPA issued the Company draft Class III and Class V UIC permits for the Dewey Burdock Project and subsequently, in June 2017, the public comment period closed. The issuance of the draft permits represents the completion of a major regulatory milestone for the Company. The EPA's final permit decision will evaluate all public comments pertaining to the draft permits, including comments raised by the Company.

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. Subject to improved market conditions, the Company plans to re-commence the regulatory process with the South Dakota 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 two remaining contentions 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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

MINERAL PROPERTIES (Continued)

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 U₃O₈, cash operating costs of \$34.95/lb U₃O₈ and capital costs of \$71.1 million. The Centennial PEA included indicated uranium resources of 10,371,571 pounds at 0.09% U₃O₈ and inferred uranium resources of 2,325,514 pounds at 0.09% U₃O₈ 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 Company continues to analyse development scenarios for the Centennial Project in order to maximize the value that can be extracted from this project.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

MINERAL PROPERTIES (Continued)

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

The Aladdin Deposit is comprised of approximately 5,840 acres of surface rights and 5,270 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% U₃O₈ and inferred uranium resources of 101,255 pounds at 0.119% U₃O₈ 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% U₃O₈. 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.

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

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

MINERAL PROPERTIES (Continued)

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 (80km²), trenching (4,300m³), 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.

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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

MINERAL PROPERTIES (Continued)

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. Subsequent to execution of the Earn-In Agreement, Alliance is now obligated to conduct minimum exploration activities on the Kyzyl Ompul Project.

SUMMARY OF QUARTERLY RESULTS

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

QUARTER ENDED	2017		2016	
	30-Jun	31-Mar	31-Dec	30-Sep
Administrative expenses	\$ (467,715)	\$ (290,590)	\$ (431,425)	\$ (415,819)
Finance costs	(48,277)	(46,603)	(46,490)	(47,844)
Unrealized gain (loss)	187,568	74,829	(259,944)	(15,945)
Realized gain (loss)	(22,570)	14,800	39,733	42,857
Deferred income tax recovery (expense)	(6,397)	(5,440)	(245,236)	57,864
Net loss	(347,086)	(277,442)	(930,212)	(382,491)
Net loss attributable to equity holders of the Company	(334,986)	(269,342)	(909,360)	(393,186)
Total comprehensive loss	(379,716)	(241,533)	(1,043,453)	(392,435)
Basic loss per share	(0.00)	(0.00)	(0.02)	(0.01)
Diluted loss per share	(0.00)	(0.00)	(0.02)	(0.01)

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

SUMMARY OF QUARTERLY RESULTS (Continued)

QUARTER ENDED	2016		2015	
	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 associate	-	-	-	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

For the three months ended June 30, 2017

The Company recorded a net loss of \$347,086 for the three months ended June 30, 2017 compared to a net loss of \$721,827 for the three months ended June 30, 2016. The net loss in each period primarily related to the following:

Administrative expenses for the three months ended June 30, 2017 were \$467,715 compared to \$440,555 for the three months ended June 30, 2016. The increase in administrative expenses primarily related to increased share-based compensation expense from the Company's May 2017 stock option grant.

Finance costs for the three months ended June 30, 2017 of \$48,277 were comparable to finance costs for the three months ended June 30, 2016 of \$48,968 and primarily consisted of interest on the \$1,800,000 convertible loan agreement with certain shareholders ("Shareholders Loan Agreement").

The Company recognized an unrealized gain of \$187,568 for the three months ended June 30, 2017 compared to an unrealized loss of \$87,315 for the three months ended June 30, 2016. For the three months ended June 30, 2017, the unrealized gain related to the revaluation of the warrant liability. For the three months ended June 30, 2016, the unrealized loss related to the revaluation of the Company's investment in Uranium Resources, Inc. ("URI").

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

SUMMARY OF QUARTERLY RESULTS (Continued)

The Company recognized a realized loss of \$22,570 for the three months ended June 30, 2017 compared to a realized loss of \$75,743 for the three months ended June 30, 2016. For the three months ended June 30, 2017, the realized loss related to a loss from the sale of the Company's investment in URI. For the three months ended June 30, 2016, the realized loss primarily related to a loss from the sale of the Company's investment in Western Uranium Corp. ("Western Uranium"), partially offset by a fair value gain on the settlement of trade and other payables.

For the six months ended June 30, 2017

The Company recorded a net loss of \$624,528 for the six months ended June 30, 2017 compared to a net loss of \$1,800,242 for the six months ended June 30, 2016. The net loss in each period primarily related to the following:

Administrative expenses for the six months ended June 30, 2017 were \$758,305 compared to \$706,969 for the six months ended June 30, 2016. The increase in administrative expenses primarily related to increased share-based compensation expense from the Company's May 2017 stock option grant.

Finance costs for the six months ended June 30, 2017 of \$94,880 were comparable to finance costs for the six months ended June 30, 2016 of \$96,746 and primarily consisted of interest on the Shareholders Loan Agreement.

The Company recognized an unrealized gain of \$262,397 for the six months ended June 30, 2017 compared to an unrealized loss of \$928,271 for the six months ended June 30, 2016. For the six months ended June 30, 2017, the unrealized gain primarily related to the revaluation of the Company's warrant liability. 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.

The Company recognized a realized loss of \$7,770 for the six months ended June 30, 2017 compared to a realized loss of \$62,305 for the six months ended June 30, 2016. For the six months ended June 30, 2017, the realized loss primarily related to the sale of the Company's investment in URI. 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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

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 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 condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they fall due. To date, the Company has not generated revenues from operations and is currently in the exploration and development stage. As at June 30, 2017, the Company had a working capital deficit of \$1,479,442 and an accumulated deficit of \$13,619,623 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, 2017, the Company had cash of \$99,107 compared to cash of \$941,370 as at December 31, 2016. The Company's working capital deficit (current assets less current liabilities) was \$1,479,442 as at June 30, 2017 compared to a working capital deficit of \$1,924,692 as at December 31, 2016. Of the Company's current liabilities, approximately \$187,500 is 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 position. In 2016, the Company sold redundant assets for net proceeds of \$615,222. The Company is not subject to any externally imposed capital requirements.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

Private Placement

In July 2017, the Company closed its Financing of C\$1.14 million (\$0.9 million) and issued 4,391,938 Units at a price of C\$0.26 per Unit. Each Unit consists of one common share of the Company and one-half of one Warrant. One Warrant entitles the holder thereof to purchase one common share of the Company at a price of C\$0.36 per share for a period of three years from the closing of the Financing. In connection with the Financing, the Company paid cash finders' fees of \$35,880 and issued 138,000 Warrants to finders. The common shares issued in connection with the Financing were subject to a four-month and a day hold period. The Company intends to use the proceeds from the Financing to continue to advance the Dewey Burdock Project towards construction, to identify additional uranium resources at the Dewey Burdock Project through the analysis of historical data and for general working capital purposes.

In September 2016, the Company closed its non-brokered private placement of C\$2.2 million (\$1.7 million) through the issuance of 9,243,336 units (each a "2016 Unit") at a price of C\$0.24 per 2016 Unit (the "2016 Financing"). Each 2016 Unit consists of one common share of the Company and one-half of one share purchase warrant (two 2016 Units entitles the subscriber to one whole warrant, each a "2016 Warrant"). One 2016 Warrant entitles the holder thereof to purchase one common share of the Company at a price of C\$0.35 per share for a period of three years from the closing of the 2016 Financing. In connection with the 2016 Financing, the Company paid cash finder's fees and other fees of \$51,408. The Company has used the proceeds from the 2016 Financing for continuation of the permitting process at the Dewey Burdock Project, mineral and surface right payments for the Company's projects and general working capital purposes.

UrAsia

Subsequent to June 30, 2017, UrAsia executed the Earn-In Agreement with Alliance. The Earn-In Agreement provides Alliance with an earn-in option to acquire a 100% interest in the Kyzyl Ompul Project in exchange for project consideration of \$7.6 million and a two percent net smelter royalty of up to \$5.0 million. The \$7.6 million of project consideration consists of: \$6.0 million of cash payments and \$1.6 million of exploration and development expenditures over a three-year period. To date, UrAsia has received \$150,000 in cash payments.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

Date	Aggregate Cash Payments (US\$)	Date	Aggregate Exploration/Development Expenditures (US\$)
Within five days of TSX acceptance	\$150,000	On or before December 31, 2017	\$100,000
Twelve months from TSX acceptance	\$510,000	On or before December 31, 2018	\$700,000
Twenty-four months from TSX acceptance	\$3,258,000	On or before December 31, 2019	\$1,300,000
Thirty-six months from TSX acceptance	\$6,000,000	Thirty-six months from TSX acceptance	\$1,600,000

Subject to Alliance acquiring a 100% interest in the Kyzyl Ompul Project for project consideration of \$7.6 million, UrAsia will retain a two percent net smelter royalty. The net smelter royalty is payable on the commencement of commercial production at the Kyzyl Ompul Project and is subject to a minimum royalty of \$2.5 million and a maximum royalty of \$5.0 million. If Alliance fails to make any of the payments under the Agreement, UrAsia will retain its 100% interest in the Kyzyl Ompul Project.

Investment in Western Uranium

As at December 31, 2016, the Company no longer held an ownership interest in Western Uranium. 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.

Investment in URI

As at June 30, 2017, the Company no longer held an ownership interest in URI. For the three and six months ended June 30, 2017, the Company sold its remaining 49,828 URI shares (adjusted for URI's 12 for 1 share consolidation on March 8, 2016) for proceeds of \$71,106. 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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

Powerlite Ventures Limited – Powerlite Facility

On May 22, 2013, the Company issued an equity instrument (“Powerlite Facility”) to Powerlite Ventures Limited (“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 Minerals Limited convertible loans held by the Company (this conversion event occurred in prior periods);
- 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, 2017 and December 31, 2016, the Company had drawn a total of \$18,000,000 under the Powerlite Facility. Although \$3,000,000 remains available under the terms of the Powerlite Facility, the Company believes it is unlikely that Powerlite will be able to fund the remaining amount of the Powerlite Facility.

The \$18,000,000 drawn under the Powerlite Facility and accrued interest were converted into common shares of the Company in 2014 and subsequently transferred to Wintercrest Advisors LLC (“Wintercrest”), or its nominees, in May 2017 (please refer to the *Share Capital* section of this MD&A).

Shareholders Loan Agreement

On July 31, 2012, the Company entered into a \$1,800,000 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;
-

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

- 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 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 issued 1,140,626 common shares to settle the outstanding interest of \$532,800 as at July 31, 2016.

On June 30, 2017, the Company exercised its option to extend the term of the Shareholders Loan Agreement for an additional three years. Subsequent to June 30, 2017, the terms of the Shareholders Loan Agreement were amended to defer the July 31, 2017 annual interest payment until July 31, 2018.

As at June 30, 2017 and December 31, 2016, the Company had drawn \$1,776,000 under the Shareholders Loan Agreement. No additional amounts are available to be drawn under the Shareholders Loan Agreement.

Other Loans Payable

For the three and six months ended June 30, 2017, the Company made payments totaling \$30,000. For the three and six months ended June 30, 2016, the Company made payments totaling \$30,000 and \$40,000, respectively.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

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, 2017 and December 31, 2016, \$1,855,000 had been paid. The outstanding consideration is payable in two annual installments of \$20,000 in September 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. This amount is included in the Company's commitments; please refer to the *Contractual Commitments* section of this MD&A. The Company has also agreed to purchase up to 1,280 surface acres at the Centennial Project upon receipt of regulatory permits and licenses allowing uranium production. The purchase price for the surface acres will be calculated using the then prevailing market rates; however, this amount cannot currently be reasonably quantified due to the uncertainty associated with the timing of receipt of the regulatory permits and licenses, the number of surface acres that will be purchased and the future prevailing market rates for the surface acres. If the Company does not obtain the regulatory permits and licenses allowing uranium production pertaining to the Centennial purchase agreement by September 27, 2019, the uranium rights will transfer back to the seller, at seller's option.

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, 2017 and December 31, 2016, \$770,000 and \$740,000, respectively, had been paid. The outstanding consideration is payable in May 2018. An additional \$2,050,000 is payable, in four equal annual installments, commencing 12 months subsequent to the receipt of regulatory permits and licenses allowing uranium production on the area of the Dewey Burdock Project pertaining to these mineral interests. This amount is included in the Company's commitments; please refer to the *Contractual Commitments* section of this MD&A.

Cash Flow Highlights

Net cash used in operating activities

For the six months ended June 30, 2017, the Company used \$449,601 of cash in operating activities compared to \$850,681 for the six months ended June 30, 2016. Cash used in operating activities decreased for the six months ended June 30, 2017 primarily due to changes in working capital items related to trade and other payables.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

(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, 2017, the Company used \$362,656 of cash in investing activities compared to generating \$986,670 for the six months ended June 30, 2016. For the six months ended June 30, 2017, cash used in investing activities primarily related to expenditures on the Company's exploration and evaluation assets, partially offset by the proceeds from the sale of the Company's investment in URI. For the six months ended June 30, 2016, 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.

Net cash used in financing activities

For the six months ended June 30, 2017 and 2016, the Company used \$30,000 and \$40,000, respectively, for financing activities, which related to payments on outstanding loans payable.

CONTRACTUAL COMMITMENTS

As at June 30, 2017 and December 31, 2016, the Company's commitments were as follows:

	As at June 30, 2017			
	Within 1 year	2-4 years	Over 4 years	Total
Operating lease commitments	\$ 45,847	\$ 7,667	\$ -	\$ 53,514
Exploration and evaluation commitments	565,958	5,354,196	2,078,995	7,999,149
Total commitments	\$ 611,805	\$ 5,361,863	\$ 2,078,995	\$ 8,052,663

	As at December 31, 2016			
	Within 1 year	2-4 years	Over 4 years	Total
Operating lease commitments	\$ 44,927	\$ 53,513	\$ -	\$ 98,440
Exploration and evaluation commitments	607,941	5,085,029	2,866,562	8,559,532
Total commitments	\$ 652,868	\$ 5,138,542	\$ 2,866,562	\$ 8,657,972

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

CONTRACTUAL COMMITMENTS (Continued)

As at June 30, 2017 and December 31, 2016, 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.

For further information on the source of funds for the above contractual 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 investments in the shares of URI and Western Uranium were 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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

FINANCIAL INSTRUMENTS (Continued)

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, 2017	December 31, 2016
Financial assets		
Loans and receivables		
Cash	\$ 99,107	\$ 941,370
Restricted cash	42,706	42,687
Fair value through profit or loss		
Investment in URI	-	68,264
Total financial assets	\$ 141,813	\$ 1,052,321

	As at	
	June 30, 2017	December 31, 2016
Financial liabilities		
Other financial liabilities		
Trade and other payables	\$ 1,383,231	\$ 1,376,872
Loan payable to shareholders	1,937,812	1,848,135
Other loans payable	63,858	90,065
Decommissioning liability	136,218	129,933
Fair value through profit or loss		
Warrant liability	373,962	596,602
Total financial liabilities	\$ 3,895,081	\$ 4,041,607

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 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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

RELATED PARTY TRANSACTIONS

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

Name	Country of incorporation	% equity interest	
		As at June 30, 2017	As at December 31, 2016
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%

For the three and six months ended June 30, 2017 and 2016, the Company had related party transactions with the Company's directors, management and shareholders including:

- Interest accruing to certain directors, management and shareholders of the Company on the Shareholders Loan Agreement; and
- The extension of the term of the Shareholders Loan Agreement for an additional three years and other amendments and agreements related to the Shareholders Loan Agreement as disclosed in this MD&A.

Related party liabilities

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

	As at	
	June 30, 2017	December 31, 2016
Loan payable to shareholders	\$ 1,937,812	\$ 1,848,135 (i)
Trade and other payables for key management personnel compensation - current	677,367	339,043 (ii)
Trade and other payables for key management personnel compensation - non-current	-	310,000 (ii)
Total liabilities with related parties	\$ 2,615,179	\$ 2,497,178

(i) As at June 30, 2017, of the \$1,937,812 loan payable to shareholders, \$785,599 was payable to a director. As at December 31, 2016, of the \$1,848,135 loan payable to shareholders, \$749,243 was payable to a director.

(ii) Trade and other payables for key management personnel compensation - non-current has been reclassified to current as amounts are due within one year.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

RELATED PARTY TRANSACTIONS (Continued)

Related party expenses

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Interest expense on loan payable to shareholders	\$ 45,617	\$ 45,608	\$ 89,677	\$ 90,142
Total related party expenses	\$ 45,617	\$ 45,608	\$ 89,677	\$ 90,142

SHARE CAPITAL

The Company has authorized the issuance of an unlimited number of common and preferred shares with no par value. As at August 14, 2017, the Company had 79,758,881 common shares outstanding and no preferred shares outstanding. The Company also had incentive share options outstanding to acquire 5,913,762 unissued common shares with exercise prices ranging from C\$0.32 to C\$1.50 per share, 4,621,665 share purchase warrants outstanding, each entitling the holder to purchase one common share at an exercise price of C\$0.35 until September 23, 2019 and 1,833,968 share purchase warrants outstanding, each entitling the holder to purchase one common share at an exercise price of C\$0.36 until July 27, 2020.

On May 5, 2017, Blumont Group Ltd. ("Blumont") announced that its wholly-owned subsidiary, Powerlite, completed the transfer of 18,053,510 common shares of Azarga Uranium to Wintercrest or its nominees pursuant to the terms of a settlement agreement dated April 7, 2016 between Blumont and Wintercrest. The Company understands that Wintercrest, or its nominees, are currently in receivership and liquidation.

The Company granted a total of 2,060,000 stock options for the six months ended June 30, 2017 to officers, employees, directors and other eligible persons at an exercise price of C\$0.32 with an expiry date of May 16, 2022.

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.

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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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, 2016. 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 3.23 to the Company's December 31, 2016 consolidated annual financial statements. There were no material changes to the significant accounting judgments and estimates from December 31, 2016.

RECENT ACCOUNTING PRONOUNCEMENTS

The adoption of the new and revised standards and interpretations issued by the IASB or IFRIC effective January 1, 2017 and standards issued but not yet effective that the Company plans to adopt, if applicable, when they become effective are disclosed in Note 2.3 of the Company's consolidated annual financial statements for the year ended December 31, 2016 and Note 2.3 of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2017 and 2016.

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.

AZARGA URANIUM CORP.

Management's Discussion and Analysis

For the three and six months ended June 30, 2017 and 2016

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

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, 2016, which is available on SEDAR at www.sedar.com.