Azarga Uranium Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 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 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.

TABLE OF CONTENTS

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 March 29, 2017 should be read in conjunction with the consolidated financial statements of the Company and the notes thereto for the years ended December 31, 2016 and 2015. The Company's consolidated financial statements, including comparatives, have been prepared in accordance with and 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 year ended December 31, 2016 and subsequent period to March 29, 2017 are as follows:

- In March 2017, the Company received notice that the United States Environmental Protection Agency (the "EPA") issued two draft permits for the Dewey Burdock Project. The issuance of the draft permits represents the completion of a major regulatory milestone for the Company. The draft EPA permits pertain to the Company's planned Class III and Class V Underground Injection Control ("UIC") activities and address all outstanding permit applications filed with the EPA for the Dewey Burdock Project.

- In February 2017, the Company received notice that the Oglala Sioux Tribe filed a petition for review of the decision made by the Commission of the United States Nuclear Regulatory Commission (the "NRC") in December 2016 pertaining to the April 30, 2015 partial initial decision of the Atomic Safety and Licensing Board (the "ASLB") regarding the Company's NRC license for the Dewey Burdock Project. The Company's NRC license continues to remain in good standing.

SIGNIFICANT EVENTS AND HIGHLIGHTS (Continued)

- In December 2016, the Company announced approval from the NRC for the first amendment to the NRC Source and Byproduct Materials License for the Dewey Burdock Project. The amendment completes certain NRC license conditions for the Dewey Burdock Project, including the finalization of the financial assurance amount required for construction of the Dewey Burdock Project and completion of other initial pre-operational NRC license conditions.

- In November 2016, the Company announced the resignation of Kim Huatt Ng from the Board of Directors.

- In September 2016, the Company closed its non-brokered private placement of C$2.2 million through the issuance of 9,243,336 units (each, a "Unit") at a price of C$0.24 per Unit (the "Financing"). Each Unit consists of one common share of the Company and one-half of one share purchase warrant (each whole warrant, a "Warrant"). One Warrant entitles the holder thereof to purchase one common share at a price of C$0.35 per share for a period of three years from the close of the Financing.

- In August 2016, the Company issued 1,140,626 common shares to settle $532,800 of interest owing on the Company's $1.8 million convertible loan agreement with certain shareholders.

- 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 123,010 common shares to settle $44,400 of debt and the issuance of 812,500 common shares for employee remuneration. These common shares were subsequently issued in August 2016.

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 Toronto Stock Exchange ("TSX") (symbol: AZZ) and the Frankfurt Stock Exchange (symbol: P8AA). The Company is an integrated uranium exploration and development company.

BACKGROUND (Continued)

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:

- **Global reactor pipeline exceeds pre-Fukushima total** – The global reactor pipeline consists of 1,020 [1] nuclear reactors that are operable, under construction, planned or proposed compared to 987[2] before the Fukushima incident in 2011. Of the 1,020 nuclear reactors, 447 reactors are operable[1]. A total of 223[1] nuclear reactors are under construction or planned, which represents approximately 50% 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-one, seven and five, respectively[1]. China continues to accelerate their nuclear growth plans and intends to have 58 GWe of installed capacity by 2020-21 and 150 GWe by 2030[3] (currently 32 GWe[4]). According to their latest Five Year Plan, China is forecasting the approval and construction of 6-8 units per year between 2016 and 2020, increasing to 10 units per year thereafter[3].

[1] World Nuclear Association – *World Nuclear Power Reactors & Uranium Requirements (March 1, 2017)*
[2] Haywood Securities Inc. – *Target & Commodity Price Revisions (May 31, 2016)*
[3] World Nuclear Association – *Nuclear Power in China (March 2017)*
[4] UBS Global I/O - *Miner's Price Review (December 1, 2016)*

INDUSTRY TRENDS AND OUTLOOK (Continued)

- **Current prices will constrain supply** – Low prices are forcing producers to curtail mining, development and exploration. Annual U_3O_8 supply has decreased by 11% from 2013 to 2015[5]. In 2016, producers continued to curtail operations. For example, in 2016 Cameco Corp. announced the shut down of its Rabbit Lake Mine, which produced 4.2 million pounds of uranium in 2015[6], curtailed its United States operations and announced production halts at its McArthur River and Cigar Lake mines for periods in 2017. Further, Kazatomprom announced a 10% production cut commencing in 2017, which equates to approximately 3% of the global uranium supply[7].

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

- **Continue with the advancement of the Dewey Burdock Project** – Receiving the NRC license for the Dewey Burdock Project in April 2014 and the draft EPA permits in March 2017 were 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 EPA permitting requirements. In addition, the Company will continue to evaluate project-financing options for the Dewey Burdock Project, with a view to having a funding solution in place prior to or concurrent with the finalization of permits.

- **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** – A maiden National Instrument 43-101 ("NI 43-101") uranium resource estimate was completed in April 2014. While the Company's core focus continues to be on the development of the Dewey Burdock Project, the Company will continue to advance the Kyzyl Ompul Project through desktop studies and minimal exploration activities.

[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)*
[7] World Nuclear News – *Oversupply prompts Kazakh uranium production cut (January 10, 2017)*

INDUSTRY TRENDS AND OUTLOOK (Continued)

The Company believes a unique opportunity exists for investors to build an investment position 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 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. Thirdly, 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.

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

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

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 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 ASLB has retained 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.

Subsequent to the ASLB partial initial decision in April 2015, the Company and the NRC staff filed petitions for review of the ASLB decision to the NRC Commission with respect to their ruling that additional consultation efforts were required between the Oglala Sioux Tribe and the NRC staff regarding the two contentions relating to the identification and protection of historic and cultural resources. The Intervenors filed petitions for review of the ASLB decision to the NRC Commission covering most of the contentions heard by the ASLB. Upon consideration of the information presented, the NRC Commission denied the party's petitions for review of the ASLB decision, with the exception of 1) the NRC staff's and the Company's petition for review with respect to the ASLB's direction to 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.

Though the decision of the NRC Commission does not immediately resolve the outstanding two contentions from the ASLB partial initial decision pertaining to the identification and protection of historic and cultural resources, the NRC staff, in parallel with filing the petitions for review to the NRC Commission, has continued their consultation efforts with the Oglala Sioux Tribe in accordance with the ASLB directive on these contentions and the NRC Commission decision provides additional regulatory guidance so that these contentions may be resolved in a timely manner.

MINERAL PROPERTIES (Continued)

In February 2017, the Oglala Sioux Tribe filed a petition for review of the decision made by the NRC Commission to the United States Court of Appeals for the District of Columbia Circuit. Subsequently, the NRC staff filed a motion to dismiss the Oglala Sioux Tribe's petition for review and the Company plans to support this to the fullest extent possible. The NRC license for the Dewey Burdock Project continues to remain in good standing.

The Company continues to be in compliance with the existing conditions of the NRC license and other permitting/licensing requirements. Prior to commencing construction and operations at the Dewey Burdock Project, the Company requires regulatory approvals from two other major agencies, the EPA and the South Dakota Department of Environment and Natural Resources ("DENR"). These approvals include the final Class III and Class V 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.

In March 2017, the EPA issued the Company draft Class III and Class V UIC permits for the Dewey Burdock Project. The issuance of the draft permits represents the completion of a major regulatory milestone for the Company. According to the EPA's public notice, the draft permits will be made available for public review and comment until May 19, 2017. The EPA's final permit decision will evaluate all public comments pertaining to the draft permits, including any comments raised by the Company. The Company is currently evaluating the draft permit conditions.

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.

MINERAL PROPERTIES (Continued)

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.

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 1,485 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 2016, the Company conducted desktop studies for the Kyzyl Ompul Project, in order to conserve the Company's financial resources. In 2017, the Company plans to continue these desktop studies and conduct minimum exploration activities as required under the exploration license.

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 and lithium holdings in the USA 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.

SELECTED ANNUAL INFORMATION

Management cautions the reader of the comparability of financial information presented in the consolidated statements of profit or loss and other comprehensive income or loss and the consolidated statements of cash flows 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.

	Year ended December 31,		
	2016	**2015**	**2014**
Total working capital/(deficit) (i)	$ (1,924,692)	$ 306,867	$ (1,567,300)
Total assets	39,473,305	40,354,891	45,531,152
Exploration and evaluation assets	38,284,484	37,174,175	37,433,869
Investments (ii)	-	-	3,951,880
Total non-current liabilities	7,365,390	8,370,749	10,502,309
Net loss attributable to equity holders of the Company	(3,118,216)	(3,625,050)	(1,277,122)
Total comprehensive loss	(2,832,069)	(4,656,060)	(2,207,652)
Basic loss per share	(0.05)	(0.06)	(0.04)
Diluted loss per share	(0.05)	(0.06)	(0.04)

(i) 2016 and 2015 includes investments classified as held for sale.
(ii) Includes investments in associates and Anatolia.

SELECTED ANNUAL INFORMATION (Continued)

The Company continues to actively manage and evaluate alternatives to improve its working capital position. As at December 31, 2016, the working capital deficit primarily consisted of trade and other payables and loans payable, which primarily related to interest and principal owing on the $1.8 million convertible loan agreement with certain shareholders ("Shareholders Loan Agreement") partially offset by cash. As at December 31, 2015, working capital primarily consisted of assets held for sale, which included the Company's investments in URI and Western Uranium and certain exploration and evaluation assets, partially offset by trade and other payables and loans payable, which primarily related to interest owing on the Shareholders Loan Agreement. As at December 31, 2014, the working capital deficit primarily consisted of deferred consideration owing to the original sellers of UrAsia, trade and other payables and loans payable, which primarily related to the loan agreement with Anadarko Land Corp. ("Anadarko"), partially offset by cash.

As at December 31, 2016, the Company's total assets primarily consisted of the Company's investment in exploration and evaluation assets, which primarily included the Company's investment in the Dewey Burdock Project, the Kyzyl Ompul Project and the Centennial Project. As at December 31, 2015, the Company's total assets primarily consisted of the Company's investment in exploration and evaluation assets, which primarily included the Company's investment in the Dewey Burdock Project, the Kyzyl Ompul Project and the Centennial Project, and the Company's assets held for sale, which included its investment in Western Uranium and URI and redundant exploration and evaluation assets. As at December 31, 2014, the Company's total assets primarily consisted of the Company's investment in exploration and evaluation assets, which primarily included the Company's investment in the Dewey Burdock Project, the Kyzyl Ompul Project and the Centennial Project, the Company's investments, which included its investment in associate (Black Range) and the Company's investment in Anatolia, and cash.

As at December 31, 2016, the Company's total non-current liabilities primarily consisted of deferred income tax liabilities and the warrant liability. As at December 31, 2015, the Company's total non-current liabilities primarily consisted of deferred income tax liabilities and the principal owing under the Shareholders Loan Agreement. As at December 31, 2014, the Company's total non-current liabilities primarily consisted of deferred income tax liabilities, the principal owing under the Shareholders Loan Agreement and the put option on the non-controlling interest of UrAsia.

SELECTED ANNUAL INFORMATION (Continued)

For the year ended December 31, 2016, total comprehensive loss primarily consisted of administrative expenses, unrealized losses, which primarily related to the loss on the revaluation of the Company's investment in URI/Anatolia and Western Uranium and the loss on the warrant liability, and deferred income taxes, partially offset by foreign currency translation adjustments. For the year ended December 31, 2015, total comprehensive loss primarily consisted of administrative expenses, finance costs, an impairment of an investment in associate (Black Range), the Company's share of equity losses from its investment in associate (Black Range), deferred income taxes and foreign currency translation adjustments, partially offset by realized gains, which primarily related to the gain on extinguishment of other loans payable due to the Anadarko agreement amendment. For the year ended December 31, 2014, total comprehensive loss primarily consisted of administrative expenses, unrealized losses, which primarily related to the loss on convertible loans issued by Powertech, finance costs, the net share of equity losses from the Company's associates, Powertech and Black Range, an impairment on an investment in Powertech and foreign currency translation adjustments, partially offset by a bargain purchase gain recognized on close of the reverse take-over.

Administrative expenses for the year ended December 31, 2016 were $1,554,213 compared to $2,828,249 for the year ended December 31, 2015. The decrease in administrative expenses primarily related to decreased salaries and benefits, primarily due to a decrease in the number of employees and in employee severance costs, and decreased corporate administrative expenditures as a result of the Company's effort to conserve cash. Administrative expenses for the year ended December 31, 2014 were $3,802,907. The decrease in administrative expenses for the year ended December 31, 2015 compared to 2014 primarily related to decreased consulting and professional fees and corporate administrative expenditures as a result of the Company's effort to conserve cash and decreased share based compensation due to stock options issued on the close of the reverse take-over in 2014, partially offset by increased salaries and benefits primarily due to employee severance costs.

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

SUMMARY OF QUARTERLY RESULTS

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

	2016			
QUARTER ENDED	**31-Dec**	30-Sep	30-Jun	31-Mar
Administrative expenses	$ (431,425)	$ (415,819)	$ (440,555)	$ (266,414)
Finance costs	(46,490)	(47,844)	(48,968)	(47,778)
Unrealized loss	(259,944)	(15,945)	(87,315)	(840,956)
Realized gain (loss)	39,733	42,857	(75,743)	13,438
Deferred income tax recovery (expense)	(245,236)	57,864	(67,028)	(11,600)
Net loss	(930,212)	(382,491)	(721,827)	(1,078,415)
Net loss attributable to equity holders of the Company	(909,360)	(393,186)	(705,075)	(1,110,595)
Total comprehensive loss	(1,043,453)	(392,435)	(585,454)	(810,727)
Basic loss per share	(0.02)	(0.01)	(0.01)	(0.02)
Diluted loss per share	(0.02)	(0.01)	(0.01)	(0.02)

	2015			
QUARTER ENDED	31-Dec	30-Sep	30-Jun	31-Mar
Administrative expenses	$ (603,380)	$ (425,650)	$ (719,187)	$ (1,080,032)
Finance costs	(47,123)	(135,844)	(146,656)	(164,734)
Unrealized gain (loss)	(1,111,205)	756,455	404	344,576
Realized gain (loss)	58,056	85,928	1,084,846	(206,705)
Share of equity income (loss) from associate	-	4,769	(76,175)	(530,969)
Impairment of investment in associate	-	-	(520,866)	-
Deferred income tax recovery (expense)	(384,771)	1,579	30,627	(50,435)
Net income (loss)	(2,097,262)	275,512	(366,262)	(1,556,818)
Net income (loss) attributable to equity holders of the Company	(2,055,607)	301,374	(343,430)	(1,527,387)
Total comprehensive loss	(2,435,886)	(102,570)	(249,549)	(1,868,055)
Basic income (loss) per share	(0.03)	0.00	(0.01)	(0.03)
Diluted income (loss) per share	(0.03)	0.00	(0.01)	(0.03)

For the three months ended December 31, 2016

The Company recorded a net loss of $930,212 for the three months ended December 31, 2016 compared to net loss of $2,097,262 for the three months ended December 31, 2015. The net loss in each period primarily related to the following:

Administrative expenses were $431,425 for the three months ended December 31, 2016 compared to $603,380 for the three months ended December 31, 2015. The decrease primarily related to decreased salaries and benefits, primarily due to a decrease in the number of employees and decreased employee share-based remuneration.

SUMMARY OF QUARTERLY RESULTS (Continued)

Finance costs for the three months ended December 31, 2016 were $46,490 compared to $47,123 for the three months ended December 31, 2015 and consisted of interest on the Shareholders Loan Agreement.

The Company recognized an unrealized loss of $259,944 for the three months ended December 31, 2016 compared to an unrealized loss of $1,111,205 for the three months ended December 31, 2015. For the three months ended December 31, 2016, the unrealized loss primarily related to losses on the revaluation of the warrant liability. For the three months ended December 31, 2015, the unrealized loss primarily related to losses on the revaluation of the Company's investments in URI and Western Uranium.

The Company recognized a realized gain of $39,733 for the three months ended December 31, 2016 compared to a realized gain of $58,056 for the three months ended December 31, 2015. For the three months ended December 31, 2016, the realized gain primarily related to a gain on the settlement of trade and other payables. For the three months ended December 31, 2015, the realized gain primarily related to a gain on the sale of redundant land at the Centennial Project.

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

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

As at December 31, 2016, the Company had a working capital deficit of $1,924,692 and an accumulated deficit of $13,015,295 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 December 31, 2016, the Company had cash of $941,370 compared to cash of $239,327 as at December 31, 2015. The Company's working capital deficit (current assets less current liabilities) was $1,924,692 as at December 31, 2016 compared to working capital of $306,867 as at December 31, 2015. Of the Company's current liabilities, approximately $187,500 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. In 2016 and 2015, the Company sold redundant assets for net proceeds of $615,222 and $379,500, respectively. The Company is not subject to any externally imposed capital requirements.

Private Placement

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 at a price of C$0.24 per Unit. Each Unit consists of one common share of the Company and one-half of one share purchase warrant (each whole warrant, a "Warrant"). One 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 Financing. In connection with the Financing, the Company paid cash finder's fees and other fees of $51,408. The common shares issued in connection with the Financing are subject to a four-month hold period. The Company intends to use the proceeds of the 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.

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 December 31, 2016, the Company no longer held an ownership interest in Western Uranium. The Company originally acquired its ownership in Western Uranium through the Black Range Merger. For the years ended December 31, 2016 and 2015, the Company sold 645,399 and 20,800 Western Uranium shares, respectively, for proceeds of $749,508 and $31,762, respectively. For the year ended December 31, 2015, the Company sold 212,007,381 Black Range shares for proceeds of $322,893.

On February 25, 2014, Black Range and the Company entered into a A$2,000,000 loan facility (the "Third Black Range Convertible Loan"). 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 year ended December 31, 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)

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 years ended December 31, 2016 and 2015, the Company sold 131,694 and 141,846 URI shares (2016 share figures adjusted for URI's 12 for 1 share consolidation on March 8, 2016), respectively, for proceeds of $347,151 and $68,921, respectively. For the year ended December 31, 2015, the Company sold 1,117,611 Anatolia shares for proceeds of $51,017 and purchased 1,350,000 Anatolia shares for total consideration of $77,290.

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 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 December 31, 2016 and 2015, 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 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 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 issued 1,140,626 common shares to settle the outstanding interest of $532,800 as at July 31, 2016.

As at December 31, 2016 and 2015, 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 each of the years ended December 31, 2016 and 2015, the Company made payments totaling $60,000.

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 December 31, 2016 and 2015, $1,855,000 and $1,835,000, respectively, 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 Obligations and 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 area 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 December 31, 2016 and 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 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 Obligations and Commitments* section of this MD&A.

Cash Flow Highlights

Net cash used in operating activities

For the year ended December 31, 2016, the Company used $1,948,179 of cash in operating activities compared to $2,660,189 for the year ended December 31, 2015. Cash used in operating activities decreased for the year ended December 31, 2016 primarily due to reduced administrative expenditures as a result of the Company's effort to conserve cash, partially offset by changes in working capital items related to other assets and 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 year ended December 31, 2016, the Company generated $1,061,570 of cash from investing activities compared to using $256,428 for the year ended December 31, 2015. For the year ended December 31, 2016, net cash generated from investing activities primarily related to proceeds of $1,096,659 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 $604,092 from the sale of exploration and evaluation assets pertaining to redundant land at the Centennial Project, partially offset by $650,311 of net expenditures on the Company's exploration and evaluation assets. For the year ended December 31, 2015, net cash used in investing activities primarily related to the Company's investment of $1,219,011 in exploration and evaluation assets, partially offset by proceeds of $474,593 from the partial sale of the Company's investments and proceeds of $339,320 from the sale of exploration and evaluation assets pertaining to redundant land at the Centennial Project.

Net cash generated by (used in) financing activities

For the year ended December 31, 2016, the Company generated $1,590,522 from financing activities compared to using $60,000 for the year ended December 31, 2015. For the year ended December 31, 2016, net cash generated from financing activities primarily related to the Financing. For the year ended December 31, 2015, cash used for financing activities related to payments on outstanding loans payable.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2016 and 2015, the Company's contractual obligations were as follows:

As at December 31, 2016	**1-3 months**	**3 months - 1 year**	**1-5 years**	**Total for 2016**
Trade and other payables	$ 1,021,872	$ 45,000	$ 310,000	$ 1,376,872
Loan payable to shareholders	-	1,848,135	-	1,848,135
Other loans payable	-	50,000	50,000	100,000
Total financial liabilities	$ 1,021,872	$ 1,943,135	$ 360,000	$ 3,325,007

As at December 31, 2015	**1-3 months**	**3 months - 1 year**	**1-5 years**	**Total for 2015**
Trade and other payables	$ 1,888,976	$ 335,111	$ 370,000	$ 2,594,087
Loan payable to shareholders	-	426,445	1,776,000	2,202,445
Other loans payable	-	60,000	100,000	160,000
Total contractual obligations	$ 1,888,976	$ 821,556	$ 2,246,000	$ 4,956,532

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

CONTRACTUAL OBLIGATIONS AND COMMITMENTS (Continued)

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

	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

	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

As at December 31, 2016 and 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.

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

FINANCIAL INSTRUMENTS (Continued)

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 previously 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.
- 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 year ended December 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 December 31,	
	2016	**2015**
Financial assets		
Loans and receivables		
Cash	$ 941,370	$ 239,327
Restricted cash	42,687	40,882
Fair value through profit or loss		
Investment in Western Uranium	-	1,195,960
Investment in URI	68,264	1,132,695
Total financial assets	$ 1,052,321	$ 2,608,864

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

FINANCIAL INSTRUMENTS (Continued)

	As at December 31,	
	2016	**2015**
Financial liabilities		
Other financial liabilities		
Trade and other payables	$ 1,376,872	$ 2,594,087
Loan payable to shareholders	1,848,135	2,202,445
Other loans payable	90,065	140,053
Decommissioning liability	129,933	118,097
Fair value through profit or loss		
Warrant liability	596,602	3,809
Total financial liabilities	$ 4,041,607	$ 5,058,491

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 listed in the following table:

		% equity interest As at December 31,	
Name	**Country of incorporation**	**2016**	**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%

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

RELATED PARTY TRANSACTIONS (Continued)

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 years ended December 31, 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;
- The disposal of Black Range shares;
- An impairment charge on the Company's investment in Black Range; and
- The issuance of common shares to key management personnel of the Company to settle trade and other payables, employee remuneration and interest on the Shareholders Loan Agreement.

Related party liabilities

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

	As at December 31,				
	2016		2015		
Loan payable to shareholders	$	1,848,135	$	2,202,445	(i)
Trade and other payables for key management personnel - current		339,043		435,518	
Trade and other payables for key management personnel - non-current		310,000		370,000	
Total liabilities with related parties	$	2,497,178	$	3,007,963	

(i) As at December 31, 2016, of the $1,848,135 loan payable to shareholders, $749,243 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:

	Year ended December 31,			
	2016		2015	
Dilution gain on investment in associate	$	-	$	138,493
Total related party income	$	-	$	138,493

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

RELATED PARTY TRANSACTIONS (Continued)

	Year ended December 31, 2016		Year ended December 31, 2015	
Interest expense on loan payable to shareholders	$	178,489	$	177,923
Equity loss pick-up from associate		-		602,375
Realized loss on investment in Black Range		-		200,363
Impairment of investment in Black Range		-		520,866
Unrealized loss on Third Black Range Convertible Loan		-		16,742
Total related party expenses	$	178,489	$	1,518,269

Key management personnel compensation

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

	Year ended December 31, 2016		Year ended December 31, 2015	
Share-based compensation	$	87,194	$	121,516
Salaries, fees and other benefits		488,357		532,891
Share-based payments		382,955		407,681
Severance benefits		-		480,000
Key management personnel compensation	$	958,506	$	1,542,088

SHARE CAPITAL

The Company has authorized the issuance of an unlimited number of common and preferred shares with no par value. As at March 29, 2017, the Company had 75,094,874 common shares outstanding and no preferred shares outstanding. The Company also had incentive share options outstanding to acquire 4,078,762 unissued common shares with exercise prices ranging from C$0.34 to C$2.00 per share and 4,621,665 share purchase warrants, each entitling the holder to purchase one common share at an exercise price of C$0.35 until September 23, 2019.

As at March 29, 2017, Powerlite, a wholly owned subsidiary of Blumont Group Ltd. (SGX: A33) ("Blumont") holds 18,053,510 common shares representing approximately 24% of the issued and outstanding common shares of Azarga Uranium. In April 2016, Powerlite 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 to Wintercrest conditional upon Blumont obtaining various approvals.

SHARE CAPITAL (Continued)

The Company granted a total of 1,235,000 stock options for the year ended December 31, 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 2,315,000 stock options for the year ended December 31, 2015 to officers, employees, directors and other eligible persons at exercise prices ranging from C$0.34 to C$0.38 with expiry dates ranging from August 6, 2018 to June 3, 2020.

For the year ended December 31, 2016, the Company issued 4,621,665 share purchase warrants as part of the Financing. Each Warrant entitles the holder to purchase one common share at an exercise price of C$0.35 per share until September 23, 2019.

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 years ended December 31, 2016 and 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 as follows:

Liquidity and going concern assumption

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Review of carrying value of assets and impairment charges

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

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

Capitalization of exploration and evaluation costs

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

Determination of asset and liability fair values

Business combinations require judgment and estimates to be made at the date of acquisition in relation to determining asset and liability fair values. The information necessary to measure the fair values as at the acquisition date of assets acquired and liabilities assumed requires management to make certain judgments and estimates about future events, including but not limited to estimates of mineral resources acquired, exploration potential, future operating costs and capital expenditures, future metal prices and long-term foreign exchange rates. Changes to the provisional measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined which is within one year of the acquisition date.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Non-current assets held for sale

Management has determined that certain non-current assets meet the definition of non-current assets held for sale under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. The determinations and individual assumptions made by management are based on the best available information at each reporting period. Changes in these assumptions could result in the asset no longer meeting the classification requirements and as a result, the Company may cease to classify these assets as held for sale.

Fair value of investments held for sale

The fair value of the Company's investments held for sale in Western Uranium was and in URI is based on the price within the bid-ask spread that is most representative of fair value in the circumstances. Changes to the most representative price could impact the fair value of the Company's investments held for sale and the amount of unrealized gains or losses and realized gains or losses recognized in profit or loss.

Income taxes and recoverability of deferred tax assets

Actual amounts of income tax expense are not final until tax returns are filed and accepted by the taxation authorities. Therefore, profit or loss in future reporting periods will be affected by the amount that income tax expense estimates differ from the final tax returns.

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management of the Company to assess the likelihood that the Company will generate sufficient taxable profit in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable profit are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable profit differ from estimates, the ability of the Company to realize the deferred tax assets recorded on the statement of financial position could be impacted.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has adopted the new and revised standards and interpretations issued by the IASB or IFRIC listed below effective January 1, 2016. The adoption of these standards did not have a material impact on the Company's condensed consolidated interim financial statements.

RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendment)

The amendment clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa, is considered to be a continuation of the original plan of disposal.

IFRS 7 Financial Instruments: Disclosures (Amendment)

The amendment clarifies 1) circumstances in which an entity has continuing involvement from the servicing of a transferred asset and 2) that the application of the amendment *Offsetting Financial Assets and Financial Liabilities* issued in December 2011 is not explicitly required for all interim periods.

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

The amendments require an entity to apply all of the principles of IFRS 3 Business Combinations ("IFRS 3") when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3.

IAS 1 Presentation of Financial Statements (Amendment)

Amendments include changes to the following sections of IAS 1: materiality with respect to aggregation or disaggregation, line items in primary financial statements, notes to the financial statements, accounting policies and equity accounted investments.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendment)

The amendments clarify that the use of revenue-based depreciation methods for items of property, plant and equipment is prohibited and that the use of revenue-based amortization methods for intangible assets is only appropriate in certain circumstances.

The effective date of the amendments to IFRS 10 and International Accounting Standard 28, expected to become effective on January 1, 2016, have now been postponed indefinitely.

The standards and interpretations that are issued up to the date of issuance of the Company's financial statements, but were not effective during the year ended December 31, 2016 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

IAS 7	Amendments to IAS 7 Statement of Cash Flows(i)
IAS 12	Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses(i)
IFRS 9	Financial Instruments(ii)
IFRS 15	Revenue from Contracts with Customers(ii)
IFRS 16	Leases(iii)

i) Effective for annual periods beginning on or after January 1, 2017
ii) Effective for annual periods beginning on or after January 1, 2018
iii) Effective for annual periods beginning on or after January 1, 2019

The Company is in the process of assessing the impact of the adoption of these standards and interpretations.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's consolidated financial statements were prepared by the Company's management in accordance with IFRS. The Company's consolidated 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 consolidated financial statements are presented fairly in all material respects.

DISCLOSURE CONTROLS AND PROCEDURES

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

DISCLOSURE CONTROLS AND PROCEDURES (Continued)

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2016, the CEO and CFO have each concluded that the Company's disclosure controls and procedures, as required by the applicable rules of the Canadian Securities Administrators (or Canadian securities regulatory authorities), are effective to achieve the purpose for which they have been designed.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

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

The Company's management, under the supervision of the CEO and the CFO, has evaluated the effectiveness of the Company's internal controls over financial reporting using the framework and criteria as required by the applicable rules of the Canadian Securities Administrators (or Canadian securities regulatory authorities). Based on this evaluation, management has concluded that internal controls over financial reporting were effective as at December 31, 2016.

There has been no change in the Company's internal controls over financial reporting that occurred subsequent to December 31, 2016 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

The Company's operations and financial performance are subject to the normal risks of mining investments made in other entities and are subject to various identified factors, which are beyond the control of the Company. Additional risks not currently known to the Company, or that it currently considers immaterial, may also adversely impact the Company's business, operations, financial results or prospects, should any such other events occur.

Global Economic Conditions

In the event of a general economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Company would not be materially adversely affected. During the past several years, the global economy faced a number of challenges. During the global financial crisis of 2007/2008, economic problems in the United States and Eurozone caused deterioration in the global economy, as numerous commercial and financial enterprises either went into bankruptcy or creditor protection or had to be rescued by governmental authorities. Access to public financing was negatively impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets and investment losses by banks with resultant recapitalization efforts.

Although economic conditions have shown improvement in recent years, the global recovery from the recession has been slow and uneven. The effects of the global financial crisis continue to limit growth. In addition, increasing levels of government debt, slowing economic growth in certain key regions, including China, the threat of sovereign defaults and political instability in certain countries continue to weigh on markets. These factors continue to impact the commodities sector and commodities prices, including uranium, as well as currencies, debt markets and stock markets.

These factors may impact the Company's ability to obtain equity, debt, or bank financing on terms commercially reasonable to the Company, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If these increased levels of volatility and market turmoil continue, or there is a material deterioration in general business and economic conditions, the Company's operations could be adversely impacted and the trading price of the Company's securities could continue to be adversely affected.

RISKS AND UNCERTAINTIES (Continued)

Uranium Price Fluctuations

The Company's potential revenue is anticipated to be derived from the sale of uranium products. The Company's financial condition, results of operations, earnings and operating cash flows will be significantly affected by the market price of uranium, which is cyclical and subject to substantial short and long-term price fluctuations. Among other factors, uranium prices also affect the value of the Company's resources, as well as the market price of the Company's common shares.

Market prices are affected by numerous factors beyond the Company's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries; public and political response to a nuclear incident; reprocessing of used reactor fuel, the re-enrichment of depleted uranium tails and the enricher practice of underfeeding; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons; the premature decommissioning of nuclear power plants; and from the build-up of Japanese utility uranium inventories as a result of the Fukushima incident) by governments and industry participants; uranium supply, including the supply from other secondary sources; production levels and costs of production; levels of supply and demand for a broad range of industrial products; substitution of new or different products in critical applications for the Company's potential products; expectations with respect to the rate of inflation; the relative strength of the US dollar and of certain other currencies; interest rates; global or regional political or economic crises; regional and global economic conditions; and sales of uranium by holders in response to such factors.

If the Company is able to successfully commence uranium production and the price of uranium declines below the Company's cash costs of production and remains at such levels for any sustained period, the Company may determine that it is not economically feasible to continue commercial production at any or all of the Company's sites. The Company's expected business activities are dependent on the Company's and the industry's expectations of uranium prices, which may or may not be realized. In the event the Company concludes that a significant deterioration in expected future uranium prices has occurred, the Company will assess whether an impairment allowance is necessary, which, if required, could be material.

The recent fluctuations in the price of many commodities, including uranium, is an example of a situation over which the Company has no control and which could materially adversely affect the Company in a manner for which it may not be able to compensate.

RISKS AND UNCERTAINTIES (Continued)

Government Regulation and Policy Risks

The Company's mineral exploration and planned development activities are subject to various laws governing, among other things; acquisition of the mining interests; maintenance of claims; tenure; expropriation; prospecting; exploration; development; mining; taxes and royalties; labor standards; occupational health; waste disposal; toxic substances; water use; land use; Native American land claims; environmental protection and remediation; endangered and protected species; mine decommissioning and reclamation; mine safety; transportation safety and emergency response; and other matters. Compliance with such laws and regulations has increased the Company's costs of exploring, drilling and developing mineral properties.

It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact the Company's decision as to whether to proceed with exploration or development of mineral properties, or that such laws and regulations may result in the Company incurring significant costs to remediate properties that do not comply with applicable environmental standards at such time. The Company expends significant financial and managerial resources to comply with such laws and regulations. The Company anticipates it will have to continue to do so as the historic trend toward stricter government regulation is likely to continue. There can be no assurance that future changes in applicable laws and regulations will not adversely affect the financial condition of the Company. New laws and regulations, amendments to existing laws and regulations or more stringent implementation of existing laws and regulations, including stricter license and permit conditions, could have a material adverse impact on the Company, increase costs and/or delay or prevent the development of mining properties.

Mining is subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products occurring as a result of mineral exploration, mining and production. Environmental liability may result from mining activities conducted by others prior to the Company's ownership of a property. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions. These actions may result in orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Companies engaged in uranium exploration operations may be required to compensate others who suffer loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Should the Company be unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy, which could have a material adverse effect on the Company.

RISKS AND UNCERTAINTIES (Continued)

To the extent that the Company is subject to uninsured environmental liabilities, the payment of such liabilities would reduce otherwise available cash and could have a material adverse effect on the Company. In addition, the Company does not have insurance coverage for certain environmental losses and other risks as such coverage cannot be purchased at a commercially reasonable cost. Compliance with applicable environmental laws and regulations requires significant expenditures and increases mine development and operating costs.

Worldwide demand for uranium is directly tied to the demand for electricity produced by the nuclear power industry, which is also subject to extensive government regulation and policies. The development of mines and related facilities is contingent upon governmental approvals that are complex and time consuming to obtain and which, depending upon the location of the project, involve multiple governmental agencies. The duration and success of such approvals are subject to many variables outside the Company's control. Any significant delays in obtaining or renewing such permits or licenses in the future could have a material adverse effect on the Company. In addition, the international marketing of uranium is subject to governmental policies and certain trade restrictions. Changes in these policies and restrictions may adversely impact the Company's business.

With respect to the Company's Dewey Burdock Project, the resolution of the remaining two contentions, which relate to the identification and protection of historic and cultural resources, could impact the implementation of the NRC license for construction and operation of the Dewey Burdock Project, as mitigation strategies must be implemented under the PA prior to ground disturbances at the Dewey Burdock Project site. Further, if the remaining two contentions are not resolved favorably, the Dewey Burdock NRC license could be suspended and the issuance of other federal and state permits could be impacted. In addition, the Oglala Sioux Tribe has filed petitions for review of the NRC Commission decision to the United States Court of Appeals for the District of Columbia Circuit, which could result in a substantial delay in the issuance of required federal and state permits or a suspension of existing issued permits.

If the Company is unable to resolve the remaining two contentions favorably or the Oglala Sioux Tribe are successful in their appeal, it could have a material adverse impact on the Company's financial performance, cash flows and results of operations. In addition, the Company will have to assess whether an impairment allowance is necessary, which, if required, could be material.

RISKS AND UNCERTAINTIES (Continued)

With respect to the Company's Dewey Burdock Project, according to the EPA's public notice, the draft Class III and Class V UIC permits will be made available for public review and comment until May 19, 2017. The EPA's final permit decision will evaluate all public comments pertaining to the draft permits, including any comments raised by the Company. The Company is currently evaluating the draft permit conditions. If the EPA does not issue the final Class III and Class V UIC permits or the final permit conditions are overly burdensome to the Company, it could have a material adverse impact on the Company's financial performance, cash flows and results of operations. In addition, the Company will have to assess whether an impairment allowance is necessary, which, if required, could be material.

With respect to the Company's Centennial Project, originating from opposition to the Centennial Project by numerous interested parties in Colorado, House Bill 1161 was signed, which created a specialized regulatory regime for in-situ uranium recovery in the State of Colorado. The implementation of this law may establish standards for in-situ recovery mining and restoration that ultimately affect the financial viability of the Centennial Project and could result in an impairment allowance.

Public Involvement in the Permitting Process

The process of obtaining radioactive materials licenses ("RML") for the Company's mineral properties in the United States allows for public participation. Third parties may object to the issuance of RMLs and/or permits required by the Company, which may significantly delay the Company's ability to obtain an RML and/or permit. Generally, public objections can be overcome through the procedures set forth in the applicable permitting legislation; however, significant financial resources and managerial resources are required through this process. In addition, the various regulatory agencies must allow and fully consider the public objections/comments according to such procedures set out in the applicable legislation and there can be no assurance that the Company will be successful in obtaining an RML and/or permit, which could have a material adverse effect on the viability of a project.

In the Kyrgyz Republic, the process of obtaining RMLs is determined by the State Agency of Geology, the State Department on Technical Safety, and the State Department of Ecology. There can be no assurance that the Company will be successful in obtaining an RML, which could have a material adverse effect on the viability of the Kyzyl Ompul Project.

Please refer to the *"Government Regulation and Policy Risks"* risk factor for specific risks identified pertaining to the Dewey Burdock Project and the Centennial Project that also pertain to *"Public Involvement in the Permitting Process"*.

RISKS AND UNCERTAINTIES (Continued)

Native American Involvement in the Permitting Process

None of the Company's mineral properties are located within the boundaries of Native American lands or other property interests that are controlled or owned by Native Americans under the jurisdiction of the United States Federal Government. However, under Federal legislation, "*historic cultural properties of religious significance that can be identified are to be avoided or activities are to be mitigated such that the essential nature of the properties is not lost to a culture. Throughout the western United States, Indian tribes have had historical relationship with properties that are now owned by private parties, the Federal Government or State Government. In any Federal permitting action on these properties, the agency involved is required to make an effort to communicate with Native American Tribes to determine any areas of "Traditional Cultural Significance*". This process involves "Government to Government" discussions with the potentially affected Native American Tribes; therefore, delays in permitting may occur through this process. In the event that "Traditional Cultural Properties" are identified within a project area, the Company and the agency must determine the best method of development to ensure that disturbances are minimized or mitigated. Please refer to the *"Government Regulation and Policy Risks"* risk factor for specific risks identified pertaining to the Dewey Burdock Project that also pertain to *"Native American Involvement in the Permitting Process"*. As noted under the *"Government Regulation and Policy Risks"* risk factor, if the Company is unable to resolve the remaining two contentions favorably or the Oglala Sioux Tribe is successful in their appeal, it could adversely impact the timing of final licensing and permitting being granted at the Company's Dewey Burdock Project and this could have a material adverse impact on the Company's financial position, cash flows and results of operations. In addition, the Company would have to assess whether an impairment allowance is necessary, which, if required, could be material.

Environmental Regulatory Requirements and Risks

The Company is required to comply with environmental protection laws and regulations and permitting requirements in the jurisdictions in which it operates. The uranium industry is subject not only to health and safety and environmental risks associated with all mining businesses, but also to additional risks uniquely associated with the uranium industry. The Company expends significant resources, both financial and managerial, to comply with these laws and regulations. The possibility of more stringent regulations exists in the areas of worker health and safety, storage of hazardous materials, standards for heavy equipment used in mining, the disposition of wastes, the decommissioning and reclamation of exploration and in-situ sites, climate change and other environmental matters, each of which could have a material adverse effect on the cost or the viability of a particular project.

RISKS AND UNCERTAINTIES (Continued)

The Company cannot predict which environmental legislation, regulations or policies will be enacted or adopted in the future or how future laws and regulations will be administered or interpreted. The recent trend in environmental legislation and regulation is generally towards stricter standards, and this trend is likely to continue in the future. This recent trend includes, without limitation, laws and regulations relating to air and water quality, mine reclamation, waste handling and disposal, the protection of certain species and the preservation of certain lands. These regulations may require the acquisition of permits or other authorizations for certain activities. These laws and regulations may also limit or prohibit activities on certain lands. Compliance with more stringent laws and regulations, as well as potentially more vigorous enforcement policies, stricter interpretation of existing laws and stricter permit and license conditions, may necessitate significant capital outlays, may materially affect the Company's results of operations and business or may cause material changes or delays in the Company's intended activities. There can be no assurance of the Company's continued compliance or ability to meet stricter environmental laws and regulations and permit or license conditions. Delays in obtaining permits and licenses could impact the Company's anticipated development plans.

The Company's operations may require additional analysis in the future including environmental, cultural and social impact and other related studies. Certain activities require the submission and approval of environmental impact assessments. The Company cannot provide assurance that it will be able to obtain or maintain all necessary permits that may be required to continue exploration and development of its properties or, if feasible, to commence construction or operation of mining facilities at such properties on terms that enable operations to be conducted at economically justifiable costs. If the Company is unable to obtain or maintain, licenses, permits or other rights for development of its properties, or otherwise fails to manage adequately future environmental issues, its operations could be materially and adversely affected.

RISKS AND UNCERTAINTIES (Continued)

Market Price of Shares

Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's securities is also likely to be significantly affected by short-term changes in uranium prices, changes in industry forecasts of uranium prices, other mineral prices, currency exchange fluctuations, its financial condition or results of operations. Other factors unrelated to the performance of the Company that may have an effect on the price of the securities of the Company include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; the size of the Company's public float and its inclusion in market indices may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the securities of the Company that persists for a significant period of time could cause the Company's securities to be delisted from an exchange, further reducing market liquidity. If an active market for the securities of the Company does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline. If an active market does not exist, investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long-term value of the Company.

Public Acceptance of Nuclear Energy and Competition from Other Energy Sources

Growth of the uranium and nuclear industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, including the risk of a nuclear incident, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. Nuclear energy competes with other sources of energy, including oil, natural gas, coal, hydro-electricity and renewable energy sources. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydroelectricity may result in lower demand for uranium concentrates. Technical advancements in renewable and other alternate forms of energy, such as wind and solar power, could make these forms of energy more commercially viable and put additional pressure on the demand for uranium concentrates.

RISKS AND UNCERTAINTIES (Continued)

The Company Will Require Significant Amounts of Additional Capital in the Future

The Company has limited financial resources. The Company will need additional financing in connection with the implementation of its business and strategic plans from time to time, including the continued exploration and development of its mineral properties. The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. The Company may accordingly need further capital in order to take advantage of further opportunities or acquisitions.

The Company's financial condition, general market conditions, volatile uranium markets, volatile interest rates, a claim against the Company, a significant disruption to the Company's business or operations or other factors may make it difficult to secure financing necessary for exploration and development of the Company's mineral properties or to take advantage of opportunities for acquisitions. Further, continuing volatility in the credit markets may increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or may affect the ability of the Company, or third parties it seeks to do business with, to access those markets. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms, if at all.

Failure to obtain such financing, including further advances under the Powerlite Facility, could result in a delay or indefinite postponement of further exploration and development of the Company's mineral properties, including the loss of rights associated with such mineral properties. In the event the Company's exploration and development of mineral properties is delayed, the Company will assess whether an impairment allowance is necessary, which, if required, could be material.

Competition for Properties and Experienced Employees

The Company competes with other mining companies and individuals for capital, mining interests on exploration properties and undeveloped lands, acquisitions of mineral resources and reserves and other mining assets. The Company also competes with other mining companies to attract and retain key executives and employees. There can be no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties and assets or in attracting and retaining skilled and experienced employees. The mining industry has been impacted by increased worldwide demand for critical resources such as input commodities, drilling equipment, tires and skilled labor, and these shortages have caused unanticipated cost increases and delays in delivery times, thereby impacting operating costs, capital expenditures and production schedules.

RISKS AND UNCERTAINTIES (Continued)

The Company may be at a competitive disadvantage due to the fact that many of the Company's competitors have greater financial resources to source mineral properties and attract and retain key executives and employees. Accordingly, there can be no assurance that the Company will be able to compete successfully with industry competitors.

Uranium Industry Competition and International Trade Restrictions

The international uranium industry, including the supply of uranium concentrates, is competitive. The Company is marketing uranium in direct competition with supplies available from both public and private uranium mining companies, from nationalized uranium mining companies, from uranium produced as a byproduct of other mining operations, from excess inventories, including inventories made available from decommissioning of nuclear weapons, from reprocessed uranium and plutonium, from used reactor fuel, and from the use of excess Russian enrichment capacity to re-enrich depleted uranium tails held by European enrichers in the form of UF_6. A large quantity of current World production is inelastic, in that uranium market prices have little effect on the quantity supplied. The supply of uranium from Russia and from certain republics of the former Soviet Union is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Company and may affect the supply of uranium available in the United States and the rest of the World.

Exposure to Emerging Markets

Emerging markets such as the Kyrgyz Republic are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kyrgyz Republic continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kyrgyz Republic is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Varying interpretations of the above frameworks could have a material adverse effect on the Company's operations.

RISKS AND UNCERTAINTIES (Continued)

Possible Loss of Interests in Exploration and Development Properties

If the Company does not have the financial capacity (see the above risk "*The Company Will Require Significant Amounts of Additional Capital in the Future"*) to make required payments or minimum expenditures to maintain mineral properties in good standing, the Company may lose some, or all, of its interest in those mineral properties. This is particularly significant with respect to the Company's material property, the Dewey Burdock Project in the United States. A loss of an interest at the Dewey Burdock Project could have a material adverse effect on the Company's reported resources. In addition, the Company will have to assess whether an impairment allowance is necessary, which, if required, could be material.

Further, in accordance with the terms of the Company's Centennial purchase agreement, which pertains to the Company's Centennial Project, if the Company does not obtain regulatory permits and licenses allowing uranium production by September 27, 2019, the uranium rights will transfer back to the seller, at the seller's option. This could have a material adverse effect on the Company's reported resources. In addition, the Company will have to assess whether an impairment allowance is necessary, which, if required, could be material.

Mining and Mineral Exploration is Inherently Dangerous and Subject to Factors Beyond the Company's Control

The Company's business, and any future development or mining operations, will involve various types of risks and hazards typical of companies engaged in the mining industry. These risks will affect the exploration and development of the Company, and will affect its business to an even larger extent once commercial mining operations, if any, commence.

Such risks include, but are not limited to: industrial accidents, unusual or unexpected rock formations, structural cave-ins or slides and pitfall, ground or slope failures and accidental release of water from surface storage facilities, fire, flooding and earthquakes, rock bursts, minerals losses, periodic interruptions due to inclement or hazardous weather conditions, environmental hazards, discharge of pollutants or hazardous materials, failure of processing and mechanical equipment and other performance problems, geotechnical risks, including the stability of the underground hanging walls and unusual and unexpected geological conditions, unanticipated variations in grade and other geological problems, water, surface or underground conditions, labor disputes or slowdowns, work force health issues as a result of working conditions, and force majeure events, or other unfavorable operating conditions.

RISKS AND UNCERTAINTIES (Continued)

These risks, conditions and events could result in: damage to, or destruction of, the value of, the Company's projects or their facilities, personal injury or death, environmental damage to the Company's projects or the properties of others, delays or prohibitions on mining or the transportation of minerals, monetary losses, and potential legal liability. Any of the foregoing could have a material adverse effect on the Company's business, financial condition, and results of operation or prospects.

The Company's Mineral Resources are Estimates

Mineral resources are statistical estimates of mineral content, based on limited information acquired through drilling and other sampling methods, and require judgmental interpretations of geology. The Company's mineral resources are estimates and no assurance can be given that the estimated resources are accurate or that the indicated level of uranium will be produced. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. Further, it may take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a discovery may change.

Mineral resource estimates for properties that have not commenced production are based, in many instances, on limited and widely spaced drill-hole information, which is not necessarily indicative of the conditions between and around drill holes. Accordingly, such mineral resource estimates may require revision as more drilling information becomes available or as actual production experience is gained. It should not be assumed that all or any part of the Company's mineral resources, constitute or will be converted into reserves. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of resources and reserves is influenced by economic and technological factors, which may change over time.

Nature of Exploration and Development Projects

The exploration and development of mineral properties involves significant risks. Development of exploration properties, in which the Company has an interest, will only follow subsequent to obtaining satisfactory exploration results. The exploration and development of mineral properties involves significant risks over an extended period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mineral property may result in significant rewards, few properties, which are explored are ultimately developed into producing mines. Significant expenses may be required to establish mineral reserves and mineral resources and to construct mining and processing facilities. It is impossible to ensure that the Company's exploration and development properties will result in a profitable commercial mining operation.

RISKS AND UNCERTAINTIES (Continued)

Whether a mineral property will be commercially viable depends on a number of factors, which include, among other things: the accuracy of reserve and resource estimates; the particular attributes of the deposit, such as its size and grade; ability to economically recover commercial quantities of the minerals; proximity to infrastructure; financing costs and governmental regulations, including regulations relating to prices, taxes, royalties; infrastructure; land use; importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Political Risk

The Company's prospects may be affected by political decisions that impact the uranium market. There can be no assurance that the United States, the Kyrgyz Republic or other government / quasi-governmental authorities in the jurisdictions in which the Company operates or holds investments in will not enact legislation restricting uranium exploration, development, extraction and processing or the actual sale of uranium. In addition, the price of uranium may be impacted by decisions of national governments to decommission nuclear weapons; thus, increasing the supply of uranium.

Currency Fluctuations

The Company's operations are subject to foreign currency fluctuations. The Company's operating expenditures are primarily incurred in United States Dollars, while some of the Company's cash balances and expenses are measured in Canadian Dollars and Kyrgyz Som. The appreciation/depreciation of the United States Dollar against the Canadian Dollar and Kyrgyz Som will consequently have an impact on the Company's financial results.

The Company has no History of Mining Operations

The Company has never owned/operated uranium-producing properties. There is no assurance that commercially viable quantities of uranium will be discovered at the Company's mineral properties nor is there any assurance that the Company's exploration and development programs will yield positive results. Even if commercially viable quantities of uranium are discovered, there can be no assurance that any of the Company's mineral properties will be brought to a stage of profitable production or that an adequate return on invested capital will be achieved. Factors that may limit the ability of the Company to produce uranium resources from its properties include, but are not limited to, the price of uranium, the availability of additional capital and financing and the nature of the mineral deposits.

RISKS AND UNCERTAINTIES (Continued)

Property Title Rights

The Company has investigated its rights to explore and develop its material properties and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that such rights will not be revoked, or significantly altered, to the Company's detriment. There can also be no assurance that the Company's rights will not be challenged or impugned by third parties, including by local governments and title insurance is generally not available.

The validity of unpatented mining claims on United States public lands is sometimes difficult to confirm and may be contested. Due to the extensive requirements and associated expense required to obtain and maintain mining rights on United States public lands, the Company's United States properties are subject to various title uncertainties which are common to the industry or the geographic location of such claims, with the resultant risk that there may be defects in its title. The Company's surface or mineral properties may also be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on the Company's reported resources and operations. In addition, the Company may be unable to enforce its rights or operate the impacted mineral property as previously permitted.

Dependence on Key Personnel and Qualified and Experienced Employees

The Company's success will largely depend on the efforts and abilities of certain senior officers and key employees. Certain of these individuals have significant experience in the uranium industry. The number of individuals with significant experience in this industry is small. While the Company does not foresee any reason why such officers and key employees will not remain with the Company, other than through retirement, if for any reason they do not, the Company could be adversely affected.

The Company's success will also depend on the availability of qualified and experienced employees to work on the Company's operations and the Company's ability to attract and retain such employees. The number of individuals with relevant mining and operational experience in this industry is small.

Delineation of Mineral Reserves and Additional Mineral Resources

The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of resources and reserves is influenced by economic and technological factors, which may change over time. At present, the Company does not have any mineral reserves.

RISKS AND UNCERTAINTIES (Continued)

There can be no assurance that the Company's future exploration, development and acquisition efforts will be successful in determining mineral reserves and additional mineral resources. The Company's ability to delineate mineral reserves and additional mineral resources may impact future operations. There can be no assurance that the Company will be able to bring any of its mineral properties into production or identify mineral reserves on any of its mineral properties.

Insurance Coverage

The Company's business will be subject to a number of risks and hazards (as further described herein). Although the Company will maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, such insurance will likely not cover all the potential risks associated with its activities, including any future mining operations. The Company may also be unable to maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration, development or production may not be available to the Company on acceptable, or any, terms. The Company might also become subject to liability for pollution or other hazards, which it is not currently insured against and/or in the future may not insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Dilution from Further Equity Financing and Outstanding Stock Options and Share Purchase Warrants

If the Company raises additional funding by issuing additional equity securities or convertible securities, exercisable or exchangeable for equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

In addition, the Company currently has outstanding stock options and share purchase warrants, which if exercised, may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

RISKS AND UNCERTAINTIES (Continued)

The Company has Never Paid Dividends and May Not do so in the Foreseeable Future

The Company has never paid dividends and intends to retain its future earnings, if any, to fund the development and growth of its business and does not anticipate paying any dividends in the near future. Thus, shareholders of the Company will have to rely on capital appreciation, if any, to earn a return on their investment in the Company's shares for the foreseeable future. The Board will review the Company's dividend policy from time to time.

Litigation and Other Legal Proceedings

The Company is subject to litigation and other legal proceedings arising in the normal course of business and may be involved in disputes with other parties in the future, which may result in litigation. The causes of potential future litigation and legal proceedings cannot be known and may arise from, among other things, business activities, environmental laws, permitting and licensing activities, volatility in stock prices or failure to comply with disclosure obligations. The results of litigation and proceedings cannot be predicted with certainty, and may include potential injunctions pending the outcome of such litigation and proceedings. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations. Securities class-action litigation often has been brought against companies in periods of volatility in the market price of their securities, and following major corporate transactions or mergers and acquisitions. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Technical Innovation and Obsolescence

Requirements for the Company's potential products may be affected by technological changes in nuclear reactors, enrichment and used uranium fuel reprocessing. These technological changes could reduce the demand for uranium. In addition, the Company's competitors may adopt technological advancements that give them an advantage over the Company.

RISKS AND UNCERTAINTIES (Continued)

Disclosure and Internal Controls

Disclosure controls and procedures are designed to provide reasonable but not absolute assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation. These disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of reporting, including financial reporting and financial statement preparation. A control failure could have a material adverse effect on the Company's operations.

Conflicts of Interest

Some of the directors of the Company are also directors/employees of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. Such associations may give rise to conflicts of interest from time to time. In particular, one of the consequences might be that corporate opportunities presented to a director of the Company may be offered to another company or companies with which the director is associated, and may not be presented or made available to the Company. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest, which they may have in any project or opportunity of the Company, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by the procedures prescribed in the Company's Code of Ethics and by the Business Corporations Act (British Columbia).