Azarga Uranium Corp.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

September 30, 2017
(Expressed in U.S. Dollars)
(Unaudited)

TABLE OF CONTENTS

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

AZARGA URANIUM CORP.

Condensed Consolidated Interim Statements of Financial Position

(Unaudited)
(Expressed in U.S. Dollars)

	Notes		As at September 30, 2017		As at December 31, 2016
ASSETS					
Current assets					
Cash		$	318,133	$	941,370
Other assets			92,753		30,681
Investments held for sale	6		-		68,264
Total current assets			410,886		1,040,315
Non-current assets					
Restricted cash			42,846		42,687
Exploration and evaluation assets	5		32,819,993		38,284,484
Property, plant and equipment			99,554		105,819
Total non-current assets			32,962,393		38,432,990
Total assets		$	33,373,279	$	39,473,305
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	8	$	1,470,877	$	1,066,872
Loans payable	7		272,219		1,898,135
Total current liabilities			1,743,096		2,965,007
Non-current liabilities					
Trade and other payables	8		-		310,000
Deferred income tax liabilities			6,261,120		6,288,790
Loans payable	7		1,776,000		40,065
Decommissioning liability			139,528		129,933
Warrant liability	14.2		288,588		596,602
Total non-current liabilities			8,465,236		7,365,390
Total liabilities			10,208,332		10,330,397
Equity					
Common shares			40,615,494		39,762,939
Contributed surplus			866,241		793,625
Share option reserve	15.3		1,387,838		1,196,865
Accumulated deficit			(20,076,274)		(13,015,295)
Foreign currency translation reserve			(880,126)		(842,006)
Equity attributable to the equity holders of the Company			21,913,173		27,896,128
Non-controlling interest	4		1,251,774		1,246,780
Total equity			23,164,947		29,142,908
Total equity and liabilities		$	33,373,279	$	39,473,305

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

APPROVED BY THE BOARD:

"Joseph L. Havlin" — **Director**

"Richard F. Clement, Jr." — **Director**

AZARGA URANIUM CORP.

Condensed Consolidated Interim Statements of Loss and Other Comprehensive Income (Loss)

(Unaudited)
(Expressed in U.S. Dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Notes	**2017**	**2016**	**2017**	**2016**
Administrative expenses	9	$ (391,877)	$ (415,819)	$ (1,150,182)	$ (1,122,788)
Foreign exchange gain (loss)		50,785	(3,604)	36,652	69,073
Impairment of exploration and evaluation assets	5	(6,346,899)	-	(6,346,899)	-
Loss from operations		(6,687,991)	(419,423)	(7,460,429)	(1,053,715)
Finance costs	10	(66,799)	(47,844)	(161,679)	(144,590)
Unrealized gain (loss)	11	272,588	(15,945)	534,985	(944,216)
Realized gain (loss)	12	3,832	42,857	(3,938)	(19,448)
Loss before income tax		(6,478,370)	(440,355)	(7,091,061)	(2,161,969)
Deferred income tax recovery (expense)		39,506	57,864	27,669	(20,764)
Net loss		(6,438,864)	(382,491)	(7,063,392)	(2,182,733)
Other comprehensive income (loss)					
Item that may be reclassified subsequently as profit or loss					
Foreign currency translation adjustment		(33,992)	(9,944)	(30,713)	394,117
Total comprehensive loss		$ (6,472,856)	$ (392,435)	$ (7,094,105)	$ (1,788,616)
Net income (loss) attributable to:					
Equity holders of the Company		(6,456,651)	(393,186)	(7,060,979)	(2,208,856)
Non-controlling interest		17,787	10,695	(2,413)	26,123
Net loss		$ (6,438,864)	$ (382,491)	$ (7,063,392)	$ (2,182,733)
Other comprehensive income (loss) attributable to:					
Equity holders of the Company		(40,196)	(4,539)	(38,120)	299,410
Non-controlling interest		6,204	(5,405)	7,407	94,707
Other comprehensive income (loss)		$ (33,992)	$ (9,944)	$ (30,713)	$ 394,117
Basic loss per share	13	**$ (0.08)**	**$ (0.01)**	**$ (0.09)**	**$ (0.04)**
Diluted loss per share	13	**$ (0.08)**	**$ (0.01)**	**$ (0.09)**	**$ (0.04)**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AZARGA URANIUM CORP.

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited)

(Expressed in U.S. Dollars and shares)

		Attributable to equity holders of the Company								
	Notes	Number of shares	Common shares	Contributed surplus	Share option reserve	Accumulated deficit	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
Balances, January 1, 2016		60,332,314	$ 37,256,196	$ 766,630	$ 1,021,099	$ (9,897,079)	$ (1,050,001)	$ 28,096,845	$ 1,168,628	$ 29,265,473
Issuance of shares to settle trade and other payables	14.1	1,060,261	270,149	-	-	-	-	270,149	-	270,149
Issuance of shares to settle ESPP	14.1	944,527	238,859	(238,859)	-	-	-	-	-	-
Issuance of shares to settle DSA	14.1	474,186	124,714	(124,714)	-	-	-	-	-	-
Issuance of shares to settle employee remuneration	14.1	812,500	169,933	(169,933)	-	-	-	-	-	-
Issuance of shares to settle interest	14.1	1,140,626	250,674	282,126	-	-	-	532,800	-	532,800
Issuance of shares for the 2016 Financing	14.1	9,243,336	1,303,553	-	-	-	-	1,303,553	-	1,303,553
Share-based compensation	15.3	-	-	-	144,617	-	-	144,617	-	144,617
Compensation settled by equity	14.1	-	-	214,163	-	-	-	214,163	-	214,163
Net income (loss) for the period		-	-	-	-	(2,208,856)	-	(2,208,856)	26,123	(2,182,733)
Other comprehensive income for the period		-	-	-	-	-	299,410	299,410	94,707	394,117
Balances, September 30, 2016		74,007,750	$ 39,614,078	$ 729,413	$ 1,165,716	$ (12,105,935)	$ (750,591)	$ 28,652,681	$ 1,289,458	$ 29,942,139
Balances, January 1, 2017		74,766,046	$ 39,762,939	$ 793,625	$ 1,196,865	$ (13,015,295)	$ (842,006)	$ 27,896,128	$ 1,246,780	$ 29,142,908
Issuance of shares to settle ESPP	14.1	476,002	114,571	(114,571)	-	-	-	-	-	-
Issuance of shares to settle DSA	14.1	124,895	29,810	(29,810)	-	-	-	-	-	-
Issuance of shares for the Financing	14.1	4,391,938	708,174	-	-	-	-	708,174	-	708,174
Share-based compensation	15.3	-	-	-	190,973	-	-	190,973	-	190,973
Compensation settled by equity	14.1	-	-	216,997	-	-	-	216,997	-	216,997
Net loss for the period		-	-	-	-	(7,060,979)	-	(7,060,979)	(2,413)	(7,063,392)
Other comprehensive income (loss) for the period		-	-	-	-	-	(38,120)	(38,120)	7,407	(30,713)
Balances, September 30, 2017		79,758,881	$ 40,615,494	$ 866,241	$ 1,387,838	$ (20,076,274)	$ (880,126)	$ 21,913,173	$ 1,251,774	$ 23,164,947

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AZARGA URANIUM CORP.

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited)
(Expressed in U.S. Dollars)

	Notes	Nine months ended September 30, 2017	2016
OPERATING ACTIVITIES			
Net loss		$ (7,063,392)	$ (2,182,733)
Adjustments for:			
Deferred income tax (recovery) expense		(27,669)	20,764
Depreciation	9	3,016	4,897
Share-based compensation	9	167,818	121,606
Equity compensation expense	14.1	216,997	214,163
Finance costs	10	161,679	144,590
Unrealized (gain) loss	11	(534,985)	944,216
Realized loss	12	3,938	19,448
Impairment of exploration and evaluation assets	5	6,346,899	-
Unrealized foreign exchange loss		(22,528)	(14,400)
Operating cash flows before changes in non-cash working capital items		(748,227)	(727,449)
Change in other assets		(62,072)	(31,887)
Change in trade and other payables		110,560	(211,961)
Change in other liabilities		-	430
Net cash used in operating activities		(699,739)	(970,867)
INVESTING ACTIVITIES			
Sale of investments	6	71,106	1,096,659
Sale (purchase) of property, plant and equipment		(650)	11,130
Option payments received for exploration and evaluation assets	5	150,000	-
Sale of exploration and evaluation assets	5	-	389,223
Expenditures on exploration and evaluation assets	5	(964,267)	(806,596)
Net cash generated by (used in) investing activities		(743,811)	690,416
FINANCING ACTIVITIES			
Net proceeds from issuance of common shares	14.1	886,869	1,701,930
Payment of other loans payable	7.2	(50,000)	(60,000)
Net cash generated by financing activities		836,869	1,641,930
Effect of foreign exchange rate changes on cash		(16,556)	(2,847)
Increase (decrease) in cash		(623,237)	1,358,632
Cash, beginning of period		941,370	239,327
Cash, end of period		$ 318,133	$ 1,597,959

Supplemental cash flow information (Note 18)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. CORPORATE INFORMATION AND GOING CONCERN

Azarga Uranium Corp. ("Azarga Uranium") was incorporated on February 10, 1984 in British Columbia, Canada. Azarga Uranium's common shares are publicly traded on the Toronto Stock Exchange ("TSX") (Symbol: AZZ) and the Frankfurt Stock Exchange (Symbol: P8AA). Azarga Uranium, together with its subsidiaries (collectively referred to as the "Company"), is an integrated uranium exploration and development company.

The Company controls uranium properties located in the United States of America ("USA") and in the Kyrgyz Republic. The Company's Dewey Burdock Project, located in South Dakota, is the Company's initial development priority. The Company also owns the Centennial Project in Colorado, the Aladdin Deposit in Wyoming, two uranium exploration properties in Wyoming and 70% of the Kyzyl Ompul Project in the Kyrgyz Republic.

The address of the Company's corporate office is 5575 DTC Parkway Suite 140, Greenwood Village, CO, United States and its registered and records office is located at Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3.

These condensed consolidated interim financial statements have been prepared on a going concern basis, which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they fall due. To date, the Company has not generated revenues from operations and is currently in the exploration and development stage. As at September 30, 2017, the Company had a working capital deficit of $1,332,210 and an accumulated deficit of $20,076,274 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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

2. BASIS OF PREPARATION (Continued)

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2017 were approved and authorized for issue by the Company's Board of Directors on November 14, 2017.

2.2 Basis of presentation

These condensed consolidated interim financial statements have been prepared using accounting policies and methods of computation consistent with those applied in the Company's December 31, 2016 consolidated annual financial statements, except for those accounting policies which have changed as a result of the adoption of new and revised standards and interpretations as described in Note 2.3 below. These condensed consolidated interim financial statements do not include all of the information and note disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the Company's consolidated annual financial statements for the year ended December 31, 2016.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets, financial liabilities and exploration and evaluation assets pertaining to the Kyzyl Ompul Project, which are measured at fair value. The Company's financial instruments are further disclosed in Note 16 of these condensed consolidated interim financial statements.

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.

These condensed consolidated interim financial statements are presented in United States Dollars.

2.3 Adoption of new and revised standards and interpretations

The Company has adopted the new and revised standards and interpretations issued by the IASB or IFRIC listed below effective January 1, 2017. The adoption of these standards did not have a material impact on the Company's condensed consolidated interim financial statements.

International Accounting Standards ("IAS") 7 Statement of Cash Flows (Amendment)

Amendments to IAS 7 aim to improve disclosures about an entity's debt. Disclosures are required to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2. BASIS OF PREPARATION (Continued)

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses (Amendment)

The amendment to IAS 12 clarifies the accounting for deferred tax assets related to debt instruments measured at fair value but not deemed to be impaired.

Standards issued but not yet effective

The standards and interpretations that are issued up to the date of issuance of the Company's condensed consolidated interim financial statements, but were not effective for the nine months ended September 30, 2017, are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 – Financial Instruments

IFRS 9 will replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a revised approach to hedge accounting.

Under IFRS 9, the Company will have the option to designate equity securities as financial assets at fair value through other comprehensive income, where they will be recorded initially at fair value with changes in fair value recognized in other comprehensive income, which will not be subsequently transferred into profit or loss. The Company does not expect IFRS 9 to have a significant impact on the Company's financial statements, as the Company's investments held for sale were entirely sold as at September 30, 2017.

The introduction of the new "expected credit loss" and reformed approach to hedge accounting is not expected to have a significant impact on the Company.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 supercedes: IAS 11 – Construction Contracts; IAS 18 – Revenue; IFRIC 13 – Customer Loyalty Programmes; IFRIC 15 – Agreements for the Construction of Real Estate; IFRIC 18 – Transfers of Assets from Customers; and SIC 31 – Revenue – Barter Transactions involving Advertising Services.

The introduction of IFRS 15 is not expected to have a significant impact on the Company's financial statements, as the Company does not currently generate revenue.

2. BASIS OF PREPARATION (Continued)

IFRS 16 – Leases

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting for the lessee, introducing a single, on-balance sheet accounting model that is similar to finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to the current accounting practice.

The introduction of IFRS 16 is not expected to have a significant impact on the Company's financial statements, as the leases currently held by the Company are either leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources, which are exempt from IFRS 16, or relate to office leases which are not material.

2.4 Significant accounting judgments and estimates

Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are included in Note 3.23 to the Company's December 31, 2016 consolidated annual financial statements. There were no material changes to the significant accounting judgments and estimates from December 31, 2016.

3. SEGMENTED INFORMATION

The Company has two reportable business segments: the Kyrgyzstan Uranium Division and the United States Uranium Division. The Company's chief operating decision maker reviews both business segments' discrete financial information in order to make decisions about resources to be allocated to each segment and to assess its performance. The Company's non-current assets required to be disclosed for each reportable business segment are located in the Kyrgyzstan Uranium Division and the United States Uranium Division as at September 30, 2017 and December 31, 2016.

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

3. SEGMENTED INFORMATION (Continued)

The carrying amount of the Company's assets, liabilities and exploration and evaluation assets and the Company's loss before income tax and impairment of exploration and evaluation assets analyzed by operating segment are as follows:

	Kyrgyzstan Uranium Division	United States Uranium Division	Unallocated (i)	Consolidated Total
Segment assets				
As at September 30, 2017	$ 4,168,815	$ 28,969,791	$ 234,673	$ 33,373,279
As at December 31, 2016	$ 10,402,932	$ 28,120,831	$ 949,542	$ 39,473,305
Segment liabilities				
As at September 30, 2017	$ 2,079,409	$ 4,963,160	$ 3,165,763	$ 10,208,332
As at December 31, 2016	$ 2,093,651	$ 4,946,039	$ 3,290,707	$ 10,330,397
Exploration and evaluation assets (Note 5)				
As at September 30, 2017	$ 3,990,610	$ 28,829,383	$ -	$ 32,819,993
As at December 31, 2016	$ 10,363,942	$ 27,920,542	$ -	$ 38,284,484
Loss before income tax				
Three months ended September 30, 2017	$ (6,328,927)	$ (70,168)	$ (79,275)	$ (6,478,370)
Three months ended September 30, 2016	$ (57,945)	$ (98,949)	$ (283,461)	$ (440,355)
Nine months ended September 30, 2017	$ (6,431,285)	$ (177,859)	$ (481,917)	$ (7,091,061)
Nine months ended September 30, 2016	$ (142,040)	$ (160,048)	$ (1,859,881)	$ (2,161,969)
Impairment of exploration and evaluation assets (Note 5)				
Three months ended September 30, 2017	$ (6,346,899)	$ -	$ -	$ (6,346,899)
Nine months ended September 30, 2017	$ (6,346,899)	$ -	$ -	$ (6,346,899)

(i) The unallocated amount contains all amounts associated with the corporate division.

4. NON-CONTROLLING INTEREST

The non-controlling interest in UrAsia as at September 30, 2017 and December 31, 2016 was $1,251,774 and $1,246,780, respectively.

Changes in the Company's non-controlling interest in UrAsia for the three and nine months ended September 30, 2017 and 2016 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Balance, beginning of period	$ 1,227,783	$ 1,284,168	$ 1,246,780	$ 1,168,628
Plus (less): non-controlling interest from net income (loss)	17,787	10,695	(2,413)	26,123
Plus (less): non-controlling interest from other comprehensive income (loss)	6,204	(5,405)	7,407	94,707
Balance, end of period	$ 1,251,774	$ 1,289,458	$ 1,251,774	$ 1,289,458

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

5. EXPLORATION AND EVALUATION ASSETS

The Company's exploration and evaluation assets consist of the following amounts:

	As at September 30, 2017				
	Dewey Burdock	Kyzyl Ompul	Centennial	Other	Total
Opening balance, January 1, 2017	$ 25,073,304	$ 10,363,942	$ 2,288,492	$ 558,746	$ 38,284,484
Salaries and consulting	435,872	44,138	14,172	14,000	508,182
License fees	320,517	36,889	6,048	86,225	449,679
Decommissioning liability	-	-	9,595	-	9,595
Share-based compensation (Note 15.3)	17,864	743	2,274	2,274	23,155
Rehabilitation costs	-	6,406	-	-	6,406
Depreciation	-	4,490	-	-	4,490
Impairment	-	(6,346,899)	-	-	(6,346,899)
Currency translation effect	-	30,901	-	-	30,901
Option payments received	-	(150,000)	-	-	(150,000)
Total exploration and evaluation assets	$ 25,847,557	$ 3,990,610	$ 2,320,581	$ 661,245	$ 32,819,993

	As at December 31, 2016				
	Dewey Burdock	Kyzyl Ompul	Centennial	Other	Total
Opening balance, January 1, 2016	$ 24,649,275	$ 9,908,668	$ 2,189,362	$ 426,870	$ 37,174,175
Salaries and consulting	188,625	109,670	55,246	-	353,541
License fees	213,576	43,146	32,049	131,876	420,647
Decommissioning liability	-	-	11,835	-	11,835
Share-based compensation	21,828	6,029	-	-	27,857
Depreciation	-	5,997	-	-	5,997
Currency translation effect	-	290,432	-	-	290,432
Total exploration and evaluation assets	$ 25,073,304	$ 10,363,942	$ 2,288,492	$ 558,746	$ 38,284,484

On July 31, 2017, UrAsia executed an earn-in agreement (the “Earn-In Agreement”) with Mining Investment Company Alliance (“Alliance”). The Earn-In Agreement provides Alliance with an earn-in option to acquire a 100% interest in the Kyzyl Ompul Project in exchange for $6.0 million of cash payments and a two percent net smelter royalty of up to $5.0 million as well as Alliance making $1.6 million of exploration and development expenditures over a three-year period. To date, UrAsia has received $150,000 in cash payments. The remaining cash payments are expected to be received as follows: $60,000 per month commencing six months and one day after execution of the Earn-In Agreement, increasing to $229,000 per month commencing twelve months and one day after execution of the Earn-In Agreement and a final payment of $223,000 35 months and one day after execution of the Earn-In Agreement. Cash payments received from Alliance over the course of the Earn-In Agreement are not reimbursable if Alliance does not exercise its earn-in option.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

The net smelter royalty is subject to Alliance exercising its earn-in option and is payable on the commencement of commercial production at the Kyzyl Ompul Project for a minimum royalty of $2.5 million and a maximum royalty of $5.0 million. If Alliance fails to make any of the payments under the Earn-In Agreement, UrAsia has the right to retain its 100% interest in the Kyzyl Ompul Project.

For the three and nine months ended September 30, 2017, the Company recognized an impairment charge of $6,346,899 for the Kyzyl Ompul Project on execution of the Earn-In Agreement. The recoverable amount of the Kyzyl Ompul Project was based on a fair value less cost to sell model, which incorporated the net present value of expected cash flows in accordance with the Earn-In Agreement discounted at a rate of 22%. It was categorized as a non-recurring level 3 fair value measurement. The discount rate was determined based on a market participant's cost of capital, adjusted for political and development risks.

Payments received by the Company from Alliance are credited to the capitalized cost of the exploration and evaluation asset. If the payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as a gain.

Exploration and evaluation assets held for sale

As at December 31, 2016, the Company no longer owned any exploration and evaluation assets held for sale. For the three and nine months ended September 30, 2016, the Company sold redundant land at the Centennial Project for net proceeds of $67,314 and $389,223, respectively, resulting in a gain of $17,313 and $139,222, respectively.

6. INVESTMENTS HELD FOR SALE

6.1 Investment in Western Uranium Corporation

As at December 31, 2016, the Company no longer held an ownership interest in Western Uranium Corporation ("Western Uranium"). The Company accounted for its investment in Western Uranium as fair value through profit or loss ("FVTPL") and fair value changes were recorded through profit or loss.

For the nine months ended September 30, 2016, the Company sold 645,399 Western Uranium shares for proceeds of $749,508 and recognized a realized loss of $148,141. For the nine months ended September 30, 2016, the Company also recognized an unrealized loss of $298,311 on the revaluation of its investment.

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

6. INVESTMENTS HELD FOR SALE (Continued)

6.2 Investment in Uranium Resources, Inc.

As at June 30, 2017, the Company no longer held an ownership interest in Uranium Resources, Inc. ("URI"). The Company accounted for its investment in URI as FVTPL and fair value changes were recorded through profit or loss.

For the nine months ended September 30, 2017, the Company sold its remaining 49,828 URI shares (adjusted for URI's 12 for 1 share consolidation on March 8, 2016) for proceeds of $71,106 and recognized a realized loss of $22,570.

For the three and nine months ended September 30, 2016, the Company sold 41,126 and 131,694 URI shares (adjusted for URI's 12 for 1 share consolidation on March 8, 2016), respectively, for proceeds of $75,319 and $347,151, respectively, and recognized a realized gain of $9,517 and a realized loss of $72,050, respectively.

Changes in the Company's investment in URI for the three and nine months ended September 30, 2017 and 2016 were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Balance, beginning of period	$ -	$ 145,527	$ 68,264	$ 1,132,695
Disposition of URI	-	(65,802)	(93,676)	(419,201)
Unrealized gain (loss) on revaluation of investment (Note 11)	-	(15,945)	25,412	(649,714)
Balance, end of period	$ -	$ 63,780	$ -	$ 63,780

7. LOANS PAYABLE

	As at	
	September 30, 2017	December 31, 2016
Loan payable to shareholders	$ 2,002,324	$ 1,848,135
Other loans payable	45,895	90,065
Loans payable	$ 2,048,219	$ 1,938,200
Current portion	272,219	1,898,135
Non-current portion	$ 1,776,000	$ 40,065

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

7. LOANS PAYABLE (Continued)

7.1 Loan payable to shareholders

	As at	
	September 30, 2017	**December 31, 2016**
Loan payable to shareholders - current	$ 226,324	$ 1,848,135
Loan payable to shareholders - non-current	1,776,000	-
Loan payable to shareholders	$ 2,002,324	$ 1,848,135

On July 31, 2012, the Company entered into a $1,800,000 convertible loan agreement with certain shareholders ("Shareholders Loan Agreement"), as amended. The funds were used to fund the UrAsia 2012 exploration program and for general working capital purposes. On June 30, 2017, the Company exercised its option to extend the term of the Shareholders Loan Agreement for an additional three years. The key commercial terms of the loan include:

- Interest – 15% per annum payable on each anniversary date of the Shareholders Loan Agreement (10% per annum prior to the Company's exercise of the term extension);
- Term – 8 years, commencing July 31, 2012;
- Conversion price – Canadian dollar ("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;
- 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 also 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.

In July 2017, the terms of the Shareholders Loan Agreement were further amended to defer the July 31, 2017 annual interest payment until July 31, 2018.

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

7. LOANS PAYABLE (Continued)

As at September 30, 2017 and December 31, 2016, the Company had drawn $1,776,000 under the Shareholders Loan Agreement. No additional amounts are available to be drawn under the Shareholders Loan Agreement. For the three and nine months ended September 30, 2017, the Company recorded interest expense on the convertible loan of $64,512 and $154,189, respectively. For the three and nine months ended September 30, 2016, the Company recorded interest expense on the convertible loan of $44,369 and $134,511, respectively.

The convertible loan is a hybrid instrument, containing a debt host component and two embedded derivatives – the investor's conversion option and the early repayment option (the "embedded derivatives"). The fair values of the embedded derivatives were insignificant upon initial measurement, as at September 30, 2017 and as at December 31, 2016.

7.2 Other loans payable

	As at	
	September 30, 2017	December 31, 2016
Other loans payable - current	$ 45,895	$ 50,000
Other loans payable - non-current	-	40,065
Other loans payable	$ 45,895	$ 90,065

For the three and nine months ended September 30, 2017, the imputed effective interest expense on other loans payable was $2,036 and $5,829, respectively, and the Company made payments totaling $20,000 and $50,000, respectively. For the three and nine months ended September 30, 2016, the imputed effective interest expense on other loans payable was $2,850 and $8,188, respectively, and the Company made payments totaling $20,000 and $60,000, respectively.

7. LOANS PAYABLE (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 September 30, 2017 and December 31, 2016, $1,875,000 and $1,855,000 had been paid, respectively. The outstanding consideration of $20,000 is payable in September 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. The Company has disclosed this amount as a commitment in Note 19. The Company has also agreed to purchase up to 1,280 surface acres at the Centennial Project upon receipt of regulatory permits and licenses allowing uranium production. The purchase price for the surface acres will be calculated using the then prevailing market rates; however, this amount cannot currently be reasonably quantified due to the uncertainty associated with the timing of receipt of the regulatory permits and licenses, the number of surface acres that will be purchased and the future prevailing market rates for the surface acres. If the Company does not obtain the regulatory permits and licenses allowing uranium production pertaining to the Centennial purchase agreement by September 27, 2019, the uranium rights will transfer back to the seller, at seller's option.

Dewey Burdock Purchase Agreements

In 2006 and 2008, the Company entered into agreements to purchase mineral rights on certain areas of the Dewey Burdock Project for consideration of $800,000, excluding contingent payments. As at September 30, 2017 and December 31, 2016, $770,000 and $740,000 had been paid, respectively. The outstanding consideration of $30,000 is payable in May 2018. An additional $2,050,000 is payable, in four equal annual installments, commencing 12 months subsequent to the receipt of regulatory permits and licenses allowing uranium production on the area of the Dewey Burdock Project pertaining to these mineral interests. The Company has disclosed this amount as a commitment in Note 19.

The Centennial and Dewey Burdock purchase agreements are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

8. TRADE AND OTHER PAYABLES

Trade and other payables of the Company primarily consist of amounts outstanding for trade purchases relating to administrative expenditures and exploration and permitting activities. The usual credit period taken for trade purchases is between 30 to 90 days.

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

8. TRADE AND OTHER PAYABLES (Continued)

The aging of the Company's trade and other payables was as follows:

	As at	
	September 30, 2017	December 31, 2016
Less than 1 month	$ 811,870	$ 384,268
1-3 months	209,422	170,552
3-6 months	9,654	86,024
More than 6 months	439,931	426,028
Total trade and other payables - current	$ 1,470,877	$ 1,066,872
Total trade and other payables - non-current	-	310,000
Total trade and other payables	$ 1,470,877	$ 1,376,872

Included in trade and other payables are amounts due to related parties, which are further disclosed in Note 17.

9. ADMINISTRATIVE EXPENSES

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Salaries and benefits	$ 208,927	$ 255,697	$ 642,222	$ 709,515
Consulting and professional fees	69,308	45,070	165,547	129,917
Corporate administration	75,724	85,961	171,579	156,853
Depreciation	1,040	1,794	3,016	4,897
Share-based compensation	36,878	27,297	167,818	121,606
Total administrative expenses	$ 391,877	$ 415,819	$ 1,150,182	$ 1,122,788

10. FINANCE COSTS

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Interest expense on loan payable to shareholders (Note 7.1)	$ 64,512	$ 44,369	$ 154,189	$ 134,511
Interest expense on other loans payable (Note 7.2)	2,036	2,850	5,829	8,188
Other interest expense	251	625	1,661	1,891
Total finance costs	$ 66,799	$ 47,844	$ 161,679	$ 144,590

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

11. UNREALIZED GAIN (LOSS)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Loss on revaluation of investment in Western Uranium (Note 6.1)	$ -	$ -	$ -	$ (298,311)
Gain (loss) on revaluation of investment in URI (Note 6.2)	-	(15,945)	25,412	(649,714)
Gain on warrant liability	272,588	-	509,573	3,809
Unrealized gain (loss), net	$ 272,588	$ (15,945)	$ 534,985	$ (944,216)

12. REALIZED GAIN (LOSS)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Loss on investment in Western Uranium (Note 6.1)	$ -	$ -	$ -	$ (148,141)
Gain (loss) on investment in URI (Note 6.2)	-	9,517	(22,570)	(72,050)
Gain on sale of exploration and evaluation assets held for sale (Note 5)	-	17,313	-	139,222
Other gains	3,832	16,027	18,632	61,521
Realized gain (loss), net	$ 3,832	$ 42,857	$ (3,938)	$ (19,448)

13. LOSS PER SHARE

The weighted average shares outstanding used to calculate loss per share for the three and nine months ended September 30, 2017 were 78,517,681 and 76,259,382, respectively, compared to 64,570,209 and 62,373,596 for the three and nine months ended September 30, 2016, respectively. The effect of outstanding options, warrants and convertible securities were excluded from the calculation of diluted loss per share for the three and nine months ended September 30, 2017 and 2016 as the impact would have been anti-dilutive.

14. EQUITY

14.1 Share capital and contributed surplus

The Company has authorized the issuance of an unlimited number of common and preferred shares with no par value. As at September 30, 2017 and December 31, 2016, the Company had 79,758,881 and 74,766,046 common shares outstanding, respectively, and no preferred shares outstanding.

14. EQUITY (Continued)

For the nine months ended September 30, 2017, the Company closed a non-brokered private placement for gross proceeds of C$1,141,904 ($913,637) through the issuance of 4,391,938 units (each, a "Unit") at a price of C$0.26 per Unit (the "Financing"). Each Unit consists of one common share of the Company and one-half of one share purchase warrant (two Units entitles the subscriber to one whole warrant, each a "Warrant"). One Warrant entitles the holder thereof to purchase one common share of the Company at a price of C$0.36 per share for a period of three years from the closing of the Financing. In connection with the Financing, the Company paid cash finders' fees and other fees of $26,768 and issued 138,000 Warrants to finders. The common shares issued in connection with the Financing are subject to a four-month and a day hold period. The Company intends to use the proceeds of the Financing to continue to advance the Dewey Burdock Project towards construction, to identify uranium resources at the Dewey Burdock Project through the analysis of historical data and for general working capital purposes.

For the nine months ended September 30, 2017, the Company issued 476,002 common shares to settle $114,571 owing pursuant to the Company's employee share purchase plan ("ESPP") and 124,895 common shares to settle $29,810 owing pursuant to the Company's director services agreements ("DSA"). As a result of these share issuances, $144,381 was reclassified from contributed surplus to share capital.

For the nine months ended September 30, 2016, the Company closed a non-brokered private placement for gross proceeds of C$2,218,401 ($1,701,930) through the issuance of 9,243,336 units (each, a "2016 Unit") at a price of C$0.24 per 2016 Unit (the "2016 Financing"). Each 2016 Unit consists of one common share of the Company and one-half of one share purchase warrant (two 2016 Units entitles the subscriber to one whole warrant, each a "2016 Warrant"). One 2016 Warrant entitles the holder thereof to purchase one common share of the Company at a price of C$0.35 per share for a period of three years from the closing of the 2016 Financing. In connection with the 2016 Financing, the Company paid cash finder's fees and other fees of $51,408. The Company used the proceeds from the 2016 Financing for continuation of the permitting process at the Dewey Burdock Project, mineral and surface right payments for the Company's projects and general working capital purposes.

For the nine months ended September 30, 2016, the Company issued 944,527 common shares to settle $238,859 owing pursuant to the Company's ESPP and 474,186 common shares to settle $124,714 owing pursuant to the Company's DSA. For the nine months ended September 30, 2016, the Company also issued 812,500 common shares to settle $169,933 of outstanding employee remuneration. As a result of these share issuances, $533,506 was reclassified from contributed surplus to share capital.

14. EQUITY (Continued)

For the nine months ended September 30, 2016, the Company issued 1,060,261 common shares to settle trade and other payables in the amount of $320,541. The fair value differential between the common shares issued and the carrying value of the trade and other payables settled resulted in a gain of $50,392.

For the nine months ended September 30, 2016, the Company issued 1,140,626 common shares as a result of shares for debt settlement agreements to settle up to $532,800 of outstanding interest payments pertaining to the Shareholders Loan Agreement. The fair value differential between the common shares issued and the carrying value of the interest settled resulted in an adjustment of $282,126 to contributed surplus, due to the shareholders' existing ownership interest in the Company.

For the nine months ended September 30, 2017 and 2016, the Company recorded $216,997 and $214,163, respectively, to contributed surplus for equity settled transactions pursuant to the Company's ESPP (refer to Note 14.4 for additional details) and DSA (refer to Note 14.4 for additional details).

Subsequent to September 30, 2017, the Company issued 262,293 common shares to settle $57,958 owing pursuant to the Company's ESPP and 65,054 common shares to settle $14,375 owing pursuant to the Company's DSA. Subsequent to September 30, 2017, the Company also issued 750,000 common shares to settle outstanding employee remuneration and 87,500 common shares to settle outstanding trade and other payables.

14.2 Share purchase warrants

As at September 30, 2017, 6,455,633 share purchase warrants were outstanding. Of the share purchase warrants outstanding, 1,833,968 share purchase warrants were issued as part of the Financing, each entitling the holder to purchase one common share at an exercise price of C$0.36 per share until July 27, 2020. The remaining 4,621,665 share purchase warrants were issued as part of the 2016 Financing, each entitling the holder to purchase one common share at an exercise price of C$0.35 until September 23, 2019. An additional 500,000 share purchase warrants will be issued to an insider of the Company as part of the Financing subject to disinterested shareholder approval.

The fair value of the share purchase warrant liability as at September 30, 2017 and December 31, 2016 was $288,588 and $596,602, respectively.

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

14. EQUITY (Continued)

Changes in the Company's share purchase warrant liability for the nine months ended September 30, 2017 and 2016 were as follows:

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Balance, beginning of period	$ 596,602	$ -
Issuance of warrants	178,695	346,969
Gain on revaluation	(509,573)	-
Currency translation effect	22,864	-
Balance, end of period	$ 288,588	$ 346,969

The fair value differential from inception, for the share purchase warrants issued on July 27, 2017, to September 30, 2017, included a currency translation adjustment of $237 and a gain on revaluation of $83,792. The weighted average fair value of the share purchase warrants granted for the nine months ended September 30, 2017 was estimated at C$0.12 per share purchase warrant at the issuance date using the Black-Scholes Option Pricing model.

The fair value differential from inception, for the share purchase warrants issued on September 23, 2016, to September 30, 2016, inclusive of any currency translation adjustment was insignificant. The weighted average fair value of the share purchase warrants granted for the nine months ended September 30, 2016 was estimated at C$0.10 per share purchase warrant at the issuance date using the Black-Scholes Option Pricing model.

The assumptions used for the Black-Scholes Option Pricing model to value the warrant liability were as follows:

	As at September 30, 2017	As at December 31, 2016
Risk free rate of return	1.14%	0.63%
Expected life	2.22 yrs	2.73 yrs
Expected volatility	72%	76% (i)
Expected dividend per share	Nil	Nil

(i) Annualized volatility has been calculated based on the historical volatility of the Company's stock price

The share purchase warrants are considered a derivative liability, as the currency denomination of the exercise price is different from the functional currency of the Company.

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

14. EQUITY (Continued)

The share purchase warrant transactions for the nine months ended September 30, 2017 and 2016 were as follows:

	Nine months ended September 30,			
	2017		2016	
	Number of share purchase warrants	Weighted average exercise price (C$)	Number of share purchase warrants	Weighted average exercise price (C$)
Balance, beginning of period	4,621,665	$ 0.35	5,754,047	$ 1.26
Share purchase warrants granted	1,833,968	0.36	4,621,665	0.35
Share purchase warrants expired	-	-	(1,584,980)	1.95
Balance, end of period	6,455,633	$ 0.35	8,790,732	$ 0.66

The share purchase warrants outstanding and exercisable as at September 30, 2017 were as follows:

	Share purchase warrants outstanding and exercisable		
Exercise price (C$)	Share purchase warrants outstanding and exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)
$ 0.35	4,621,665	$ 0.35	1.98
$ 0.36	1,833,968	0.36	2.82
	6,455,633	$ 0.35	2.22

14.3 Equity instrument issued to Powerlite Ventures Limited

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;

14. EQUITY (Continued)

- Company's conversion right – to convert the outstanding notes plus accrued interest at the earlier of six months from the issuance date of each note or an event causing conversion of any Black Range Minerals Limited convertible loans held by the Company (this conversion event occurred in prior periods);
- Mandatory conversion – all outstanding notes plus accrued interest will automatically convert to shares within 10 business days of the maturity; and
- Other – the Powerlite Facility is unsecured.

As at September 30, 2017 and December 31, 2016, the Company had drawn a total of $18,000,000 under the Powerlite Facility. Although $3,000,000 remains available under the terms of the Powerlite Facility, the Company believes it is unlikely that Powerlite will be able to fund the remaining amount of the Powerlite Facility.

The $18,000,000 drawn under the Powerlite Facility and accrued interest were converted into common shares of the Company in 2014 and subsequently transferred to Wintercrest Advisors LLC, or its nominees, in May 2017. Interest expense was not recognized for the three and nine months ended September 30, 2017 and 2016 as no amounts were outstanding under the Powerlite Facility.

14.4 Equity settled compensation arrangements

In 2015, the Company adopted an ESPP. The Company is authorized to issue up to 3,000,000 common shares pursuant to the terms and conditions of the ESPP. Employees, who elect to participate in the ESPP, can contribute up to 50% of their salary (the "Employee Contribution"). The Company will then match 66.67% of the Employee's Contribution (the "Matching Contribution"). The purchase price of the common shares is calculated based on the five-day volume weighted average trading price of the common shares on the TSX immediately preceding the end of each calendar quarter. The Employee Contribution and the Matching Contribution are expensed in the period in which they are incurred with the offsetting amount being recorded in contributed surplus until the common shares are issued. For the three and nine months ended September 30, 2017, Employee Contributions totaled $34,775 and $104,325, respectively, and Matching Contributions totaled $23,182 and $69,547, respectively. For the three and nine months ended September 30, 2016, Employee Contributions totaled $29,375 and $88,125, respectively, and Matching Contributions totaled $19,582 and $58,746, respectively. As at September 30, 2017 and to date, a total of 1,941,952 and 2,202,245 common shares had been issued, respectively, pursuant to the ESPP.

14. EQUITY (Continued)

In 2015, the Company adopted the DSA. The Company is authorized to issue up to 2,000,000 common shares pursuant to the terms and conditions of the DSA. Directors who elect to participate in the DSA contribute 50% of their director fee/salary to the ESPP and the remaining 50% of their director fee/salary is settled through the issuance of common shares in accordance with the DSA. The purchase price of the common shares is calculated based on the five-day volume weighted average trading price of the common shares on the TSX immediately preceding the end of each calendar quarter. Amounts settled in accordance with the DSA are expensed in the period in which they are incurred with the offsetting amount being recorded in contributed surplus until the common shares are issued. For the three and nine months ended September 30, 2017, $14,375 and $43,125, respectively, were expensed under the DSA. For the three and nine months ended September 30, 2016, $16,875 and $50,625, respectively, were expensed under the DSA. As at September 30, 2017 and to date, a total of 765,551 and 830,605 common shares had been issued, respectively, pursuant to DSA.

15. SHARE OPTION RESERVE

15.1 Stock option plan

On October 28, 2014, the Company adopted a new stock option plan, which permits the Board of Directors of the Company to grant stock options to acquire common shares of the Company to eligible persons. The Company is authorized to issue stock options for a maximum of 7,271,816 common shares pursuant to the stock option plan. The stock option plan permits the Board of Directors of the Company to set the terms for each stock option grant; however, stock options granted under the plan cannot exceed a maximum exercise period of 5 years. The options are non-transferable.

For the nine months ended September 30, 2017, the Company granted a total of 2,060,000 stock options to officers, employees, directors and other eligible persons at an exercise price of C$0.32 with an expiry date of May 16, 2022. The weighted average fair value of the options granted for the nine months ended September 30, 2017 was estimated at C$0.17 per option at the grant date using the Black-Scholes Option Pricing model.

For the nine months ended September 30, 2016, the Company granted a total of 1,235,000 stock options 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 weighted average fair value of the options granted for the nine months ended September 30, 2016 was estimated at C$0.21 per option at the grant date using the Black-Scholes Option Pricing model.

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

15. SHARE OPTION RESERVE (Continued)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016	
Risk free rate of return	1.12%	0.69%	
Expected life	5 yrs	5 yrs	
Expected volatility	79%	79%	(i)
Expected dividend per share	Nil	Nil	

(i) Annualized volatility has been calculated based on the historical volatility of the Company's stock price.

For the three and nine months ended September 30, 2017, the Company recognized share-based compensation expense of $39,725 and $190,973, respectively, of which $36,878 and $167,818, respectively, has been allocated to administrative expenses and $2,847 and $23,155, respectively, has been allocated to exploration and evaluation assets.

For the three and nine months ended September 30, 2016, the Company recognized share-based compensation expense of $32,144 and $144,617, respectively, of which $27,297 and $121,606, respectively, has been allocated to administrative expenses and $4,847 and $23,011, respectively, has been allocated to exploration and evaluation assets.

15.2 Outstanding stock options

The option transactions under the stock option plan were as follows:

	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Balance, beginning of period	4,078,762	$ 0.58	5,521,993	$ 0.88
Options granted	2,060,000	0.32	1,235,000	0.36
Options expired	(225,000)	2.00	(2,494,231)	1.16
Options forfeited	-	-	(134,000)	0.34
Balance, end of period	5,913,762	$ 0.44	4,128,762	$ 0.57

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

15. SHARE OPTION RESERVE (Continued)

The stock options outstanding and exercisable as at September 30, 2017 were as follows:

	Options outstanding			**Options exercisable**		
Exercise price (C$)	Options outstanding	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)
$0.32-$0.38	5,285,000	$ 0.34	3.30	3,501,900	$ 0.34	2.74
$1.20-$1.50	628,762	1.23	1.57	628,762	1.23	1.57
	5,913,762	$ 0.44	3.11	4,130,662	$ 0.48	2.56

15.3 Share option reserve

The Company's share option reserve relates to stock options granted by the Company to officers, employees, directors and other eligible persons under its stock option plan.

Changes in the Company's share option reserve for the nine months ended September 30, 2017 and 2016 were as follows:

	Nine months ended September 30, 2017	**2016**
Balance, beginning of period	$ 1,196,865	$ 1,021,099
Share-based compensation capitalized to exploration and evaluation assets	23,155	23,011
Share-based compensation charged to operations	167,818	121,606
Balance, end of period	$ 1,387,838	$ 1,165,716

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

16. FINANCIAL INSTRUMENTS

16.1 Categories of financial instruments

	As at	
	September 30, 2017	December 31, 2016
Financial assets		
Loans and receivables		
Cash	$ 318,133	$ 941,370
Restricted cash	42,846	42,687
Fair value through profit or loss		
Investment in URI (Note 6)	-	68,264
Total financial assets	$ 360,979	$ 1,052,321

	As at	
	September 30, 2017	December 31, 2016
Financial liabilities		
Other financial liabilities		
Trade and other payables (Note 8)	$ 1,470,877	$ 1,376,872
Loan payable to shareholders (Note 7)	2,002,324	1,848,135
Other loans payable (Note 7)	45,895	90,065
Decommissioning liability	139,528	129,933
Fair value through profit or loss		
Warrant liability (Note 14.2)	288,588	596,602
Total financial liabilities	$ 3,947,212	$ 4,041,607

16.2 Fair value

The fair value of financial assets and financial liabilities measured at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities measured at amortized cost approximates their fair value.

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

16. FINANCIAL INSTRUMENTS (Continued)

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

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

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

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

As at September 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Warrant liability	$ -	$ 288,588	$ -	$ 288,588
Total financial liabilities at fair value	$ -	$ 288,588	$ -	$ 288,588

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment in URI	$ 68,264	$ -	$ -	$ 68,264
Total financial assets at fair value	$ 68,264	$ -	$ -	$ 68,264
Warrant liability	$ -	$ 596,602	$ -	$ 596,602
Total financial liabilities at fair value	$ -	$ 596,602	$ -	$ 596,602

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

16. FINANCIAL INSTRUMENTS (Continued)

There were no transfers between Level 1, 2 and 3 for the three and nine months ended September 30, 2017 and 2016.

17. RELATED PARTY TRANSACTIONS

These condensed consolidated interim financial statements include the financial statements of Azarga Uranium and its significant subsidiaries listed in the following table:

		% equity interest As at	
Name	Country of incorporation	September 30, 2017	December 31, 2016
Azarga Resources (Hong Kong) Limited	Hong Kong	100%	100%
Azarga Resources Limited	British Virgin Islands	100%	100%
Azarga Resources Canada Ltd.	Canada	100%	100%
Azarga Resources USA Company	United States of America	100%	100%
Powertech USA, Inc.	United States of America	100%	100%
UrAsia	Kyrgyz Republic	70%	70%

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

- Interest accruing to certain directors, management and shareholders of the Company on the Shareholders Loan Agreement (Note 7.1);
- The extension of the term of the Shareholders Loan Agreement and other amendments and agreements related to the Shareholders Loan Agreement as disclosed (Note 7.1);
- The issuance of common shares to key management personnel of the Company to settle trade and other payables, employee remuneration (Note 14.1) and interest on the Shareholders Loan Agreement (Note 7.1); and
- The issuance of common shares and share purchase warrants as a part of the Financing and the 2016 Financing.

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

17. RELATED PARTY TRANSACTIONS (Continued)

Related party liabilities

	As at		
	September 30, 2017	December 31, 2016	
Loan payable to shareholders	$ 2,002,324	$ 1,848,135	(i)
Trade and other payables for key management personnel compensation - current	663,164	339,043	(ii)
Trade and other payables for key management personnel compensation - non-current	-	310,000	(ii)
Total liabilities with related parties	$ 2,665,488	$ 2,497,178	

(i) As at September 30, 2017, of the $2,002,324 loan payable to shareholders, $812,502 was payable to a director. As at December 31, 2016, of the $1,848,135 loan payable to shareholders, $749,243 was payable to a director.

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

Related party expenses

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Interest expense on loan payable to shareholders	$ 64,512	$ 44,369	$ 154,189	$ 134,511
Total related party expenses	$ 64,512	$ 44,369	$ 154,189	$ 134,511

Key management personnel compensation

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Share-based compensation	$ 23,223	$ 9,265	$ 108,951	$ 48,813
Salaries, fees and other benefits	123,355	121,964	368,723	366,797
Share-based payments	59,166	65,833	177,497	197,497
Key management personnel compensation	$ 205,744	$ 197,062	$ 655,171	$ 613,107

18. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities

For the nine months ended September 30, 2017 and 2016, the Company entered into the following non-cash investing and financing activities, which are not reflected in the condensed consolidated interim statements of cash flows:

- For the nine months ended September 30, 2017 and 2016, share-based compensation expense of $23,155 and $23,011, respectively, was capitalized as exploration and evaluation assets;
- For the nine months ended September 30, 2017 and 2016, no cash interest or income taxes were paid;
- For the nine months ended September 30, 2017 and 2016, the Company issued 476,002 common shares and 944,527 common shares, respectively, to settle $114,571 and $238,859, respectively, owing pursuant to the Company's ESPP;
- For the nine months ended September 30, 2017 and 2016, the Company issued 124,895 common shares and 474,186 common shares, respectively, to settle $29,810 and $124,714, respectively, owing pursuant to the Company's DSA;
- For the nine months ended September 30, 2017 and 2016, the Company recorded $216,997 and $214,163, respectively, to contributed surplus for equity settled transactions pursuant to the Company's ESPP and DSA;
- For the nine months ended September 30, 2017, the Company issued 1,833,968 share purchase warrants as part of the Financing;
- For the nine months ended September 30, 2016, the Company issued 1,060,251 common shares to settle trade and other payables in the amount of $320,541;
- For the nine months ended September 30, 2016, the Company issued 1,140,626 common shares to settle $532,800 of outstanding interest pertaining to the Shareholders Loan Agreement;
- For the nine months ended September 30, 2016, the Company issued 812,500 common shares to settle $169,933 of outstanding employee remuneration; and
- For the nine months ended September 30, 2016, the Company issued 4,621,665 share purchase warrants as part of the 2016 Financing.

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

19. COMMITMENTS

As at September 30, 2017 and December 31, 2016, the Company's commitments that have not been disclosed elsewhere in the condensed consolidated interim financial statements were as follows:

	As at September 30, 2017			
	Within 1 year	**2-4 years**	**Over 4 years**	**Total**
Operating lease commitments	$ 45,847	$ 7,667	$ -	$ 53,514
Exploration and evaluation commitments	518,619	5,096,008	1,978,015	7,592,642
Total commitments	$ 564,466	$ 5,103,675	$ 1,978,015	$ 7,646,156

	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 September 30, 2017 and December 31, 2016, exploration and evaluation commitments include lease, mineral claim, exploration license and property purchase agreement payments. Certain of the Company's exploration and evaluation commitments may provide the Company with the ability to avoid funding those commitments; however, the Company discloses the contractual maturities of the Company's exploration and evaluation commitments based on management's intent.