Azarga Uranium Corp.
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2014 and 2013
(Expressed in U.S. Dollars)

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Azarga Uranium Corp.

We have audited the accompanying consolidated financial statements of Azarga Uranium Corp. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Azarga Uranium Corp. and its subsidiaries as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not yet achieved profitable operations, has a working capital deficit of $1,567,300, an accumulated deficit of $6,272,029. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern.

Other Matters

The consolidated financial statements of Azarga Uranium Corp. for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on May 13, 2014.

(signed) “BDO CANADA LLP”

Chartered Accountants
Vancouver, Canada
March 30, 2015

AZARGA URANIUM CORP.
Consolidated Statements of Financial Position
As at December 31, 2014 and 2013
(Expressed in U.S. Dollars)

	Notes	As at December 31, 2014	As at December 31, 2013
ASSETS			
Current assets			
Cash		$ 3,214,529	$ 282,013
Convertible loan receivables	10	427,139	460,375
Other current assets		37,847	20,856
Total current assets		3,679,515	763,244
Non-current assets			
Restricted cash	7	231,948	21,151
Exploration and evaluation assets	7	37,433,869	12,418,765
Property, plant and equipment	8	197,063	171,232
Investments in associates	9.1	1,890,623	8,605,630
Investment in Anatolia	9.2	2,061,257	1,738,600
Convertible loan receivables	10	-	2,320,675
Other non-current assets		36,877	23,130
Total non-current assets		41,851,637	25,299,183
Total assets		$ 45,531,152	$ 26,062,427
EQUITY AND LIABILITIES			
Current liabilities			
Trade and other payables	12	$ 3,470,711	$ 386,471
Loans payable	11	1,068,522	70,531
Deferred consideration	5	700,000	1,741,080
Other current liabilities	13	7,582	2,971,557
Total current liabilities		5,246,815	5,169,639
Non-current liabilities			
Deferred income tax liabilities	14.3	5,619,790	1,704,694
Deferred consideration	5	700,672	-
Loans payable	11	2,202,094	1,776,000
Warrant liability	20.2	328,213	-
Other non-current liabilities	13	1,651,540	377,815
Total non-current liabilities		10,502,309	3,858,509
Total liabilities		15,749,124	9,028,148
Equity			
Common shares	20.1	36,938,764	302,333
Contributed surplus reserve/(deficit)	20.1	(1,594,389)	20,585,082
Share option reserve	21.3	717,539	219,098
Accumulated deficit	20.3	(6,272,029)	(4,994,907)
Foreign currency translation reserve		(713,214)	(69,565)
Equity attributable to the equity holders of the Company		29,076,671	16,042,041
Non-controlling interest	6	705,357	992,238
Total equity		29,782,028	17,034,279
Total equity and liabilities		$ 45,531,152	$ 26,062,427

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

APPROVED BY THE BOARD:

"Joseph Havlin" **Director**

"Alexander Molyneux" **Director**

AZARGA URANIUM CORP.
Consolidated Statements of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2014 and 2013
(Expressed in U.S. Dollars)

	Notes		Year ended December 31, 2014		2013
Administration expenses	15	$	(3,802,907)	$	(1,940,724)
Foreign exchange gain/(loss)			28,026		(363)
Loss from operations			(3,774,881)		(1,941,087)
Finance costs	16		(1,327,720)		(975,318)
Unrealized loss on financial instruments	17		(1,561,196)		(1,314,224)
Realized gain/(loss) on financial instruments	18		(171,480)		703,501
Share of equity loss from associates	9.1		(2,283,461)		(568,414)
Impairment of investment in associates	9.1		(3,707,133)		-
Bargain purchase gain on close of RTO	5		11,605,241		-
Net loss before tax			(1,220,630)		(4,095,542)
Deferred income tax expense	14.2		(255,095)		(217,293)
Net loss			(1,475,725)		(4,312,835)
Other comprehensive loss					
Item that may be reclassified subsequently as profit or loss					
Foreign currency translation adjustment			(731,927)		(80,953)
Total comprehensive loss		$	(2,207,652)	$	(4,393,788)
Net loss attributable to:					
Equity holders of the Company			(1,277,122)		(4,119,153)
Non-controlling interest			(198,603)		(193,682)
Net loss		$	(1,475,725)	$	(4,312,835)
Other comprehensive loss attributable to:					
Equity holders of the Company			(643,649)		(66,973)
Non-controlling interest			(88,278)		(13,980)
Other comprehensive loss		$	(731,927)	$	(80,953)
Basic loss per share	19	**$**	**(0.04)**	**$**	**(0.18)**
Diluted loss per share	19	**$**	**(0.04)**	**$**	**(0.18)**

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

AZARGA URANIUM CORP.

Consolidated Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(Expressed in U.S. Dollars and shares)

		Attributable to equity holders of the Company								
	Notes	Number of shares	Common shares	Contributed surplus reserve/ (deficit)	Share option reserve	Accumulated deficit	Foreign currency translation reserve	Total equity	Non-controlling interest	Total equity
Balances, January 1, 2013		50,000,000	$ 200,000	$ (1,594,389)	$ -	$ (875,754)	$ (2,592)	$ (2,272,735)	$ 1,199,900	$ (1,072,835)
Issuance of shares	20	25,583,274	102,333	9,830,978	-	-	-	9,933,311	-	9,933,311
Issuance of equity instrument	20	-	-	12,348,493	-	-	-	12,348,493	-	12,348,493
Share-based compensation	21	-	-	-	219,098	-	-	219,098	-	219,098
Net loss for the year		-	-	-	-	(4,119,153)	-	(4,119,153)	(193,682)	(4,312,835)
Other comprehensive loss for the year		-	-	-	-	-	(66,973)	(66,973)	(13,980)	(80,953)
Balances, December 31, 2013		75,583,274	$ 302,333	$ 20,585,082	$ 219,098	$ (4,994,907)	$ (69,565)	$ 16,042,041	$ 992,238	$ 17,034,279
Balances, January 1, 2014		75,583,274	$ 302,333	$ 20,585,082	$ 219,098	$ (4,994,907)	$ (69,565)	$ 16,042,041	$ 992,238	$ 17,034,279
Issuance of shares prior to close of RTO	20	39,241,880	156,968	254,787	-	-	-	411,755	-	411,755
Issuance of equity instrument prior to close of RTO	20	-	-	6,757,754	-	-	-	6,757,754	-	6,757,754
Eimination of Azarga Resources common shares	20	(114,825,154)	-	-	-	-	-	-	-	-
Shares outstanding on close of RTO	20	505,700,952	3,109,018	-	37,995	-	-	3,147,013	-	3,147,013
Share consolidation on close of RTO	20	(455,130,857)	-	-	-	-	-	-	-	-
Reclassification of contributed surplus on close of RTO	20	-	29,192,012	(29,192,012)	-	-	-	-	-	-
Issuance of shares post close of RTO	20	8,833,638	4,178,433	-	-	-	-	4,178,433	-	4,178,433
Share-based compensation	21	-	-	-	460,446	-	-	460,446	-	460,446
Net loss for the year		-	-	-	-	(1,277,122)	-	(1,277,122)	(198,603)	(1,475,725)
Other comprehensive loss for the year		-	-	-	-	-	(643,649)	(643,649)	(88,278)	(731,927)
Balances, December 31, 2014		59,403,733	$ 36,938,764	$ (1,594,389)	$ 717,539	$ (6,272,029)	$ (713,214)	$ 29,076,671	$ 705,357	$ 29,782,028

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

AZARGA URANIUM CORP.
Consolidated Statements of Cash Flows
For the years ended December 31, 2014 and 2013
(Expressed in U.S. Dollars)

	Notes	Year ended December 31, 2014	2013
OPERATING ACTIVITIES			
Net loss before tax		$ (1,220,630)	$ (4,095,542)
Adjustments for:			
Depreciation	8	14,056	11,521
Share-based compensation	15	620,792	169,087
Finance costs	16	1,327,720	975,318
Share of equity loss of associates	9	2,283,461	568,414
Impairment in investment in associate	9	3,707,133	-
Realized (gain)/loss on financial instruments	18	171,480	(703,501)
Unrealized loss on financial instruments	17	1,561,196	1,314,224
Bargain purchase gain on close of RTO	5	(11,605,241)	-
Unrealized foreign exchange loss		1,097	363
Operating cash flows before changes in non-cash working capital items		(3,138,936)	(1,760,116)
Change in other assets		(19,388)	(32,326)
Change in trade and other payables		792,850	214,277
Change in other liabilities		227,512	18,164
Cash used in operating activities		(2,137,962)	(1,560,001)
INVESTING ACTIVITIES			
Cash acquired on close of RTO		8,312	-
Payment of deferred consideration	5	(150,000)	(1,450,000)
Investment in Centennial Project		-	(1,072,468)
Purchase of long-term investments		(898,100)	(9,734,807)
Sale of long-term investments		335,232	-
Restricted cash		(6,802)	(21,151)
Purchase of property, plant and equipment, net of disposals		1,312	(166,119)
Settlement of Anatolia put option agreement		(348,338)	-
Purchase of convertible loans		(3,746,788)	(3,751,087)
Expenditures on exploration and evaluation assets		(940,089)	(1,835,545)
Cash used in investing activities		(5,745,261)	(18,031,177)
FINANCING ACTIVITIES			
Proceeds from issuance of common shares		4,812,197	7,433,311
Issuance of equity instrument	20.4	6,000,000	12,000,000
Interest paid		-	(135,278)
Proceeds from borrowings, net of repayments		-	453,118
Cash generated from financing activities		10,812,197	19,751,151
Effect of foreign exchange rate changes on cash		3,542	4,081
Increase in Cash		2,932,516	164,054
Cash, beginning of period		282,013	117,959
Cash, end of period		$ 3,214,529	$ 282,013

Supplemental cash flow information (Note 25)

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

1. CORPORATE INFORMATION AND GOING CONCERN

Azarga Uranium Corp. ("Azarga Uranium") (formerly Powertech Uranium Corp. or "Powertech") was incorporated on February 10, 1984 in British Columbia, Canada. Azarga Uranium's common shares are publicly traded on the Toronto Stock Exchange (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. On October 28, 2014, Powertech completed a reverse take-over ("RTO") with Azarga Resources Limited ("Azarga Resources"). Refer to Note 5 for additional details.

The Company controls uranium properties located in the United States of America ("USA") (South Dakota, Wyoming, and Colorado) 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 80% of the Kyzyl Ompul Project in the Kyrgyz Republic, the Centennial Project in Colorado, the Aladdin Deposit in Wyoming and two uranium exploration properties in Wyoming. The Company also holds investments in the following uranium exploration and development companies: Black Range Minerals Limited ("Black Range") and Anatolia Energy Limited ("Anatolia").

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 900-885 West Georgia Street, Vancouver, B.C., Canada, V6C 3H1.

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 come due. To date, the Company has not generated revenues from operations and is currently in the exploration and development stage. As at December 31, 2014, the Company had negative working capital of $1,567,300 and an accumulated deficit of $6,272,029 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. The inability to obtain additional financing would 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 if additional funds are required; 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

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

The consolidated financial statements of the Company for the year ended December 31, 2014 were approved and authorized for issue by the Board of Directors of the Company on March 30, 2015.

2.2 Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities, which are measured at fair value. The Company's financial instruments are further disclosed in Note 23.

2.3 Comparative financial information

These consolidated financial statements have been prepared as a continuation of Azarga Resources' consolidated financial statements and the comparative figures presented represent the consolidated financial statements of Azarga Resources. The results of Powertech's operations have been included in the Company's consolidated financial statements subsequent to the close of the RTO on October 28, 2014 (refer to Note 5). In the statement of cash flow for the year ended December 31, 2013, the Company reclassified the purchase of convertible loans of $3,751,087 from financing activities to investing activities.

2.4 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, 2014. The adoption of these standards did not have a material impact on the financial statements of the Company.

IFRS 10, IFRS 12 and IAS 27 (2011 Amendments)

Amendments to IFRS 10, IFRS 12 and IAS 27 provides an exception to consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them.

IAS 32 Financial Instruments: Presentation (Amendment)

Amendments to IAS 32 clarify matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements.

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

2. BASIS OF PREPARATION (Continued)

IAS 36 Impairment of Assets (Amendment)

Amendments to IAS 36 align the disclosures required for the recoverable amount of an asset (or cash generating unit) when this has been determined on the basis of fair value less costs of disposal with those required where the recoverable amount has been determined on the basis of value in use.

IAS 39 Financial Instruments: Recognition and Measurement (Amendment)

Amendments to IAS 39 allows hedge accounting to continue when derivatives are novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met.

IFRIC 21 Levies

IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

Standards issued but not yet effective

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, 2014 are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 5 Amendment	Amendments to IFRS 5 Non Current Assets Held for Sale and Discontinued Operations[(i)]
IFRS 7 Amendment	Amendments to IFRS 7 Financial Instruments: Disclosures[(i)]
IFRS 9	Financial Instruments[(iii)]
IFRS 10 and IAS 28 Amendments	Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures[(i)]
IFRS 11 Amendments	Amendments to IFRS 11 Joint Arrangements[(i)]
IFRS 15	Revenue from Contracts with Customers[(ii)]
IAS 1 Amendments	Amendments to IAS 1 Presentation of Financial Statements[(i)]

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

2. BASIS OF PREPARATION (Continued)

IAS 16 and IAS 38 Amendments	Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets(i)
IAS 34 Amendments	Amendments to IAS 34 Interim Financial Reporting(i)

i) Effective for annual periods beginning on or after January 1, 2016
ii) Effective for annual periods beginning on or after January 1, 2017
iii) Effective for annual periods beginning on or after January 1, 2018

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of Azarga Uranium and its controlled subsidiaries and investees (Note 24).

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intercompany transactions, balances, income and expenses are eliminated in full on consolidation.

3.2 Business combinations

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Total comprehensive income of the Company's subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. During the year ended December 31, 2014 and 2013, 20% of the net assets of the Company's consolidated subsidiary, UrAsia in Kyrgyzstan Limited Liability Company ("UrAsia"), were attributable to its non-controlling interest.

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition related costs are expensed and included in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss or as a change in other comprehensive income.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the fair value of the identifiable net assets acquired and liabilities assumed. If this consideration is lower than the fair value of the identifiable net assets of the business acquired, the difference is recognized in profit or loss.

3.3 Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The carrying amount is further decreased by investor's share of the payment(s) of dividends by the investee after the date of acquisition. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's investment in associates includes goodwill recognized on acquisition.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Company and its associate are recognized in the Company's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Dilution gains and losses arising in investments in associates are recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A step acquisition of an associate acquired in stages is accounted under the 'Fair value as deemed cost' method. The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the investment became an associate. Any acquisition related costs are expensed in the periods in which the costs are incurred.

3.4 Functional and presentation currency

The functional currency of each entity is measured using 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, whose functional currency is the Kyrgyz Som.

These consolidated financial statements are presented in United States Dollar, which is the Company's presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income/loss in the consolidated statement of profit or loss and other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income/loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and subsidiary companies

The financial position and results of operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Income and expenses are translated at the average exchange rates for the period.

Exchange differences are transferred directly to other comprehensive income/loss and are included in a separate component of shareholders' equity titled foreign currency translation reserve. These differences are recognized in profit or loss in the period in which the subsidiary is disposed of.

3.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Borrowing costs related to exploration and evaluation expenditures are capitalized as part of the historical cost of exploration and evaluation assets. All other borrowing costs are expensed and included in profit or loss.

3.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and other short-term investments with an original term to maturity of three months or less at date of purchase, and are carried at amortized cost. The Company does not hold any cash equivalents.

Restricted cash

In the USA, restricted cash consists of deposits held for collateral pursuant to bonds provided to state authorities in connection with mineral property activities. In the Kyrgyz Republic, restricted cash consist of deposits made pursuant to the requirements of the Company's exploration license agreements. The Company makes such cash deposits for restoration provisions related to rehabilitation obligations.

3.7 Property, plant and equipment ("PPE")

PPE includes the Company's machinery and equipment, office equipment, furniture and fixtures, vehicles and buildings. PPE is stated at cost less accumulated depreciation and accumulated impairment losses.

Initial recognition

The cost of an item of property, plant and equipment consists of the purchase price or construction cost, including vendor prepayments, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and the estimated costs associated with dismantling and removing the assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation

Depreciation is recorded based on the cost of an item of PPE, less its estimated residual value, using the straight-line method over the following estimated useful lives:

- Machinery and equipment 5 to 10 years
- Transport vehicles 3 years
- Office equipment 3 to 5 years
- Furniture and fixtures 4 to 5 years
- Building 10 to 40 years

When major components of an item of PPE have different useful lives, they are accounted for as separate items of PPE and depreciated as per each component's useful life.

The cost of replacing a component of PPE is recognized as part of the carrying value of the item if it is probable that the future economic benefit will flow to the Company and its cost can be measured. The carrying amount of the replaced component is derecognized.

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

The Company conducts an annual assessment of the residual balances, estimated useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

3.8 Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they occur.

Exploration and evaluation expenditures are recognized as assets in the period in which they are incurred once the legal right to explore a property has been acquired. This includes any acquisition costs associated with such property. These direct expenditures include such costs as drilling/engineering, ecological monitoring, salaries and consulting, rehabilitation costs, license fees, inclusive of land payments and claims maintenance, and capitalized value added tax ("VAT"). Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

VAT related to exploration and evaluation expenditures is capitalized because the costs are directly attributable to these activities and the Company does not generate revenue to reclaim VAT on sales. Therefore, the Company has capitalized VAT to exploration and evaluation as opposed to recording a VAT receivable.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Any such impairment charges will be written off to profit or loss.

Once the technical feasibility and commercial viability of extracting the resource has been determined and management plans to develop the property, the property will be considered a mine under development and will be classified as “mines under construction.”

Exploration and evaluation expenditures are classified as intangible assets.

3.9 Rehabilitation provisions

The Company recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of environmental disturbances caused by exploration and evaluation activities. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites. Initially, a provision for a decommissioning liability is recognized as its present value in the period in which it is incurred. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation.

The Company has determined that no rehabilitation provisions are required to be recognized as at December 31, 2014 and 2013.

3.10 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the end of each reporting period. The Company had no current income tax for the years ended December 31, 2014 and 2013.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred income tax

Deferred income tax is provided for using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been substantively enacted at the end of each reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In consolidated financial statements, temporary differences are determined by comparing the carrying amounts of assets and liabilities in the consolidated financial statements with the appropriate tax base. The tax base is determined by reference to the tax returns of each entity in the group.

Deferred income tax relating to items recognized directly in equity or other comprehensive income/loss are recognized in equity and not in profit or loss or other comprehensive income/loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.11 Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or fair value through profit or loss.

Financial assets classified as fair value through profit or loss ("FVTPL") are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except when there is objective evidence that the financial asset is impaired. Impairment losses on available-for-sale financial assets are recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Derivative instruments, including embedded derivatives, are carried at fair value with any changes in the fair values of derivative instruments being recognized in profit and loss with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities designated upon initial recognition as FVTPL. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities classified as FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

Derivative instruments, including embedded derivatives, are carried at fair value with any changes in the fair values of derivative instruments being recognized in profit and loss with the exception of derivatives designated as effective cash flow hedges. The Company has no such designated hedges.

3.12 Derivative financial instruments

The Company may issue or hold compound financial instruments with embedded derivatives. An embedded derivative is separated from its host contract and accounted for as a derivative only when three criteria are satisfied:

- When the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The entire instrument is not measured at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income.

Financial assets

The Company designates financial assets with embedded derivatives as FVTPL on the initial recognition and accordingly does not bifurcate between the host contract and the embedded derivative. The embedded derivative is measured at each reporting period using an appropriate valuation model with changes in the fair value being recognized immediately in profit or loss.

Financial liabilities

The Company designates certain financial liabilities with embedded derivatives as FVTPL on the initial recognition and accordingly does not bifurcate between the host contract and the embedded derivative; however, other financial liabilities with embedded derivatives are bifurcated into the debt host component and the embedded derivative component, depending on the instrument. In the case of the latter, the debt host component is classified as other financial liabilities and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the financial liabilities.

3.13 Impairment of financial assets

Assets carried at amortized cost

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

Available-for-sale

A significant or prolonged decline in the fair value of an available-for-sale financial asset below its cost provides objective evidence that the asset is impaired. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

3.14 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, recent market transactions are taken into account. The Company also considers the results of an appropriate valuation model, which would generally be determined based on the present value of estimated future cash flows arising from the continued use and eventual disposal of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.16 Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share is calculated by adjusting the profit or loss attributable to equity holders of the Company and the weighted average number of shares outstanding for the effects of all dilutive share equivalents. The Company's dilutive share equivalents include stock options, share purchase warrants and convertible securities.

3.17 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3.19 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management that makes strategic decisions

3.20 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 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, 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 (refer to Note 1).

Valuation of derivatives

Certain derivatives issued by the Company are valued using the Black Scholes Option Pricing Model. The Black Scholes Option Pricing Model is a formula that is used to determine the fair value of a call or put option based on factors such as underlying stock volatility, days to expiration, and others. The key inputs used by the Company in its Black Scholes Option Pricing Model are further disclosed within these consolidated financial statements. Changes in the inputs to the valuation model could impact the carrying value of the derivatives and the amount of unrealized gains or losses recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation of convertible loans

The Company's convertible loans are valued using a binomial option pricing model. A binomial tree is a valuation model that uses a lattice of the underlying's price varying over discreet time periods and determines the value of an option at each node. The key inputs used by the Company in its binomial option pricing model are further disclosed in Note 10.1. The financial asset components are valued based on the present value of expected future cash flows at the discount rate that would have applied to the financial assets without conversion or other embedded derivative features. Changes in the inputs to the valuation model could impact the carrying value of the embedded derivatives and financial assets in the convertible loans and the amount of unrealized gains or losses recognized in profit or loss.

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 business combinations and asset acquisitions

Management determines the assets acquired and liabilities assumed constitute a business if it consists of inputs and processes applied to those inputs that have the ability to create outputs. Powertech completed a RTO with Azarga Resources on October 28, 2014 and, in accordance with its policy, applied IFRS 3, *Business Combinations*, and concluded that the transaction qualified as a business combination as significant inputs and processes that constitute a business were identified. Refer to Note 5 for additional details.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Useful lives and depreciation rates for PPE

Depreciation expense is allocated based on estimated PPE useful lives and depreciation rates. Therefore, changes in the useful life or depreciation rates from the initial estimate could impact the carrying value of PPE and an adjustment would 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.

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

4. 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 carrying amount of the Company's assets, liabilities, exploration and evaluation assets, long-term investments and net loss analyzed by operating segment are as follows:

	Kyrgyzstan Uranium Division	United States Uranium Division	Unallocated (i)	Consolidated Total
Segment assets				
As at December 31, 2014	$ 10,618,895	$ 27,243,491	$ 7,668,766	$ 45,531,152
As at December 31, 2013	$ 10,932,709	$ -	$ 15,129,718	$ 26,062,427
Segment liabilities				
As at December 31, 2014	$ 2,025,959	$ 2,933,515	$ 10,789,650	$ 15,749,124
As at December 31, 2013	$ 1,842,636	$ -	$ 7,185,512	$ 9,028,148
Exploration and evaluation assets (Note 7)				
As at December 31, 2014	$ 10,536,951	$ 26,896,918	$ -	$ 37,433,869
As at December 31, 2013	$ 10,719,770	$ -	$ 1,698,995	$ 12,418,765
Long-term investments (Note 9)				
As at December 31, 2014	$ -	$ -	$ 3,951,880	$ 3,951,880
As at December 31, 2013	$ -	$ -	$ 10,344,230	$ 10,344,230
Net loss				
Year ended December 31, 2014	$ (1,030,850)	$ (338,305)	$ (106,570)	$ (1,475,725)
Year ended December 31, 2013	$ (1,092,302)	$ -	$ (3,220,533)	$ (4,312,835)

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

Emerging markets such as the Kyrgyz Republic, the location of the Kyrgyzstan Uranium Division, 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 the Kyrgyz Republic continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the 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.

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

5. BUSINESS ACQUISITION

Azarga Resources Limited

On October 28, 2014, Powertech completed its acquisition of all of the issued and outstanding common shares of Azarga Resources. In connection with closing the transaction, Powertech changed its name to Azarga Uranium Corp. and completed a consolidation of its outstanding common shares on the basis of 1 post-consolidation share for 10 pre-consolidation shares (the "Consolidation"). Pursuant to the share purchase agreement, as amended, in exchange for obtaining all of the issued and outstanding shares of Azarga Resources, Powertech issued 41,911,182 post-Consolidation common shares to the former shareholders of Azarga Resources, subject to a 24 month escrow period with 25% releasing from escrow 12 months after October 28, 2014 and the remaining releasing from escrow 24 months after October 28, 2014, representing approximately 82.9% of the combined entity's ownership. As a result, the transaction represents a RTO and Azarga Resources has been identified as the accounting acquirer. In addition, all share options of Azarga Resources were exchanged for share options of Powertech on closing of the RTO, with exercise prices being adjusted to reflect the applicable exchange ratio and foreign exchange rates. Certain agreements of Azarga Resources were also assigned to Powertech.

The following table summarizes the consideration paid, the fair value of assets acquired and liabilities assumed and the bargain purchase gain at the acquisition date.

	As at October 28, 2014
Fair value of common shares issued	$ 5,539,669
Fair value of loans forgiven, net	782,585
Fair value of share based securities	63,886
Total consideration transferred	6,386,140
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and restricted cash	216,343
Other current assets	22,528
Trade payables and accrued expenses	(2,167,354)
Loans payable	(1,216,968)
Warrant liability	(25,891)
Deferred tax liability	(3,660,000)
Property, plant and equipment	82,723
Exploration and evaluation assets	24,740,000
Total identifiable assets	17,991,381
Bargain purchase gain	(11,605,241)
Total	$ 6,386,140

5. BUSINESS ACQUISITION (Continued)

Azarga Resources identified an opportunity to diversify the company's uranium assets and increase the merged company's uranium resource base through an RTO with Powertech. As a result of Powertech's assets being undervalued, due to a combination of factors, including weak equity markets, the Company recognized a bargain purchase gain on close of the transaction. To determine the fair value of the exploration and evaluation assets, the Company used a combination of valuation techniques including discounted cash flows, precedent transactions and comparable trading multiples.

The total consideration transferred for the RTO was comprised of: the equivalent of 15,558,071 (post-Consolidation) common shares, outstanding share options and share purchase warrants and the net amount of loans forgiven by Azarga Resources.

The fair value of the common shares was based on Powertech's closing share price of C$0.40 on the first day of trading following the close of the RTO. The fair value of the common shares was comprised of two components: 1) the fair value of Azarga Resources' previously held equity interest and 2) the fair value of the additional interest acquired, which were $2,456,542 and $3,083,127, respectively. The Company recorded an impairment charge of $3,707,133 prior to completing the RTO based on the fair value of the previously held equity interest.

The fair value of the net loans forgiven is comprised of the outstanding amounts owing from Powertech to Azarga Resources under the Powertech convertible loans (refer to Note 10.1) less the outstanding amount owing from Azarga Resources to Powertech on the promissory note for the purchase of a 60% interest in the Centennial Project in 2013.

The fair value of the outstanding share options and share purchase warrants was determined using the Black Scholes Option Pricing Model. The 275,000 share options utilized the following assumption: Powertech's share price of C$0.40, a risk free rate of return of 1.02%, an expected life of 2.55 years, an expected volatility of 84.36% (based on the historical volatility of Powertech), an exercise price of C$2.00 and $nil dividends. The 2,084,980 share purchase warrants utilized the following assumption: Powertech's share price of C$0.40, a risk free rate of return of 1.00-1.02%, an expected life of 0.02-1.33 years, an expected volatility of 99% (based on the historical volatility of Powertech), an exercise price of C$1.15-C$2.00 and $nil dividends. Each whole warrant entitles the holder to purchase one common share.

5. BUSINESS ACQUISITION (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, the original sellers of UrAsia also have 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 after July 27, 2014. Subsequently, the Company and the original sellers of UrAsia have amended the Purchase Agreements.

In 2013, the Company and the original sellers of UrAsia amended the payment terms surrounding the $5,800,000 deferred payment. Instead of settling the entire deferred payment in cash, the Company issued the original sellers of UrAsia 6,250,000 common shares to settle $2,500,000 of the obligation.

Further, on February 12, 2014, payment terms for the remaining $1,850,000 owing to the original sellers of UrAsia were amended to be settled according to the following schedule: $150,000 payable on or before March 30, 2014, $200,000 payable on or before December 31, 2014, $500,000 payable on or before December 31, 2015, $500,000 payable on or before December 31, 2016 and $500,000 payable on or before December 31, 2017. As a result, the original deferred consideration liability was extinguished and a new deferred consideration liability was recognized, calculated using the revised expected future cash flows and an effective interest rate of 12% per annum. The difference of $347,737 was recorded as a gain for the year ended December 31, 2014.

On December 30, 2014, the payment terms were further amended to delay the $200,000 payable on or before December 31, 2014 to be payable on or before April 1, 2015. The Company accounted for the amendment as a modification of the liability and calculated a new effective interest rate as of the date of the amendment based on the then carrying value of the payable and the revised expected cash flows. The new effective interest rate was used to account for the liability on a prospective basis.

As at December 31, 2014, the carrying value of the deferred consideration was $1,400,672, of which $700,000 was a current payable (December 31, 2013: $1,741,080). For the year ended December 31, 2014, the Company made cash payments totaling $150,000 to partially settle the deferred consideration (December 31, 2013: $1,450,000).

In addition, if Azarga Uranium fails to settle the outstanding deferred payments in accordance with the revised payment schedule, its participation interest in UrAsia's charter capital will be reduced (not more than 60%) based on a pro-rata calculation over the unpaid portion of the $5,800,000 and transferred back to the original sellers of UrAsia.

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

5. BUSINESS ACQUISITION (Continued)

The February 12, 2014 amendment also aligned the put option exercise timing on the remaining 20% of UrAsia's charter capital with the final deferred payment to be made on or before December 31, 2017. As a result, the original liability on the put option on the non-controlling interest of UrAsia was extinguished and a new liability was recognized, calculated using the revised expected cash flows and an effective interest rate of 12% per annum. The difference of $610,041 was recorded as a gain for the year ended December 31, 2014.

As at December 31, 2014, the carrying value of the put option on the non-controlling interest of UrAsia was $1,423,118 (December 31, 2013: $1,872,592) and recorded in other liabilities. The Company recorded an interest expense of $160,567 on the put option on the non-controlling interest of UrAsia for the year ended December 31, 2014 (December 31, 2013: $200,635).

6. NON-CONTROLLING INTEREST

The non-controlling interest in UrAsia as at December 31, 2014 was $705,357 (December 31, 2013: $992,238).

Set out below is the movement schedule of the non-controlling interest arising from the UrAsia acquisition:

	Year ended December 31, 2014	Year ended December 31, 2013
Balance, beginning of year	$ 992,238	$ 1,199,900
Less: non-controlling interest from net loss	(198,603)	(193,682)
Less: non-controlling interest from other comprehensive loss	(88,278)	(13,980)
Balance, end of year	$ 705,357	$ 992,238

Set out below is the summarized financial information for 100% of UrAsia's net assets, total comprehensive loss and cash and cash equivalents. The information is presented before considering inter-company eliminations.

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

6. NON-CONTROLLING INTEREST (Continued)

	As at December 31,			
		2014		2013
Current				
Assets	$	343,530	$	197,465
Liabilities		66,169		137,942
Total current net assets		277,361		59,523
Non-current				
Assets		3,991,458		4,233,893
Liabilities		2,003,822		1,609,548
Total non-current net assets		1,987,636		2,624,345
Net assets	$	2,264,997	$	2,683,868

	Year ended December 31,			
		2014		2013
Net loss before tax	$	(668,576)	$	(834,306)
Deferred income tax expense		(324,437)		(29,143)
Net loss		(993,013)		(863,449)
Other comprehensive loss		(441,389)		(69,901)
Total comprehensive loss	$	(1,434,402)	$	(933,350)

	Year ended December 31,			
		2014		2013
Net cash used in operating activities	$	(565,438)	$	(772,806)
Net cash used in investing activities		(503,305)		(2,066,267)
Net cash generated from financing activities		1,052,542		2,769,494
Net decrease in cash and cash equivalents		(16,201)		(69,579)
Cash and cash equivalents at beginning of year		26,580		93,709
Exchange gains on cash and cash equivalents		3,542		2,450
Cash and cash equivalents at end of year	$	13,921	$	26,580

7. EXPLORATION AND EVALUATION ASSETS

On close of the RTO, the Company owned the Dewey Burdock Project, the Centennial Project, the Aladdin Deposit and two uranium exploration properties in the United States as well as the Kyzyl Ompul Project in the Kyrgyz Republic. Refer to Note 5 for additional details.

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

7. EXPLORATION AND EVALUATION ASSETS (Continued)

In 2013, the Company purchased a 60% interest in the Centennial Project for $1,500,000. The Company paid $1,000,000 in cash and $500,000 by way of a promissory note. In addition, the purchase agreement provided Powertech with a put option to sell its remaining 40% and the Company with a call option to purchase the remaining 40% interest in the Centennial Project. On close of the RTO, these obligations were settled.

As at December 31, 2014, the Company had restricted cash of $231,948 for potential reclamation liabilities related to its exploration and evaluation assets (December 31, 2013: $21,151).

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

	As at December 31, 2014				
	Dewey Burdock	Kyzyl Ompul	Centennial	Other	Total
Opening balance	$ -	$ 10,719,770	$ 1,698,995	$ -	$ 12,418,765
Acquired on close of RTO (Note 5)	23,500,000	-	1,000,000	240,000	24,740,000
Drilling/engineering	45,194	28,283	-	-	73,477
Ecological monitoring	-	36,666	-	-	36,666
Salaries and consulting	122,667	178,066	77,432	4,000	382,165
Rehabilitation costs	-	13,441	-	-	13,441
License fees	118,260	240,794	-	-	359,054
Capitalized VAT	-	784	-	-	784
Share-based compensation (Note 21)	-	24,678	-	-	24,678
Other	33,000	115	-	57,370	90,485
Currency translation effect	-	(705,646)	-	-	(705,646)
Total exploration and evaluation assets	$ 23,819,121	$ 10,536,951	$ 2,776,427	$ 301,370	$ 37,433,869

	As at December 31, 2013		
	Kyzyl Ompul	Centennial	Total
Opening balance	$ 8,940,995	$ -	$ 8,940,995
Acquisition of Centennial Project	-	1,698,995	1,698,995
Drilling/engineering	1,169,992	-	1,169,992
Ecological monitoring	19,734	-	19,734
Salaries and consulting	339,228	-	339,228
Rehabilitation costs	12,574	-	12,574
License fees	156,335	-	156,335
Capitalized VAT	142,488	-	142,488
Share-based compensation (Note 21)	50,011	-	50,011
Other	3,694	-	3,694
Currency translation effect	(115,281)	-	(115,281)
Total exploration and evaluation assets	$ 10,719,770	$ 1,698,995	$ 12,418,765

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

8. PROPERTY, PLANT AND EQUIPMENT

The Company's PPE assets consist of the following amounts:

	Equipment	Office equipment	Furniture and fixtures	Vehicles	Building	Total	
Cost							
Opening balance	$ 51,505	$ 19,657	$ 14,170	$ 96,179	$ 10,292	$ 191,803	
Acquired on close of RTO (Note 5)	127,923	230,916	55,435	30,505	92,628	537,407	
Disposals	-	-	-	(3,232)	-	(3,232)	
Currency translation effect	(8,431)	(4,950)	(2,320)	(15,458)	(1,685)	(32,844)	
As at December 31, 2014	$ 170,997	$ 245,623	$ 67,285	$ 107,994	$ 101,235	$ 693,134	
Accumulated depreciation							
Opening balance	$ (2,319)	$ (5,003)	$ (2,660)	$ (10,160)	$ (429)	$ (20,571)	
Assumed on close of RTO (Note 5)	(124,844)	(230,718)	(55,337)	(30,505)	(13,279)	(454,683)	
Charge for the year	(7,560)	(5,252)	(3,090)	(12,806)	(1,331)	(30,039)	(i)
Disposals	-	-	-	1,920	-	1,920	
Currency translation effect	977	3,005	706	2,459	155	7,302	
As at December 31, 2014	$(133,746)	$(237,968)	$ (60,381)	$ (49,092)	$ (14,884)	$(496,071)	
Carrying amount							
As at December 31, 2014	$ 37,251	$ 7,655	$ 6,904	$ 58,902	$ 86,351	$ 197,063	

(i) Of the total depreciation expense of $30,039, $15,983 has been capitalized to evaluation and exploration assets

	Equipment	Office equipment	Furniture and fixtures	Vehicles	Building	Total	
Cost							
Opening balance	$ 1,926	$ 12,948	$ 2,661	$ 12,394	$ -	$ 29,929	
Additions	50,480	7,718	11,802	85,655	10,464	166,119	
Currency translation effect	(901)	(1,009)	(293)	(1,870)	(172)	(4,245)	
As at December 31, 2013	$ 51,505	$ 19,657	$ 14,170	$ 96,179	$ 10,292	$ 191,803	
Accumulated depreciation							
Opening balance	$ (234)	$ (718)	$ (166)	$ (207)	$ -	$ (1,325)	
Charge for the year	(2,129)	(4,787)	(2,542)	(10,127)	(436)	(20,021)	(i)
Currency translation effect	44	502	48	174	7	775	
As at December 31, 2013	$ (2,319)	$ (5,003)	$ (2,660)	$ (10,160)	$ (429)	$ (20,571)	
Carrying amount							
As at December 31, 2013	$ 49,186	$ 14,654	$ 11,510	$ 86,019	$ 9,863	$ 171,232	

(i) Of the depreciation charge of $20,021, $8,500 has been capitalized to evaluation and exploration assets

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

9. LONG-TERM INVESTMENTS

9.1 Investment in associates

Set out below is the associate of the Company as at December 31 2014:

Name of entity	Place of business/country of incorporation	% of ownership (voting right)	Measurement method
Black Range	Australia	23.6	Equity

Powertech was an associate of the Company until close of the RTO on October 28, 2014. Refer to Note 5 for additional details.

	As at December 31, 2014	As at December 31, 2013
Investment in Powertech	$ -	$ 5,788,794
Investment in Black Range	1,890,623	2,816,836
Investment in associates	$ 1,890,623	$ 8,605,630

	Period from January 1 to December 31, 2014	Period from July 2 to December 31, 2013
Equity income pick-up from Powertech	$ 341,757	$ 11,130
Equity loss pick-up from Black Range	(2,625,218)	(579,544)
Share of equity loss from associates, net	$ (2,283,461)	$ (568,414)

Investment in Powertech

In July 2013, the Company purchased a 16.5% interest in Powertech and a convertible debenture in the principal sum of $500,000. On October 18, 2013, the $500,000 convertible debenture was converted into 8,450,035 common shares of Powertech at C$0.07 per share (see Note 10.1). The Company's ownership stake in Powertech increased to 22.2% and the Company determined that it was now able to exercise significant influence over Powertech. Therefore, the Company commenced accounting for its investment in Powertech under the equity method. In November 2013, the Company further increased its ownership stake to 45.1% through the acquisition of additional Powertech shares at a price of C$0.0966 per share.

In 2014, the Company's ownership interest was diluted to 44.3% prior to the close of the RTO (refer to Note 5 for additional details). On close of the RTO, the Company recorded an impairment charge to the carrying value of its investment in Powertech.

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

9. LONG-TERM INVESTMENTS (Continued)

For the period ended October 28, 2014, the Company recognized an equity income pick-up of $341,757 (December 31, 2013: $11,130) and a dilution gain of $33,124 (December 31, 2013: $nil).

The movement of the Company's investment in Powertech is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Balance, beginning of year	$ 5,788,794	$ -
Investment costs	-	5,777,664
Equity income pick-up	341,757	11,130
Dilution gain	33,124	-
Impairment charge (Note 5)	(3,707,133)	-
Settled on close of RTO (Note 5)	(2,456,542)	-
Balance, end of year	$ -	$ 5,788,794

Set out below is the summarized financial information for Powertech:

	As at December 31, 2014	As at December 31, 2013
Assets		
Total current assets	$ -	$ 449,467
Total non-current assets	-	38,928,454
Total assets	-	39,377,921
Liabilities		
Total current liabilities	-	2,621,485
Total non-current liabilities	-	744,828
Total liabilities	-	3,366,313
Net assets	$ -	$ 36,011,608

	Period from January 1 to October 28, 2014	Period from October 18 to December 31, 2013
Income from operations	$ 543,881	$ 248,812
Total comprehensive income	$ 543,881	$ 248,812

Investment in Black Range

Black Range is focused on growth through acquisition, exploration and development of uranium projects, particularly in the USA. Its growth strategy is underpinned by its ownership of the Hansen/Taylor Ranch Uranium Project located approximately 30 kilometers northwest of Cañon City in Colorado, USA. Black Range is listed on the Australian Stock Exchange (ASX: BLR).

9. LONG-TERM INVESTMENTS (Continued)

On March 14, 2013, the Company acquired a 19.7% interest in Black Range. On initial recognition, the Company accounted for its investment in Black Range as FVTPL. Subsequently, on July 2, 2013, the Company entered into the First Black Range Convertible Loan (Refer to Note 10.2). The Company determined that, in conjunction with its existing ownership stake (19.7%) and the First Black Range Convertible Loan, the Company had significant influence over Black Range on July 2, 2013. Therefore, the Company commenced accounting for its investment in Black Range under the equity method.

On October 26, 2013, the Company and Black Range amended the First Black Range Convertible Loan agreement to convert A$638,000 into 63,800,000 shares of Black Range at a conversion price of A$0.01 per share (Refer to Note 10.2).

In June 2014, the First and Second Black Range Convertible Loans (refer to Note 10.2 for additional details), totaling $3,114,101, were converted into 304,966,667 shares of Black Range in accordance with the terms stipulated in the loan agreements. The fair value of the 304,966,667 Black Range shares issued to the Company was equal to $1,524,833, calculated using the Black Range closing share price on conversion. As a result, the Company recognized a $1,589,268 loss on conversion for the year December 31, 2014.

On October 3, 2014, the Company closed a share sale agreement and economic exposure sharing deed with Empire Equity Ltd. ("Empire Equity") to sell 140,000,000 Black Range shares at Australian Dollars ("A$") 0.008 per share for total consideration of A$1,120,000. The consideration is payable in four equal installments, with the first payment due on closing and subsequent payments due 12, 24 and 36 weeks after closing. Other key terms include:

- Profit sharing on future sales by Empire Equity – The Company receives 50% of proceeds from future sales of Black Range shares by Empire Equity, if Empire Equity sells the Black Range shares in excess of A$0.010 per share; however, the first A$1,260,000 of proceeds will be retained by Empire Equity;
- Profit guarantee on future sales by Empire Equity – Two years after closing, if Empire Equity sells its Black Range shares for less than A$0.008 per share, the Company will reimburse Empire Equity the difference between the sales price and A$0.008 per share; and
- Anniversary payments – After closing, at each 12 week interval (up to 96 weeks), the Company is obligated to make anniversary payments to Empire Equity, calculated based on the cumulative installments paid to the Company at the date of the anniversary payment, less the value of shares sold by Empire Equity, multiplied by 2.5%.

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

9. LONG-TERM INVESTMENTS (Continued)

The Empire Equity instrument is a hybrid instrument, containing a debt host component and multiple embedded derivatives. The entire hybrid instrument has been classified as FVTPL and fair value changes are recorded through profit and loss. As at December 31, 2014, the Company had received the first installment payment.

For the years ended December 31, 2014 and 2013, the Company recognized an equity loss pick-up of $2,625,218 and $579,544, respectively. For the year ended December 31, 2014, the Company recognized a dilution gain of $436,660 as a result of Black Range issuing equity. In addition, for the year-ended December 31, 2014, the Company sold 39,388,824 Black Range shares for sale proceeds of $301,062. As at December 31, 2014, the Company's equity holding in Black Range was 23.6%.

On December 31, 2014, the market capitalization of the Company's investment in Black Range was $2,685,482 based on the quoted market price available on the Australian Stock Exchange and the carrying amount of the Company's interest was $1,890,623.

The movement of the Company's investment in Black Range is as follows:

	Year ended December 31,	
	2014	**2013**
Balance, beginning of year	$ 2,816,836	$ -
Investment costs	-	3,396,380
Equity loss pick-up	(2,625,218)	(579,544)
Conversion of First and Second Black Range Convertible Loan	1,524,833	-
Dilution gain	436,660	-
Carrying value of Black Range shares sold	(262,488)	-
Balance, end of year	$ 1,890,623	$ 2,816,836

Black Range prepares its annual financial statements as at June 30, 2014; thus, the annual reporting period of Black Range is different from that of the Company. Set out below is the summarized financial information for Black Range:

	As at December 31,	
	2014	**2013**
Assets		
Total current assets	$ 568,447	$ 148,654
Total non-current assets	12,923,198	19,558,784
Total assets	13,491,645	19,707,438
Liabilities		
Total current liabilities	1,619,319	3,262,981
Total liabilities	1,619,319	3,262,981
Net assets	$ 11,872,326	$ 16,444,457

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

9. LONG-TERM INVESTMENTS (Continued)

	Year Ended December 31, 2014	Period from July 2 to December 31, 2013
Interest revenue	$ 127,870	$ 135,553
Loss from continuing operations	(11,138,894)	(2,998,471)
Other comprehensive income/(loss)	(229,921)	113,138
Total comprehensive loss	$ (11,368,815)	$ (2,885,333)

9.2 Investment in Anatolia Energy Limited

Anatolia, a company listed on the Australian Stock Exchange (ASX: AEK), is 100% owner of the Temrezli Uranium Project in Turkey and its primary focus is its advanced exploration and development projects in the central Anatolian region of Turkey. As at December 31, 2014, the Company's ownership interest in Anatolia was 11.3%.

During 2013, the Company acquired 27,209,573 shares of Anatolia for total consideration of $1,771,953. The Company accounted for the investment in Anatolia as FVTPL. For the year ended December 31, 2013, the Company recognized an unrealized loss of $33,353 related to its investment in Anatolia.

On October 1, 2013, the Company signed a put option agreement with Anatolia. Under the put option agreement, Anatolia can issue a total of 16,666,667 shares to the Company at an issue price of A$0.12 per share in tranches of 8,333,333 shares ("Tranche 1") and 8,333,334 shares ("Tranche 2"). During the year ended December 31, 2013, the Company recorded an unrealized loss on the put option for $818,523. In February 2014, Anatolia exercised Tranche 1 of the put option agreement and issued 8,333,333 Anatolia shares to the Company at an exercise price of $898,100.

Further, in August 2014, Anatolia and the Company amended the put option agreement. The Company paid consideration of $348,338 to Anatolia to settle Tranche 2 of the put option agreement and provide the Company with the ability to acquire up to 8,333,334 shares in Anatolia at a price of A$0.08 per share (the "Call Option Agreement"). The Call Option Agreement matured on March 31, 2015.

For the year ended December 31, 2014, the Company recognized an unrealized loss of $135,116 (December 31, 2013: $33,353) on the revaluation of its investment in Anatolia. For the year ended December 31 2014, the Company sold 450,000 Anatolia shares for proceeds of $34,172. The Company also recognized a realized gain of $172,949 on the extinguishment of Tranche 2 of the put option agreement, a realized loss of $52,645 on the exercise of Tranche 1 of the put option agreement and an unrealized loss of $19,399 on the Call Option Agreement for the year ended December 31, 2014.

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

9. LONG-TERM INVESTMENTS (Continued)

The movement of the Company's investment in Anatolia is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Balance, beginning of year	$ 1,738,600	$ -
Investment in Anatolia	-	1,771,953
Anatolia shares issued under Tranche 1 of put option agreement	898,100	-
Extinguishment of Tranche 1 put option liability	(406,155)	-
Unrealized loss on revaluation of investment (Note 17)	(135,116)	(33,353)
Disposal of Anatolia shares	(34,172)	-
Balance, end of year	$ 2,061,257	$ 1,738,600

Valuation assumptions

The assumptions used in the Company's valuation model of the Call Option Agreement are as follows:

	As at December 31, 2014	As at August 12, 2014	
Underlying share price (A$)	$ 0.072	$ 0.074	
Expected exercise price (A$)	$ 0.080	$ 0.074	
Expected life in years	0.25 yrs	0.63 yrs	
Annualized volatility	70%	69%	(i)
Risk free rate of return	2.45%	2.45%	

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

10. CONVERTIBLE LOAN RECEIVABLES

	As at December 31, 2014	As at December 31, 2013
Current convertible loan issued by Black Range	$ 427,139	$ -
Current convertible loan issued by Powertech	-	460,375
Current convertible loan receivables	$ 427,139	$ 460,375
Non-current convertible loans issued by Black Range	$ -	$ 2,320,675
Non-current convertible loan receivables	$ -	$ 2,320,675

10. CONVERTIBLE LOAN RECEIVABLES (Continued)

10.1 Convertible loans issued by Powertech

On July 31, 2013, the Company provided a convertible debenture to Powertech in the amount of C$514,350 ($500,000) repayable in cash or shares at C$0.07 per share, pursuant to the terms and conditions of a private placement agreement dated July 31, 2013 ("Powertech Convertible Debenture"). On October 18, 2013, the Powertech Convertible Debenture was converted into 8,450,035 common shares at C$0.07 share.

In addition, on October 18, 2013, the Company agreed to provide a loan facility in amount of $3,600,000 to Powertech ("Powertech Convertible Loan") repayable in cash or shares. Other key terms of the convertible loan are as follows:

- Term – 24 months after the date of initial advance (the "Powertech CL Maturity Date");
- Conversion price - the conversion price shall be either 1) C$0.12 per share in the event that Powertech receives certain permits before December 31, 2013 or 2) C$0.095 per share in the event that such permits are not received by December 31, 2013. As at December 31, 2013, Powertech had not received such permits;
- Early repayment option – Powertech may repay the loan, in whole or in part, before the Powertech CL Maturity Date;
- Repayment/conversion amount – 115% or 130% of the amount of the Powertech Convertible Loan to be repaid/converted if the repayment/conversion occurs on or before 12 months or after 12 months from issuing the Powertech Convertible Loan, respectively;
- Powertech's conversion right - in whole or in part, on or before the Powertech CL Maturity Date;
- Azarga's conversion right – in whole or in part, after the earlier of 1) the Powertech board of directors approving a transaction resulting in a change of control; 2) a change of control of Powertech; 3) occurrence of an event of default; 4) after 9 months following the date of the initial advance; and
- Other - the Powertech Convertible Loan is non-interest bearing and is unsecured.

During the year ended December 31, 2014, Powertech drew down an additional $2,575,000 (December 31, 2013: $1,025,000) under the Powertech Convertible Loan increasing the amount drawn to the facility limit of $3,600,000. For the year ended December 31, 2014, the change in fair value recorded in profit or loss for the Powertech Convertible Loan was a loss of $1,918,710 (December 31, 2013: $564,625).

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

10. CONVERTIBLE LOAN RECEIVABLES (Continued)

The movement of the amount due under the Powertech Convertible Loan is as follows:

	Year ended December 31,	
	2014	**2013**
Opening balance, beginning of year	$ 460,375	$ -
Principal drawdown	2,575,000	1,025,000
Decrease in fair value of the convertible loan	(1,918,710)	(564,625)
Settled on close of RTO (Note 5)	(1,116,665)	-
Balance, end of year	$ -	$ 460,375

On September 12, 2014, Powertech and the Company agreed to enter into an additional \$650,000 loan facility ("Second Powertech Convertible Loan"). Other key commercial terms of the loan include:

- Term – 24 months after the date of initial advance (the "Second Powertech CL Maturity Date");
- Conversion price - C\$0.06 per share;
- Early repayment option – Powertech may repay the loan, in whole or in part, before the Second Powertech CL Maturity Date;
- Repayment/conversion amount – 115% or 130% of the amount of the Second Powertech Convertible Loan to be repaid/converted if the repayment/conversion occurs on or before 12 months or after 12 months from issuing the Second Powertech Convertible Loan, respectively;
- Powertech's conversion right - in whole or in part, on or before the Second Powertech CL Maturity Date;
- The Company's conversion right – in whole or in part, after the earlier of 1) the Powertech board of directors approving a transaction resulting in a change of control; 2) a change of control of Powertech; 3) occurrence of an event of default; 4) after 9 months following the date of the initial advance; and
- Other - the Second Powertech Convertible Loan is non-interest bearing and is unsecured.

During the year ended December 31, 2014, Powertech drew down \$305,000 under the Second Powertech Convertible Loan (December 31, 2013: \$nil). For the year ended December 31, 2014, the change in fair value recorded in profit or loss for the Second Powertech Convertible Loan was a loss of \$275,000 (December 31, 2013: \$nil).

10. CONVERTIBLE LOAN RECEIVABLES (Continued)

The movement of the amount due under the Second Powertech Convertible Loan is as follows:

	Year ended December 31,	
	2014	**2013**
Opening balance, beginning of year	$ -	$ -
Principal drawdown	305,000	-
Decrease in fair value of the convertible loan	(275,000)	-
Settled on close of RTO (Note 5)	(30,000)	-
Balance, end of year	$ -	$ -

The Powertech Convertible Loan and the Second Powertech Convertible Loan were settled on close of the RTO (refer to Note 5).

The Powertech Convertible Debenture, Powertech Convertible Loan and Second Powertech Convertible Loan were all hybrid instruments, containing a loan asset component and three embedded derivatives – the issuer's prepayment option, the investor's conversion option and issuer's conversion option (the "embedded derivatives"). All of these financial instruments were classified as FVTPL and all changes in fair value are recorded in profit or loss.

Fair value measurement

The Company designated the Powertech convertible loans as financial assets. Fair value changes were recorded to profit or loss. The embedded derivative components in the Company's convertible loans were valued using a binomial options pricing model. A binomial tree is a valuation model that uses a lattice of the underlying's price varying over discreet time periods and determines the value of an option at each node. The key inputs used by the Company in its binomial option pricing model are further disclosed below. The financial asset components were valued based on the present value of expected future cash flows at the discount rate that would have applied to the financial assets without conversion or other embedded derivative features.

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

10. CONVERTIBLE LOAN RECEIVABLES (Continued)

Valuation assumptions

The assumptions used in the Company's valuation model of the Powertech Convertible Loan were as follows:

	As at		
	October 28, 2014	December 31, 2013	
Conversion price	$ 0.092	$ 0.092	
Volatility	75.0%	75.0%	(i)
Risk free rate of return	1.12%	1.35%	
Foreign exchange spot rate (US$ to C$)	1.1234	1.0694	
Underlying share price	$ 0.0312	$ 0.0725	
Market interest rate	12.0%	12.0%	

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

The assumptions used in the Company's valuation model of the Second Powertech Convertible Loan were as follows:

	As at		
	October 28, 2014	December 31, 2013	
Conversion price	$ 0.055	N/A	
Volatility	75.0%	N/A	(i)
Risk free rate of return	1.12%	N/A	
Foreign exchange spot rate (US$ to C$)	1.1234	N/A	
Underlying share price	$ 0.0312	N/A	
Market interest rate	12.0%	N/A	

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

10.2 Convertible loans issued by Black Range

On July 2, 2013, the Company acquired an A$2,000,000 convertible loan ("First Black Range Convertible Loan") issued by Black Range which is repayable in cash or shares at A$0.01 per share. Other key commercial terms of the loan include:

- Term – 24 months from the date of the first draw down (the "First CL Maturity Date");
- Early repayment option – Black Range may repay the loan, in whole or in part, before the First CL Maturity Date;
- Automatic redemption – occurs when Black Range raises an aggregate of more than A$13,000,000 in debt and equity, other than any financing where no proceeds are received by Black Range;
- Conversion - If not repaid, the loan is automatically converted to shares of Black Range at the First CL Maturity Date;

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

10. CONVERTIBLE LOAN RECEIVABLES (Continued)

- Conversion/redemption amount – 110%, 115% or 130% of the principal sum being repaid/converted if the repayment/conversion occurs before 6 months, not less than 6 months and not more than 12 months, or more than 12 months from issuing the First Black Range Convertible Loan, respectively; and
- Other – the First Black Range Convertible Loan is non-interest bearing and unsecured.

On October 26, 2013, the Company and Black Range amended the First Black Range Convertible Loan to convert the amount of $612,343 (A$638,000) into shares of Black Range at a conversion price of A$0.01 per share. In June 2014, the balance of the First Black Range Convertible Loan was converted into 163,300,000 Black Range shares at a conversion price of A$0.01 per share and the facility was extinguished.

The First Black Range Convertible Loan was fully drawn prior to 2014. For the year ended December 31, 2014, the change in fair value recorded in profit or loss for the First Black Range Convertible Loan was a gain $160,502 (December 31, 2013: $170,506).

The movement of the amount due under the First Black Range Convertible Loan is as follows:

	Year ended December 31,	
	2014	2013
Opening balance, beginning of year	$ 1,381,919	$ -
Principal drawdown	-	1,823,756
Increase in fair value of the convertible loan	160,502	170,506
Conversion of the convertible loan	(1,542,421)	(612,343)
Balance, end of year	$ -	$ 1,381,919

Second Black Range Convertible Loan

The Second Black Range Convertible Loan (A$1,500,000) was signed on October 26, 2013 and is repayable in cash or shares at A$0.012 per share. Other key commercial terms of the loan include:

- Term - 24 months from the date of the first draw down (the “Second CL Maturity Date”);
- Early repayment option – Black Range may repay the loan, in whole or in part, before the Second CL Maturity Date;
- Automatic redemption – occurs when Black Range raises an aggregate of more than A$11,500,000 in debt and equity, other than any financing where no proceeds are received by Black Range;

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

10. CONVERTIBLE LOAN RECEIVABLES (Continued)

- Conversion - If not repaid, the loan is automatically converted to shares of Black Range at the Second CL Maturity Date;
- Conversion/redemption amount – 110%, 115% or 130% of the principal sum being repaid/converted if the repayment/conversion occurs before 6 months, not less than 6 months and not more than 12 months, or more than 12 months from issuing the Second Black Range Convertible Loan, respectively; and
- Other - the Second Black Range Convertible Loan is non-interest bearing and unsecured.

In June 2014, the Second Black Range Convertible Loan was converted into 141,666,667 Black Range shares at a conversion price of A$0.012 per share and the facility was extinguished.

During the year ended December 31, 2014, Black Range drew down an additional $447,708 (December 31, 2013: $931,220) under the Second Black Range Convertible Loan and the change in fair value recorded in profit or loss was a gain of $185,217 (December 31, 2013: $7,535). The Second Black Range Convertible Loan was fully drawn in the first quarter of 2014.

The movement of the amount due under the Second Black Range Convertible Loan is as follows:

	Year ended December 31,	
	2014	**2013**
Opening balance, beginning of year	$ 938,755	$ -
Principal drawdown	447,708	931,220
Increase in fair value of the convertible loan	185,217	7,535
Conversion of the convertible loan	(1,571,680)	-
Balance, end of year	$ -	$ 938,755

Third Black Range Convertible Loan

On February 25, 2014, Black Range and the Company agreed to enter into an additional A$2,000,000 loan facility ("Third Black Range Convertible Loan"). Other key commercial terms of the loan include:

- Term - 12 months from the date of the first draw down (the "Third CL Maturity Date");
- Conversion price – The higher of a) the three month volume weighted average price of Black Range shares traded on the Australian Stock Exchange from the date of the first draw down or b) A$.007;

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

10. CONVERTIBLE LOAN RECEIVABLES (Continued)

- Early repayment option – Black Range may repay the loan, in whole or in part, before the Third CL Maturity Date;
- Conversion - If not repaid, the loan is automatically converted to shares of Black Range at the Third CL Maturity Date;
- The Company's conversion right – subject to Black Range obtaining regulatory approvals, the Company can convert the outstanding amount of the Third Black Range Convertible Loan three months after the first draw down;
- Conversion/redemption amount – 115% or 130% of the principal sum being repaid/converted if the repayment/conversion occurs on or before 6 months or after 6 months from issuing the Third Black Range Convertible Loan, respectively;
- Right to appoint a second director – if the fully diluted voting power of the Company exceeds 35%; and
- Other – the Third Black Range Convertible Loan is non-interest bearing and unsecured.

During the year ended December 31, 2014, Black Range drew down A$460,000 ($419,080), under the Third Black Range Convertible Loan. For the year ended December 31, 2014, the change in fair value recorded in profit or loss for the Third Black Range Convertible Loan was a gain of $8,059.

The movement of the amount due under the Third Black Range Convertible Loan is as follows:

	Year ended December 31,			
	2014		2013	
Opening balance, beginning of year	$	-	$	-
Principal drawdown		419,080		-
Increase in fair value of the convertible loan		8,059		-
Balance, end of year	$	427,139	$	-

Subsequent to December 31, 2014 the Third Black Range Convertible Loan was converted into 73,284,314 Black Range shares and the facility was extinguished.

All convertible loans issued by Black Range are hybrid instruments, containing a loan asset component and two embedded derivatives - the mandatory conversion option and the issuer's early repayment option (the "embedded derivatives"). The Third Black Range Convertible Loan contains an additional embedded derivative, the Company's conversion right. The financial instruments are classified as FVTPL and all changes in fair value are recorded in profit or loss. The Company applied a 12% discount rate to the First, Second and Third Black Range Convertible Loans when determining the fair values of the loan asset component.

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

11. LOANS PAYABLE

	As at December 31,	
	2014	**2013**
Loan payable to shareholders	$ 2,024,522	$ 1,846,531
Other loans payable	1,246,094	-
Loans Payable	$ 3,270,616	$ 1,846,531
Current portion	1,068,522	70,531
Non-current portion	$ 2,202,094	$ 1,776,000

11.1 Loan payable to shareholders

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

- Interest – 10% per annum payable on each anniversary date of the Shareholders Loan Agreement;
- Term – 3 years, commencing July 31, 2012;
- Conversion price – based on the Company's most recent sale of shares to an outside third party;
- Founding 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
- Other - the Shareholders Loan Agreement is unsecured.

On February 12, 2014, the Shareholders Loan Agreement was amended to extend the term to 5 years. The conversion price was also amended to a) based on the Company's most recent sale of shares to an outside third party, if the Company is private or b) the higher of the Company's 20-day volume weighted average share price or $0.40, adjusted for an appropriate transaction ratio, if the Company is public. On close of the RTO, the conversion price has been adjusted to C$1.23 per share.

As at December 31, 2014, the Company had drawn $1,776,000 (December 31, 2013: $1,776,000) under the Shareholders Loan Agreement. During the year ended December 31 2014, the Company recorded an interest expense of $177,991 (December 31, 2013: $171,068).

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

11. LOANS PAYABLE (Continued)

The movement of the amount due under the Shareholders Loan Agreement is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Opening balance, beginning of year	$ 1,846,531	$ 1,354,741
Principal drawdown	-	456,000
Interest expense	177,991	171,068
Interest paid	-	(135,278)
Balance, end of year	$ 2,024,522	$ 1,846,531
Current portion	248,522	70,531
Non-current portion	$ 1,776,000	$ 1,776,000

The convertible loan is a hybrid instrument, containing a debt host component and three embedded derivatives - the investor's conversion option, early repayment option, and the issuer's term extension right (the "embedded derivatives"). The debt host component is classified as other-financial-liabilities and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the convertible debenture. The fair values of the embedded derivatives were insignificant upon initial measurement and as at December 31, 2014 and 2013.

11.2 Other loans payable

The movement of the amount due under the other loans payable is as follows:

	Year Ended December 31, 2014
Opening balance, beginning of year	$ -
Assumed as part of RTO (Note 5)	1,216,968
Interest expense	29,126
Balance, end of year	$ 1,246,094
Current portion	820,000
Non-current portion	$ 426,094

The Company assumed loan agreements with Anadarko Land Corp ("Anadarko") and Elston on close of the RTO. These agreements include:

11. LOANS PAYABLE (Continued)

Anadarko Agreement

The Company entered into an agreement with Anadarko to purchase uranium rights on certain areas of the Centennial Project for total consideration of $3,000,000, of which $1,815,000 had been paid as at December 31, 2014 (the “Anadarko Agreement”). Of the consideration outstanding, $790,000 is payable in 2015 and $395,000 is payable in 2016. An additional $2,000,000 is payable upon receipt of regulatory permits and licenses allowing uranium production on the area of the Centennial Project pertaining to these mineral interests. Other key terms of the Anadarko Agreement include:

- Failure to Permit – If the Company does not obtain the regulatory permits and licenses allowing uranium production by September 27, 2019, the uranium rights will transfer back to Anadarko, at Anadarko’s option;
- In the event of default, the uranium rights will transfer back to Anadarko, at Anadarko’s option; and
- The Anadarko Agreement is non-interest bearing.

For the year ended December 31, 2014, the imputed effective interest expense was $25,945.

The Anadarko Agreement is classified as other-financial-liabilities and is measured at amortized cost using the effective interest rate method. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the Anadarko Agreement.

Elston Agreements

The Company entered into an agreement with Elston to purchase mineral rights on certain areas of the Dewey Burdock Project for total consideration of $600,000, of which $480,000 had been paid as at December 31, 2014 (the “Elston Agreement”). Of the consideration outstanding, $30,000 is payable in 2015 and $90,000 is payable in three annual installments of $30,000 from 2016 to 2018. An additional $1,300,000 is payable, in four equal annual installments, upon receipt of regulatory permits and licenses allowing uranium production on the area of the Dewey Burdock Project pertaining to these mineral interests. Other key terms of the Elston Agreement include:

- In the event of default, Elston has the option to purchase the mineral property interests for $1; and
- The Elston Agreement is non-interest bearing

For the year ended December 31, 2014, the imputed effective interest expense was $3,181.

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

11. LOANS PAYABLE (Continued)

The Elston Agreement is classified as other-financial-liabilities and is measured at amortized cost using the effective interest rate method. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the Elston Agreement.

The Company also assumed an additional Elston agreement with $750,000 payable, in four equal annual installments, upon receipt of regulatory permits and licenses allowing uranium production on the area of the Dewey Burdock Project pertaining to the mineral interests covered by the agreement.

12. TRADE AND OTHER PAYABLES

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

	As at December 31,			
	2014		2013	
Less than 1 month	$	1,126,423	$	191,985
1-3 months		503,225		84,486
3-6 months		910,160		110,000
More than 6 months		930,903		-
Total trade and other payables	$	3,470,711	$	386,471

Included in trade and other payables are amounts due to related parties, which are further disclosed in Note 24.

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

13. OTHER LIABILITIES

	As at December 31,			
	2014		2013	
Promissory note payable	$	-	$	250,000
Put option on non-controlling interest of UrAsia (Note 5)		-		1,872,592
Put option held by Anatolia (Note 9.2)		-		818,523
Other liabilities		7,582		30,442
Total other current liabilities	$	7,582	$	2,971,557
Put option held by Powertech on Centennial Project	$	-	$	177,835
Promissory note payable		-		199,980
Put option on non-controlling interest of UrAsia (Note 5)		1,423,118		-
Empire Equity facility (Note 9.1)		228,422		-
Total non-current other liabilities	$	1,651,540	$	377,815

14. DEFERRED INCOME TAX

14.1 Deferred income tax

Taxation on profits or losses has been calculated on the estimated assessable profits or losses for the year at the rates of taxation prevailing in the countries in which the Company operates.

14.2 Deferred income tax expenses

	Year ended December 31,			
	2014		2013	
Net loss before income tax	$	1,220,630	$	4,095,542
Tax at statutory rate		26%		0%
Income tax expense based on statutory rate	$	317,364	$	-
Effect of different tax rates applicable in foreign jurisdictions		131,000		162,631
Unrecognized deferred tax assets		(933,000)		(69,538)
Effect of permanent differences		229,541		(310,386)
Income tax expenses	$	(255,095)	$	(217,293)

The 2014 statutory tax rate of 26% is based on Azarga Uranium's (legal parent) applicable tax rate; the 2013 statutory tax rate of 0% is based on Azarga Resources applicable tax rate. Azarga Resources was incorporated in the British Virgin Islands.

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

14. DEFERRED INCOME TAX (Continued)

14.3 Deferred tax balances

The Company's deferred tax assets and liabilities consist of the following amounts:

	As at December 31, 2014	As at December 31, 2013
Tax loss carry forward	$ -	$ 155,097
Deferred tax asset	$ -	$ 155,097
Exploration and evaluation assets	$ 4,484,194	$ 752,785
Property, plant and equipment	(2,748)	9,385
Inter-company loans eliminated on consolidation	1,138,344	1,097,621
Deferred tax liabilities	$ 5,619,790	$ 1,859,791
Net deferred tax liabilities	$ 5,619,790	$ 1,704,694

The Company's deferred tax liabilities movement schedule is shown as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Opening balance	$ 1,704,694	$ 1,518,606
Assumed on close of RTO (Note 5)	3,660,000	-
Deferred tax expenses	255,095	217,293
Currency translation effect	-	(31,205)
Deferred tax liabilities	$ 5,619,790	$ 1,704,694

14.4 Unrecognized deductible temporary differences and unused tax losses

The Company's deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts (tax effected):

	As at December 31, 2014	As at December 31, 2013
Non-capital losses	$ 918,000	$ 79,200
Deductible temporary differences	210,410	115,726
Total unrecognized amounts	$ 1,128,410	$ 194,926

As at December 31, 2014, the Company had unrecognized deferred tax assets attributable to temporary differences of $210,410, primarily related to value added tax receivables not recognized and certain deferred payments not recognized.

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

14. DEFERRED INCOME TAX (Continued)

As at December 31, 2013, the Company had unrecognized deferred tax assets attributable to temporary differences of $115,726, primarily related to value added tax receivables not recognized.

The deferred tax assets related to the temporary differences were not recognized, as its recoverability was not considered to be probable.

14.5 Expiry dates

The expiry dates of the Company's unused tax losses are as follows:

	As at December 31, 2014	
	Amount	**Expiry**
Non-capital losses		
Kyrgyz Republic	$ 3,530,109	2017-2019
Hong Kong	581,591	Indefinite
Canada	668,944	2034
United States	842,482	2034

	As at December 31, 2013	
	Amount	**Expiry**
Non-capital losses		
Kyrgyz Republic	$ 1,550,978	2017-2018
Hong Kong	480,000	Indefinite

15. ADMINISTRATION EXPENSES

	Year ended December 31,	
	2014	**2013**
Salaries and benefits	$ 1,442,346	$ 860,203
Consulting and professional fees	995,822	251,372
Corporate administration	729,891	648,541
Depreciation	14,056	11,521
Share-based compensation	620,792	169,087
Administration expenses	$ 3,802,907	$ 1,940,724

For the year ended December 31, 2014, a depreciation expense of $15,983 was capitalized to exploration and evaluation assets (December 31, 2013: $8,500), the remaining expense of $14,056 was expensed as administration expense (December 31, 2013: $11,521).

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

16. FINANCE COSTS

	Year ended December 31,	
	2014	2013
Interest expense on put option on non-controlling interest of UrAsia (Note 5)	$ 160,567	$ 200,635
Interest expense on deferred consideration (Note 5)	157,330	253,815
Interest expense on loan payable to shareholders (Note 11)	177,991	171,068
Interest expense on equity instrument issued to Powerlite (Note 20.4)	757,754	348,493
Interest expense on other loans payable (Note 11.2)	29,126	-
Other interest expenses	44,952	1,307
Finance costs	$ 1,327,720	$ 975,318

17. UNREALIZED LOSS ON FINANCIAL INSTRUMENTS

	Year ended December 31,	
	2014	2013
Loss on convertible loans issued by Powertech (Note 10.1)	$ (2,193,710)	$ (564,625)
Gain on convertible loans issued by Black Range (Note 10.2)	353,778	102,277
Loss on revaluation of put option on Anatolia shares (Note 9.2)	-	(818,523)
Loss on revaluation of investment in Anatolia (Note 9.2)	(135,116)	(33,353)
Loss on revaluation of call option on Anatolia shares (Note 9.2)	(19,399)	-
Dilution gain on investment in associates (Note 9.1)	469,784	-
Loss on warrant liability (Note 20.2)	(36,533)	-
Unrealized loss on financial instruments, net	$ (1,561,196)	$ (1,314,224)

18. REALIZED GAIN/(LOSS) ON FINANCIAL INSTRUMENTS

	Year ended December 31,	
	2014	2013
Gain/(loss) on investment in Black Range	$ (1,550,695)	$ 407,368
Gain recognized on assets settled on close of RTO	301,133	-
Gain on revaluation of put option on Anatolia shares	120,304	-
Gain on investment in Powertech	-	146,485
Gain on convertible debenture issued by Powertech (Note 10.1)	-	73,884
Gain on convertible loan issued by Black Range (Note 10.2)	-	75,764
Gain on extinguishment of liabilities to sellers of Urasia (Note 5)	957,777	-
Realized gain/(loss) on financial instruments, net	$ (171,481)	$ 703,501

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

19. EARNINGS PER SHARE

Weighted average shares outstanding were 38,105,247 for the year ended December 31, 2014 (December 31, 2013: 65,989,152) and used to calculate loss per share. The effect of outstanding options, warrants and convertible securities were excluded from the calculation of diluted net loss for the years ended December 31, 2014 and 2013 as the impact would have been anti- dilutive.

20. EQUITY

20.1 Share capital/contributed surplus

The Company has authorized the issuance of an unlimited number of common and preferred shares with no par value. As at December 31, 2014, the Company had 59,403,733 (December 31, 2013: 75,583,274) common shares outstanding.

The movement of Company's common shares outstanding and share capital is as follows:

	Number of Common Shares		Amount ($)
As at December 31, 2012	**50,000,000**	**$**	**200,000**
Issuance of common shares	25,583,274		102,333
As at December 31, 2013	**75,583,274**		**302,333**
Issuance of common shares prior to close of RTO	39,241,880		156,968
RTO transactions (note 5)			
Elimination of Azarga Resources common shares	(114,825,154)		-
Shares outstanding on close of RTO	505,700,952		3,109,018
Share consolidation on close of RTO	(455,130,857)		-
Reclassification of contributed surplus	-		29,192,012
Private placement financing (net of finder's fee)	8,580,830		4,043,409
Shares issued pursuant to employment agreements	252,808		135,024
As at December 31, 2014	**59,403,733**	**$**	**36,938,764**

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

20. EQUITY (Continued)

The movement of Company's contributed surplus is as follows:

	Year ended December 31,			
		2014		2013
Opening balance, beginning of year	$	20,585,082	$	(1,594,389)
Issuance of common shares		254,787		10,130,978
Equity instrument issued to Powerlite (Note 20.4)		6,757,754		12,348,493
Less: transaction costs (Note 24)		-		(300,000)
Reclassification to share capital		(29,192,012)		-
Balance, end of year	$	(1,594,389)	$	20,585,082

For the year ended December 31, 2013, the Company issued 25,583,274 common shares for total proceeds of $10,233,311, before transaction costs of $300,000 (share capital of $102,333 plus contributed surplus of $10,130,978), at an average price of $0.40. Of which, 2,500,000 common shares were issued to settle the deferred payment to the original sellers of UrAsia and the remaining number of common shares were issued pursuant to investor subscription agreements.

On July 1, 2014, 38,212,493 shares were issued to Powerlite Ventures Limited ("Powerlite") (refer to Note 20.4 for additional details) on conversion of the accumulated Powerlite equity contributions made pursuant to the Powerlite Facility. As a result of the share issuance, $152,850 was reclassified from contributed surplus to share capital. In addition, the Company recorded $6,757,754 to contributed surplus for the equity instrument issued to Powerlite (December 31, 2013: $12,348,493).

On April 1, 2013, the Company entered into share subscription agreements with investors to subscribe for 4,250,000 shares for total subscription proceeds of $1,700,000 at $0.40 per share. As at the close of the RTO, the investors had paid subscription deposits totaling $645,064 (December 31, 2013: $283,310). No additional amounts will be funded through the subscription agreements as a result of the RTO. In 2014, the Company issued 904,387 common shares to the investors for total proceeds of $361,755 (share capital of $3,618 plus contributed surplus of $358,137) at an average price of $0.40. In addition, the Company issued 125,000 common shares pursuant to a key management employment agreement at an average price of $0.40, a price equivalent to the fair value of the common shares based on most recent equity raise, resulting in an increase in the Company's equity by $50,000 (share capital of $500 plus contributed surplus of $49,500) and a charge to share-based compensation expense.

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

20. EQUITY (Continued)

Concurrent with the closing of the RTO (refer to Note 5 for additional details) and the Consolidation, the Company completed a private placement financing for gross proceeds of approximately C$5,000,000 ($4,450,442) (the "Financing") through the issuance of 8,338,134 post-Consolidation units ("Units"), each Unit consisting of one post-Consolidation common share and one-half of a common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase one post-Consolidation common share at an exercise price of C$1.00 per share until October 28, 2016. Accounting for the Consolidation adjustment, the Units subscribed for pursuant to the Financing were subscribed for at C$0.60 per Unit. Finder's fees in connection with the Financing comprised of C$145,617 and 242,696 post-Consolidation shares. All securities issued pursuant to the Financing were subject to a hold period that expired March 1, 2015.

In addition, subsequent to the close of the RTO, 252,808 common shares were issued pursuant to a key management employment agreement at an average price of $0.60, a price equivalent to the fair value of the common shares based on the Financing.

20.2 Share purchase warrants

On closing of the RTO, the Company assumed 2,000,000 share purchase warrants with an exercise price of C$2.00 per share and 84,980 share purchase warrants with an exercise price of C$1.15 per share. Each whole warrant entitles the holder to purchase one common share. The fair value of the share purchase warrants at assumption was $25,891 compared to $27,708 as at December 31, 2014, resulting in a gain, inclusive of currency translation adjustment, of $1,817 for the year ended December 31, 2014.

For the year ended December 31 2014, the Company issued 4,169,067 share purchase warrants as a part of the Financing. Each whole warrant entitles the holder to purchase one common share at an exercise price of C$1.00 per share until October 28, 2016. The fair value of the share purchase warrants at inception was $277,410 compared to $300,505 as at December 31, 2014, resulting in a gain, inclusive of currency translation adjustment, of $23,095 for the year ended December 31, 2014. The weighted average fair value of the warrants granted in the year ended December 31, 2014 was estimated at C$0.07 per share at the issue date using the Black-Scholes Option Pricing Model.

	As at December 31, 2014	As at October 28, 2014	
Risk free rate of return	1.00%	1.00-1.02%	
Expected life	1.20-1.80 yrs	0.02-2.00 yrs	
Expected volatility (i)	93-99%	88%-99%	(i)
Expected dividend per share	Nil	Nil	

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

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

20. EQUITY (Continued)

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.

The warrant transactions for the year ended December 31, 2014 are as follows:

	Year ended December 31, 2014	
	Number of share purchase warrants	Weighted average exercise price (C$)
Balance, beginning of year	-	$ -
Assumed on close of RTO (Note 5)	2,084,980	1.97
Share purchase warrants granted	4,169,067	1.00
Share purchase warrants expired	(500,000)	2.00
Balance, end of year	5,754,047	$ 1.26

The share purchase warrants outstanding and exercisable as at December 31, 2014 are as follows:

	Share purchase warrants outstanding and exercisable		
Exercise price (C$)	Share purchase warrants outstanding	Weighted average exercise price (C$)	Weighted average remaining contractual life (years)
$ 2.00	1,500,000	$ 2.00	1.16
1.15	84,980	1.15	1.16
1.00	4,169,067	1.00	1.83
	5,754,047	$ 1.26	1.64

The movement of the Company's share purchase warrants liability is as follows:

	Year ended December 31, 2014
Balance, beginning of year	$ -
Assumed on close of RTO (Note 5)	25,891
Share purchase warrants granted	277,410
Loss on revaluation	36,533
Currency translation effect	(11,621)
Balance, end of year	$ 328,213

20. EQUITY (Continued)

20.3 Accumulated deficit and dividends

As at December 31, 2014, the Company had an accumulated deficit of $6,272,029 (December 31, 2013: $4,994,207). No dividends have been paid or declared by the Company since inception.

20.4 Equity instrument issued to Powerlite Ventures Limited

On May 22, 2013, the Company issued an equity instrument to Powerlite ("Powerlite Facility") for $15,000,000 ("Facility Limit"). In accordance with the agreement, the outstanding principal and interest accrued under the agreement will be settled through the issuance of shares at $1.54 per share. As a result, the financial instrument has been classified as equity. Accrued interest has been recorded to interest expense with the offset being recorded 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 - $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 (Note 10.2) 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.

On August 28, 2013 and February 12, 2014, the facility limit was amended to $21,000,000 and $26,000,000, respectively. As at December 31, 2014, the Company had drawn a total of $18,000,000 (December 31, 2013: $12,000,000) under the Powerlite Facility. The incremental facility amount of $5,000,000 agreed on February 12, 2014 can only be drawn in 2015 and is subject to a mutually agreed upon draw down schedule to be agreed in writing prior to the end of 2014; however, a draw down schedule was not agreed prior to the end of 2014. $3,000,000 remains available, subject to the Powerlite Facility terms discussed above.

On July 1, 2014, 38,212,493 shares were issued to Powerlite on conversion of the accumulated Powerlite equity contributions ($18,000,000) made pursuant to the Powerlite Facility.

During the year ended December 31, 2014, the Company recognized interest expense of $757,754 (December 31, 2013: $348,493).

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

21. SHARE OPTION RESERVE

21.1 Stock option plan

On October 28, 2014, the Company adopted a new stock option plan (the "2014 Plan"), which permits the board of directors of the Company to grant options to acquire common shares of the Company. 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 year ended December 31, 2014, the Company granted 2,650,754 stock options to officers, employees, directors and other eligible persons at an exercise price of C$1.20 with an expiry date of October 28, 2019. The weighted average fair value of the options granted in the year ended December 31, 2014 was estimated at C$0.15 per option at the grant date using the Black-Scholes Option Pricing Model.

For the year ended December 31, 2013, the Company granted 1,150,000 stock options to officers, employees, directors and other eligible persons at exercise prices of $0.40 and $0.50 with expiry dates ranging from May 1, 2018 to November 4, 2018. The weighted average fair value of the options granted in the year ended December 31, 2013 was estimated at $0.31 per option at the grant date using the Black-Scholes Option Pricing Model.

The assumptions used for the Black-Scholes Option Pricing Model were as follows:

	Year ended December 31,		
	2014	**2013**	
Risk free rate of return	1.56%	1.15%-1.77%	
Expected life	5 years	5 years	
Expected volatility	83%	105%-106%	(i)
Expected dividend per share	Nil	Nil	

(i) Expected volatility for 2014 has been calculated based on the historical volatility of Powertech's stock price whereas expected volatility for 2013 has been calculated based on the historical volatility of the Company's publicly traded peer group over a period equal to the expected life of the options

For the year ended December 31, 2014, a share-based compensation expense of $645,470 (December 31, 2013: $219,098) was recognized, of which $620,792 (December 31, 2013: $169,087) has been allocated to administration expenses and $24,678 (December 31, 2013: $50,011) has been allocated to evaluation and exploration assets.

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

21. SHARE OPTION RESERVE (Continued)

21.2 Outstanding stock options

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

	Year ended December 31, 2014		Year ended December 31, 2013	
	Number of options	Weighted average exercise price (C$)	Number of options	Weighted average exercise price (C$)
Balance, beginning of year	419,752	$ 1.24	-	$ -
Assumed on close of RTO (Note 5)	275,000	2.00	-	-
Options granted	2,650,754	1.20	419,752	1.24
Balance, end of year	3,345,506	$ 1.27	419,752	$ 1.24

The stock options outstanding and exercisable as at December 31, 2014 are 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)
$ 1.20	365,002	$ 1.20	3.36	240,901	$ 1.20	3.36
$ 1.20	2,650,754	1.20	4.83	2,650,754	1.20	4.83
$ 1.50	54,750	1.50	3.85	36,135	1.50	3.85
$ 2.00	275,000	2.00	2.37	275,000	2.00	2.37
	3,345,506	$ 1.27	4.45	3,202,790	$ 1.27	4.49

The stock options outstanding and exercisable as at December 31, 2013 are 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)
$ 1.20	365,002	$ 1.20	4.36	120,451	$ 1.20	4.36
$ 1.50	54,750	1.50	4.85	18,068	1.50	4.85
	419,752	$ 1.24	4.42	138,518	$ 1.24	4.42

Note – the exercise price and the stock options outstanding and exercisable as at December 31, 2013 have been adjusted to reflect the RTO and the Consolidation.

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

21. SHARE OPTION RESERVE (Continued)

21.3 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.

	Year ended December 31,			
	2014		2013	
Balance, beginning of year	$	219,098	$	-
Securities assumed on close of RTO (Note 5)		37,995		-
Share-based compensation capitalized to exploration and evaluation assets		24,678		50,011
Share-based compensation charged to operations		435,768		169,087
Balance, end of year	$	717,539	$	219,098

22. CAPITAL RISK MANAGEMENT

The Company's capital risk management objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company depends on external financing to fund its activities and there can be no guarantee that external financing will be available at terms acceptable to the Company. 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. 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, 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. For the year ended December 31, 2014, there were no significant changes in the processes used by the Company or in the Company's objectives and policies for managing its capital. The Company is not subject to any externally imposed capital requirements.

As at December 31, 2014, the Company's capital structure consists of loans payable (Note 11) and the equity of the Company (Note 20).

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

23. FINANCIAL INSTRUMENTS

23.1 Categories of financial instruments

	As at December 31,	
	2014	**2013**
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 3,214,529	$ 282,013
Restricted cash	231,948	21,151
Fair value through profit or loss		
Investment in Anatolia (Note 9.2)	2,061,257	1,738,600
Convertible loans issued by Black Range (Note 10.2)	427,139	2,320,675
Convertible loans issued by Powertech (Note 10.1)	-	460,375
Call option on Anatolia shares	36,877	-
Total financial assets	$ 5,971,750	$ 4,822,814

	As at December 31,	
	2014	**2013**
Financial liabilities		
Other financial liabilities		
Trade and other payables (Note 12)	$ 3,470,711	$ 386,471
Loan payable to shareholders (Note 11)	2,024,522	1,846,531
Deferred consideration (Note 5)	1,400,672	1,741,080
Put option on non-controlling interest of UrAsia (Note 5)	1,423,118	1,872,592
Promissory note on Centennial Project	-	449,980
Put option held by Powertech on Centennial Project	-	177,835
Other loans payable (Note 11)	1,246,094	-
Fair value through profit or loss		
Put option held by Anatolia (Note 9.2)	-	818,523
Warrant Liability	328,213	-
Empire Equity facility (Note 9.1)	228,422	-
Total financial liabilities	$ 10,121,752	$ 7,293,012

23. FINANCIAL INSTRUMENTS (Continued)

23.2 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.

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 investment in the shares of Anatolia is 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 put option held by Anatolia and the fair value of the call option held by the Company for Anatolia shares are 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 fair values of the embedded derivatives within the convertible loans issued by Powertech are determined using a Binomial Pricing Model. The loan asset components for both Powertech and Black Range are valued based on the present value of expected future cash flows at the discount rate that would have applied to the financial assets without conversion or other embedded derivative features. None of the fair value change in the convertible loans for the year ended December 31, 2014 and 2013 is related to a change in the credit risk of the convertible loans. All of the change in fair value is associated with changes in market conditions.

The fair value of all the 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 and cash equivalents, restricted cash and other financial liabilities are carried at amortized cost.

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

23. FINANCIAL INSTRUMENTS (Continued)

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 December 31, 2014	Level 1	Level 2	Level 3	Total
Investment in Anatolia	$ 2,061,257	$ -	$ -	$ 2,061,257
Convertible loans issued by Black Range	-	-	427,139	427,139
Call option on Anatolia shares	-	36,877	-	36,877
Total financial assets at fair value	$ 2,061,257	$ 36,877	$ 427,139	$ 2,525,273
Empire Equity facility	$ -	$ 228,422	$ -	$ 228,422
Warrant liability	-	328,213	-	328,213
Total financial liabilities at fair value	$ -	$ 556,635	$ -	$ 556,635

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Investment in Anatolia	$ 1,738,600	$ -	$ -	$ 1,738,600
Convertible loans issued by Black Range	-	-	2,320,675	2,320,675
Convertible loan issued by Powertech	-	-	460,365	460,365
Total financial assets at fair value	$ 1,738,600	$ -	$ 2,781,040	$ 4,519,640
Put option held by Anatolia	$ -	$ 818,523	$ -	$ 818,523
Total financial liabilities at fair value	$ -	$ 818,523	$ -	$ 818,523

There were no transfers between Level 1, 2 and 3 in 2014 and 2013.

23.3 Financial risk management objectives and policies

The financial risk arising from the Company's operations are market risk, credit risk, and liquidity risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. For the year ended December 31, 2014, there were no significant changes in the Company's financial risk management objectives and policies. The Company's risk exposure and the impact on the Company's financial instrument are summarized below:

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

23. FINANCIAL INSTRUMENTS (Continued)

Market risk

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

Currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the United States dollar.

The sensitivity of the Company's comprehensive income due to changes in the carrying values of monetary assets and liabilities denominated in foreign currencies is presented below. A positive number indicates an increase in comprehensive income, whereas a negative number indicates a decrease in comprehensive income.

	KGS	C$	A$	HK$
10% increase in foreign exchange rate				
Changes to balances as at December 31, 2014	$ (2,130)	$ (83,613)	$ 229,685	$ (8,609)
Changes to balances as at December 31, 2013	$ (8,546)	$ (77)	$ 324,075	$ (1,345)

	KGS	C$	A$	HK$
10% decrease in foreign exchange rate				
Changes to balances as at December 31, 2014	$ 2,130	$ 83,613	$ (229,685)	$ 8,609
Changes to balances as at December 31, 2013	$ 8,546	$ 77	$ (324,075)	$ 1,345

Price risk

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

Interest rate risk

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

23. FINANCIAL INSTRUMENTS (Continued)

The Company's loan payable to shareholders (Note 11) and Empire Equity (Note 9.1) accrues interest at fixed rates; therefore the Company is not exposed to interest rate risk on these instruments.

Credit risk

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

The Company is exposed to credit risk associated with its cash and cash equivalents, its convertible loans acquired from Black Range and the installment payments owing from Empire Equity. The Company's maximum exposure to credit risk is equal to the carrying amount of its cash and cash equivalents, the nominal amount of the convertible loans and the amount of installments outstanding from Empire Equity.

The Company's credit risk on cash and cash equivalents and the Empire Equity facility arises from default of the counterparty. The Company limits its exposure to counterparty credit risk on cash and cash equivalents by only dealing with financial institutions with high credit ratings. The Company limits its exposure on the Empire Equity facility through the execution of legal agreements with various protections that are governed by first world jurisdictions.

The Company seeks to manage its credit risk on the convertible loans acquired from Black Range by including mechanisms that provide protection should Black Range not be able to repay the convertible loans, e.g. the conversion feature. The Company also has board representation to ensure that the Company is fully apprised of the financial environment at Black Range. Subsequent to December 31, 2014, all of the Black Range convertible loans had been converted into shares.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle or manage its obligations associated with financial liabilities. The Company's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash and cash equivalents (or access to financing facilities) to meet its liquidity requirements in the short and long term. In order to ensure that the Company has sufficient cash and cash equivalents (or access to financing facilities) to meet expected expenditures, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, 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.

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

23. FINANCIAL INSTRUMENTS (Continued)

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

As at December 31, 2014	0 to 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables	$ 3,020,711	$ 450,000	$ -	$ 3,470,711
Loan payable to shareholders	-	248,522	1,776,000	2,024,522
Deferred consideration	-	700,000	1,000,000	1,700,000
Other loans payable	395,000	435,000	475,000	1,305,000
Other non-current liabilities	-	-	2,228,422	2,228,422
	$ 3,415,711	$ 1,833,522	$ 5,479,422	$ 10,728,655

As at December 31, 2013	0 to 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables	$ 276,471	$ 110,000	$ -	$ 386,471
Loan payable to shareholders	-	70,531	1,776,000	1,846,531
Deferred consideration	-	1,850,000	-	1,850,000
Other current liabilities	1,000,000	3,280,442	-	4,280,442
Other non-current liabilities	-	-	500,000	500,000
	$ 1,276,471	$ 5,310,973	$ 2,276,000	$ 8,863,444

24. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Azarga Uranium Corp. and its significant subsidiaries and associates listed in the following table:

Name	Country of incorporation	% equity interest As at December 31, 2014	2013
Azarga Resources (Hong Kong) Limited	Hong Kong	100%	100%
Azarga Resource Limited (BVI)	British Virgin Islands	100%	100%
Azarga Resources Canada Ltd.	Canada	100%	100%
Azarga Resources USA	United States of America	100%	100%
UrAsia	Kyrgyz Republic	80%	80%
Powertech USA, Inc.	United States of America	100%	45%
Black Range	Australia	24%	23%

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

24. RELATED PARTY TRANSACTIONS (Continued)

As at December 31, 2014, the Company held a significant influence investment in Black Range (Note 9.1). Black Range became an associate of the Company on July 2, 2013. The Company held a significant influence investment in Powertech from October 18, 2013 to October 28, 2014, at which point the RTO closed (refer to Note 5).

During the year ended December 31, 2014 and 2013, the Company had related party transactions with the Company's directors, shareholders, management and significant influence investees including:

- Shareholders and key management personnel subscribed for the Company's shares under subscription agreements;
- A shareholder of the Company received a commission of $300,000 for brokering private placements, this was recorded to equity in 2013;
- Interest continued to accrue to shareholders of the Company on the Shareholders Loan Agreement;
- The disposal of Black Range shares (Note 9.1);
- The conversion of the First and Second Black Range Convertible Loans (Note 10.2);
- The purchase of convertible loans issued by Powertech and Black Range (Note 10.1/10.2); and
- The RTO with Powertech (Note 5).

Related party assets

	As at December 31,	
	2014	2013
Convertible loans issued by Black Range	$ 427,139	$ 2,320,675
Convertible loan issued by Powertech	-	460,375
Centennial Project with Powertech	-	1,698,995
Investment in Powertech	-	5,788,794
Investment in Black Range	1,890,623	2,816,836
Total assets with related parties	$ 2,317,762	$ 13,085,675

Related party liabilities

	As at December 31,	
	2014	2013
Loan payable to shareholders	$ 2,024,522	$ 1,846,531
Promissory note issued to Powertech for Centennial Project	-	449,980
Put option held by Powertech on Centennial Project	-	177,835
Total liabilities with related parties	$ 2,024,522	$ 2,474,346

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

24. RELATED PARTY TRANSACTIONS (Continued)

Related party expenses

	Year ended December 31,			
	2014		2013	
Interest expense on loan payable to shareholders	$	177,991	$	171,068
Interest expense on promissory note issued to Powertech for Centennial Project		19,795		682
Interest expense on put option held by Powertech on Centennial Project		17,604		606
Equity loss pick-up from Black Range		2,625,218		579,544
Realized loss on investment in Black Range		1,550,695		-
Unrealized loss on Powertech convertible loan		2,193,710		564,625
Total related party expenses	$	6,585,013	$	1,316,525

Related party income

	Year ended December 31,			
	2014		2013	
Realized gain upon equity accounting for Powertech	$	-	$	220,369
Realized gain upon equity accounting for Black Range		-		483,132
Equity income pick-up from Powertech (Note 9.1)		341,757		11,130
Gain recognized on assets settled on close of RTO		301,133		-
Unrealized gain on Black Range convertible loans		353,778		102,277
Dilution gain on investment in associates (Note 9.1)		469,784		-
Total related party income	$	1,466,452	$	816,908

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,			
	2014		2013	
Share-based compensation	$	490,992	$	169,087
Salaries, fees and other benefits		887,029		481,308
Key management personnel compensation	$	1,378,021	$	650,395

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

25. SUPPLEMENTAL CASH FLOW INFORMATION

Non-cash financing and investing activities

During the year ended December 31, 2014 and 2013, the Company entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- Share based compensation expense of $24,678 (December 31, 2013: $50,011) and depreciation expense of $15,983 (December 31, 2013: $8,500) were capitalized as exploration and evaluation assets for the year ended December 31, 2014;
- For the year ended December 31, 2014, the Company settled $129,622 of financing costs with the issuance of 242,696 shares;
- For the year ended December 31, 2013, the Company settled a $2,500,000 deferred payment with issuance of 6,750,000 shares to the original sellers of UrAsia; and
- For the year ended December 31, 2014 no interest (December 31, 2013: $135,278) or income taxes were paid (December 31, 2013: $nil).

26. COMMITMENTS FOR EXPENDITURE

As at December 31, 2014 and 2013, the Company's commitments for expenditures that have not been disclosed elsewhere in the consolidated financial statements are as follow:

	As at December 31, 2014			
	Within 1 year	**2-4 years**	**Over 4 years**	**Total**
Capital expenditure commitments	$ -	$ -	$ -	$ -
Operating expenditure commitments	678,100	909,970	1,019,395	2,607,465
Commitments	$ 678,100	$ 909,970	$ 1,019,395	$ 2,607,465

	As at December 31, 2013			
	Within 1 year	**2-4 years**	**Over 4 years**	**Total**
Capital expenditure commitments	$ -	$ -	$ -	$ -
Operating expenditure commitments	19,111	-	-	19,111
Commitments	$ 19,111	$ -	$ -	$ 19,111

Azarga Uranium Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended December 31, 2014 and 2013
(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 assumptions, which include, management's current expectations, estimates and assumptions about the Company's investments, the global economic environment, and the Company's ability to manage its assets and operating costs, may prove to be incorrect. 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; 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; 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; environmental regulatory requirements and risks; currency fluctuations; government regulation and policy risks; public involvement in the permitting process; Native American involvement in the permitting process; political risk; 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 warrants; the market price of the Company's shares; 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; conflicts of interest and exposure to emerging markets. 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.

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS (Continued)

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") (formerly Powertech Uranium Corp. ("Powertech")) (which, together with its subsidiaries, is collectively referred to as the "Company") dated March 31, 2015 should be read in conjunction with the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2014 and 2013. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

Financial information presented in this MD&A has been prepared as a continuation of Azarga Resources' consolidated financial statements. The results of Powertech's operations have been included in the Company's consolidated financial statements subsequent to the close of the reverse take-over ("RTO") on October 28, 2014. In the statement of cash flow for the year ended December 31, 2013, the Company reclassified the purchase of convertible loans of $3,751,087 from financing activities to investing activities.

The functional currency of each entity is measured using 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 the MD&A refer to the United States Dollar, all references to C$ refer to the Canadian Dollar and all references to the A$ refer to Australian Dollars.

SIGNIFICANT EVENTS AND HIGHLIGHTS

The Company's significant events and highlights for the year ended December 31, 2014 and subsequent period to March 31, 2015 are as follows:

- In January 2014, the United States Nuclear Regulatory Commission (the "NRC") completed and published the Final Supplemental Environmental Impact Statement for the Dewey Burdock In-Situ Uranium Project (the "Dewey Burdock Project").

- In April 2014, the Company received the Final Source and Byproduct Materials License for the Dewey Burdock Project from the NRC.

- In May 2014, the Company filed a maiden National Instrument 43-101 ("NI 43-101") Technical Report and Mineral Resource Estimation (the "Kyzyl Ompul Technical Report") for its 80% owned Kyzyl Ompul License (refer to the Mineral Properties section of this MD&A for additional details).

SIGNIFICANT EVENTS AND HIGHLIGHTS (Continued)

- In August 2014, the Atomic Safety and Licensing Board ("ASLB") completed its oral hearing for the Dewey Burdock Project.

- In October 2014, the Company completed a RTO with Azarga Resources Limited ("Azarga Resources"). In addition, the Company completed a private placement financing of approximately C$5.0 million, a name change from "Powertech Uranium Corp." to "Azarga Uranium Corp.", a TSX stock symbol change from "PWE" to "AZZ" and a one (1) for ten (10) share consolidation.

- On December 10, 2014, the ASLB announced that the evidentiary portion of the hearing for the Company's Dewey Burdock Project is now fully closed. All contentions have now been closed.

- In March 2015, the Company filed an updated resource estimate and preliminary economic assessment ("PEA") for the Dewey Burdock Project, prepared by TREC Inc. ("TREC") and Rough Stock Mining Services ("Rough Stock"). Subsequent to filing of the PEA, the British Columbia Securities Commission ("BCSC") has identified certain technical disclosure deficiencies relating to NI 43-101 that will necessitate the filing of an amended PEA by the Company in the near term. The Company is in discussions with the BCSC regarding the amended PEA and related disclosure, and intends to issue a news release clarifying the disclosure in the PEA and an amended PEA following such discussions. As such, investors are cautioned not to place undue reliance on the information incorporated by reference into this MD&A from the PEA until such time as the Company issues a clarifying press release and an amended PEA in consultation with the BCSC.

- The Company announced Board and Senior Management changes including the appointments of Alexander Molyneux, Chairman, Curtis Church, Alexander Bayer and Joseph Havlin to the Board. Richard F. Clement Jr. was also named Deputy Chairman and Douglas Eacrett resigned from the Board. Richard Clement retired as Chief Executive Officer ("CEO"), President and Corporate Secretary. The CEO duties were assumed by Mr. Molyneux and the Corporate Secretarial duties were assumed by Blake Steele, the Company's Chief Financial Officer ("CFO"). Mr. Steele replaced Adria Hutchison as CFO in October 2014. In addition to joining the Board, Mr. Church was named Vice President, International Operations, on close of the RTO.

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 and its shares are listed on the Toronto Stock Exchange (symbol: TSX:AZZ) and the Frankfurt Stock Exchange (symbol: P8AA). The Company is an integrated uranium exploration and development company. On October 28, 2014, the Company completed a RTO with Azarga Resources. Refer to the *"Reverse Take-over of Powertech Uranium Corp."* section of this MD&A for additional details.

The Company controls uranium properties located in the United States of America ("USA") (South Dakota, Wyoming, and Colorado) 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 80% of the Kyzyl Ompul Project in the Kyrgyz Republic; the Centennial Project in Colorado, the Aladdin Deposit in Wyoming and two uranium exploration properties in Wyoming. As at the date of this MD&A, the Company also holds investments in the following uranium exploration and development companies: a 23.7% stake (23.7% accounting ownership; 18.7% legal ownership) in Black Range Minerals Limited ("Black Range"), a publicly listed company on the Australian Stock Exchange ("ASX") (symbol: ASX:BLR) and a 11.3% stake in Anatolia Energy Limited ("Anatolia"), a publicly listed company on the ASX (symbol: ASX:AEK).

Reverse Take-over of Powertech Uranium Corp.

On October 28, 2014, Powertech completed its acquisition of all of the issued and outstanding common shares of Azarga Resources. In connection with closing the transaction, the Company completed a private placement financing for gross proceeds of approximately C$5,000,000 (the "Financing"). The Company also changed its name from "Powertech Uranium Corp." to "Azarga Uranium Corp." and completed a consolidation of its outstanding common shares on the basis of (1) post-consolidation share for (10) pre-consolidation shares (the "Consolidation"). Pursuant to the share purchase agreement, as amended, in exchange for obtaining all of the issued and outstanding shares of Azarga Resources, Powertech issued 41,911,182 post-Consolidation common shares to the former shareholders of Azarga Resources, representing approximately 82.9% of the combined entity's ownership, prior to completion of the Financing. As a result, the transaction represents a RTO and Azarga Resources has been identified as the accounting acquirer. In addition, all share options of Azarga Resources were exchanged for share options of Powertech on closing of the RTO, with exercise prices being adjusted to reflect the applicable exchange ratio and foreign exchange rates. Certain agreements of Azarga Resources were also assigned to Powertech.

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

BACKGROUND (Continued)

Azarga Resources identified an opportunity to diversify the company's uranium assets and increase the merged company's uranium resource base through an RTO with Powertech. As a result of Powertech's assets being undervalued, due to a combination of factors, including weak equity markets, the Company recognized a bargain purchase gain of $11,605,241 on close of the RTO (the difference between the fair value of the consideration transferred and the fair value of the identifiable net assets of the business acquired). The fair value of the identifiable net assets of Powertech was $17,991,381. To determine the fair value of the exploration and evaluation assets, the Company used a combination of valuation techniques including discounted cash flows, precedent transactions and comparable trading multiples.

The fair value of total consideration transferred on completion of the RTO was $6,386,140, comprised of $5,539,669 of common shares, $782,585 of net loans forgiven by Azarga Resources and $63,886 of outstanding share based securities. The fair value of the common shares was calculated to be $5,539,669 based on a fair market value of C$0.40 per share using the closing market price on the day following the close of the RTO. The fair value of the share-based securities was calculated using the Black Scholes Option Pricing Model.

The Financing raised gross proceeds of approximately C$5,000,000 through the issuance of 8,338,134 post-Consolidation units ("Units"), each Unit consisting of one post-Consolidation common share and one-half of a common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to purchase one post-Consolidation common share at an exercise price of C$1.00 per share until October 28, 2016. Accounting for the Consolidation adjustment, the Units subscribed for pursuant to the Financing were subscribed for at C$0.60 per Unit. Finder's fees in connection with the Financing were comprised of C$145,617 and 242,696 post-Consolidation shares.

On closing of the RTO, the Financing and the Consolidation (the "Closing"), 59,403,733 common shares were issued and outstanding. The undiluted capitalization of the Company after Closing is as follows:

	Post-Consolidation
Common shares outstanding before Closing (excluding shares owned by Azarga Resources shareholders)	8,658,913
Common shares issued to Azarga Resources shareholders on close of the RTO	41,911,182
Common shares issued pursuant to the Financing	8,580,830
Common shares issued pursuant to employment agreements	252,808
Total post-Consolidation common shares outstanding	59,403,733

BACKGROUND (Continued)

All common shares issued pursuant to the RTO are subject to a 24 month escrow and will be released from escrow as follows: Nil on the closing date, 25% of the escrowed securities on October 28, 2015 and the remaining escrowed securities on October 28, 2016. All securities issued pursuant to the Financing were subject to a hold period that expired March 1, 2015.

On close of the RTO, the Company owned the Dewey Burdock Project, the Centennial Project, the Aladdin Deposit and two uranium exploration properties in the United States as well as the Kyzyl Ompul Project in the Kyrgyz Republic. Refer to the "*Mineral Properties*" section of this MD&A for additional details.

Prior to completion of the RTO, in December 2013, Azarga Resources acquired a 60% interest in the Centennial Project located in Weld County, Colorado from Powertech for total purchase consideration of $1,698,955.

INDUSTRY TRENDS AND OUTLOOK

In May 2014, the TradeTech Weekly U_3O_8 Spot Price Indicator reached a nine-year low of $28.25 per pound. It seems apparent that the earthquake and tsunami in Japan in March 2011, with the resultant damaging effect on that country's nuclear power industry, is still having ramifications on the broader nuclear and uranium industries. Prior to March 2011, Japan was the world's second largest consumer of uranium and since that time Japan has been almost absent from the uranium market. Certain other major nuclear power producing nations, such as Germany, have implemented plans to reduce or eliminate nuclear power.

A spot uranium price below cost of production is forcing many uranium companies to curtail mining, development and exploration activities. Furthermore, the industry is at a historical low-point in terms of equity valuations and the availability of financing for the industry.

Despite the current market environment for the uranium industry, the Company holds a belief in a meaningful turnaround. Our views are predicated on a number of key elements:

INDUSTRY TRENDS AND OUTLOOK (Continued)

- **Many countries that eliminated or reduced their nuclear reliance are now encountering significant consequences and switching back to nuclear** – increased cost of electricity generation and increased pollution from switching to fossil fuels is a key issue for such countries. Switching away from nuclear energy has radically increased cost of electricity generation and CO_2 emissions for Japan. Furthermore, the switch has caused a significant increase in Japan's trade deficit. As a result, Japan revised its energy policy in February of 2014 to reintroduce nuclear power as a source of future long-term base load power supply. Nineteen Japanese nuclear reactors[1] have applied for regulatory approvals to re-start operations and regulators have prioritized two nuclear reactors to re-start during the summer of 2015.
- **Demand is rapidly accelerating in new markets** – all of the 'BRIC' countries (i.e. Brazil, Russia, India and China) are rapidly growing their nuclear power capacity and increasing their reliance on nuclear power as a proportion of overall power generation. In fact, when considering the number of nuclear power plants operating, those under construction and those proposed for construction, the figures have reached an all-time high. China, Russia and India lead the world in terms of the number of new nuclear power plants under construction, with twenty-six, nine and six, respectively[2]. Even the United States is seeing renewed growth in its nuclear industry, with the NRC approving the licensing of new nuclear reactors in the United States for the first time in over 30 years.
- **Current prices will constrain supply** – according to supply cost curves published by industry analysts, less than one third of current mine supply is economic at the current spot price. Low prices are forcing producers to curtail mining, development and exploration. In 2014, announcements by producers suggest at least 12 million pounds of annual U_3O_8 supply has already been eliminated due to recent mine closures.

In the latter part of 2014 and through early 2015, the uranium price remained low relative to the last 10-years average, but improved meaningfully. The TradeTech Weekly U_3O_8 price as at March 27, 2015 is $39.40 per pound.

Despite the Company's firm belief that a uranium industry turnaround is coming and based on certain indicators, may actually be tentatively underway, its strategies are focused on making prudent plans to progress its business, whilst conserving its financial resources. At this time, the Company's strategy involves the following key elements:

[1] Nuclear Energy Institute
[2] World Nuclear Association

INDUSTRY TRENDS AND OUTLOOK (Continued)

- **Continue with the advancement of the Dewey Burdock Project** – receiving the NRC permit for Dewey Burdock in April 2014 was a key risk reduction event for the Dewey Burdock Project. Azarga is now continuing to work on the Environmental Protection Agency ("EPA") and South Dakota state permitting requirements through the remainder of 2015 in order to have the project ready for construction in 2016. Furthermore, the Company has embarked on a process to consider project-financing options for the Dewey Burdock Project, with a view to having a funding solution in place concurrent with the finalization of permits.
- **Undertake a limited exploration program in the Kyrgyz Republic** – a maiden National Instrument 43-101 uranium resource was completed in April 2014 on the foundations of a two-year exploration program on the Kyzyl Ompul Project. The Company has planned a limited exploration program in 2015.
- **Manage investments for value** – the Company's investments in Black Range and Anatolia have a combined market value of $3.9 million as at March 31, 2015. On January 29, 2015, Black Range announced that it received a takeover proposal from Western Uranium Corporation representing a 106% premium over the closing price of Black Range shares on the ASX one day prior to the announcement of the transaction. The Company will continue to monitor these investments for opportunities to create value through consolidation or realization, including the continued evaluation of Western Uranium Corporation's proposal for Black Range.

The Company believes a unique opportunity exists for investors to build an investment in the Company. Firstly, the Company has a firm belief that uranium prices will move meaningfully 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 the likelihood of attracting financing and moving into the construction phase as soon as permitting is complete is high. Thirdly, the Company has a global asset suite inclusive of mineral properties and equity investments at various stages of development, which provide a pipeline for continued growth. Lastly, management and the board of directors have extensive experience in uranium, the broader mining sector and financial markets.

MINERAL PROPERTIES

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

The Company's 100% owned Dewey Burdock Project is an in-situ recovery ("ISR") uranium project located in the Edgemont uranium district, in South Dakota, USA. The project is comprised of approximately 50 mining leases and approximately 370 mining claims covering approximately 13,880 surface acres and 17,800 net mineral acres. The Dewey Burdock Project is the Company's initial development priority.

MINERAL PROPERTIES (Continued)

In March 2015, the Company filed an updated independent resource estimate and PEA for the Dewey Burdock Project prepared by TREC and Rough Stock (the "Dewey Burdock PEA") with an effective date of January 29, 2015. The Dewey Burdock PEA provides an updated preliminary economic analysis of the Dewey Burdock Project based on exploration and development work performed subsequent to the previous PEA filed in April 2012.

Subsequent to filing of the Dewey Burdock PEA, the BCSC has identified certain technical disclosure deficiencies relating to NI 43-101 that will necessitate the filing of an amended PEA by the Company in the near term. The Company is in discussions with the BCSC regarding the amended PEA and related disclosure, and intends to issue a news release clarifying the disclosure in the Dewey Burdock PEA and an amended PEA following such discussions. As such, investors are cautioned not to place undue reliance on the information incorporated by reference into this MD&A from the Dewey Burdock PEA until such time as the Company issues a clarifying press release and an amended PEA in consultation with the BCSC.

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 further estimates an additional 940,000 pounds of non-ISR (located above the water table) inferred resources at 0.17% U_3O_8. Such resources are not included in the resources presented in the economic analysis of the PEA. The Company's measured and indicated resources increased to 8,582,000 pounds of uranium, an increase of 28%, at 0.25% U_3O_8. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Dewey Burdock PEA resulted in a pre-federal income tax net present value of $149.4 million at a discount rate of 8% and an internal rate of return of 67%. The Dewey Burdock PEA assumed uranium prices of $65/lb U_3O_8, cash operating costs of $18.86/lb U_3O_8 and initial capital expenditures of $27.0 million. Over its 16-year mine life, the Dewey Burdock Project is forecast to produce 9.7 million lbs of U_3O_8 and generate a pay-back period in the third quarter of the second year of production.

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

MINERAL PROPERTIES (Continued)

A comparison of the key metrics from the updated Dewey Burdock PEA to 2012 Dewey Burdock PEA is presented below:

	2015 PEA	2012 PEA	Improvement
Life of mine uranium production	9.7m lb	8.4m lb	15%
Initial capital costs	$27.0m	$54.3m	50%
Net pre-tax cash flow (at US$65/lb uranium)	$284.2m	$194.9m	46%
NPV (at 8% discount rate)	$149.4m	$109.1m	37%
IRR	67%	48%	-

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Details of the assumptions and parameters used to with respect to the Dewey Burdock PEA, including information on data verification are set out in the Dewey Burdock Technical Report dated January 29th, 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.

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 on January 31, 2014. The EPA issued a notice of receipt of the final SEIS on February 7, 2014, stating a 30-day review period and subsequently issued final comments on the SEIS on March 10, 2014. The NRC also prepared a Safety Evaluation Report ("SER"), which was published in November 2013, and a draft Section 106 Programmatic Agreement ("PA"). The final Section 106 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 revised SER and the Company's Dewey Burdock Project received its Source and Byproduct Materials License SUA-1600 (an operating license) on April 8, 2014, covering 10,580 acres.

In April 2014, a motion to stay the operating license for the Dewey Burdock Project was submitted to the ASLB. Following brief oral arguments, this motion was denied by the ASLB on May 20, 2014.

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 hearings with the ASLB are normal practice and are undertaken after the NRC license is granted to determine whether or not the NRC staff has considered all issues related to the license. At this point, only limited additional evidence and testimony can be presented and a final decision from the ASLB is expected by April 29, 2015 in accordance with the scheduling order issued by the ASLB. The final ASLB decision can be appealed, which could delay the permitting process for the Dewey Burdock Project.

The Company continues to be in compliance with all NRC licensing and other permitting/licensing requirements. In order to commence construction and operations at the Dewey Burdock Project, the Company requires regulatory approvals from two major agencies, the EPA and the South Dakota Department of Environment and Natural Resources ("DENR"). These approvals include the Class III and Class V underground injection control ("UIC") permits from the EPA and three state permits to be issued by South Dakota DENR.

The EPA continues to work on the draft Class III and Class V UIC permits and the Company currently anticipates receiving the draft Class III and Class V UIC permits in the second quarter of 2015, with final permits following in the second half of 2015. However, due to the lack of mandated regulatory timelines, the dates may be subject to change.

The Company has 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, until such time as the NRC and EPA 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, until such time as the NRC and EPA ruled and set the federal surety.

On July 8, 2014, the BLM requested additional information on the Company's plan of operations for the Dewey Burdock Project. The Company submitted the requested information and anticipates that the BLM will approve the plan of operations for the Dewey Burdock Project in the second quarter of 2015, at which point it is also anticipated that the BLM will prepare an environmental assessment and issue its Record of Decision.

MINERAL PROPERTIES (Continued)

The Company anticipates the regulatory process to be completed in the second half of 2015; however, the Company remains cautious regarding the anticipated schedule for obtaining the outstanding regulatory approvals because of factors outside the Company's control, including a lack of mandated regulatory timelines for permit issuances and the logistics of scheduling and holding of regulatory hearings.

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

The Company's 100% owned Centennial Project is located in the western part of Weld County in northeastern Colorado. Through property purchase and/or lease agreements, the Centennial Project is comprised of approximately 2,320 acres of surface rights and approximately 7,240 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.

In August 2010, a NI 43-101 compliant independent PEA (the "Centennial PEA") was prepared by SRK Consulting (U.S.), Inc. ("SRK") and Lyntek Incorporated ("Lyntek") 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 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 0.02 GT cut-off and annual production of 700,000 lbs per annum which resulted in a 14 year mine life.

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Details of the assumptions and parameters used to 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.

Subsequent to the Centennial PEA being completed, certain lease agreements with respect to the Centennial Project were not renewed; however, the impact to the Centennial PEA is immaterial.

MINERAL PROPERTIES (Continued)

The Company has engaged an independent mining consultant to prepare 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 comprises approximately 10,161 acres of mineral rights located 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 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 included at a 0.02 GT cut-off. Using the same cut-off, a range of exploration potential was determined to be 5.0 to 11.0 million pounds of uranium, averaging 0.11% - 0.12% U_3O_8. The grade and quantity of this exploration potential is conceptual in nature and there has been insufficient exploration work performed with respect to the exploration potential to define a NI 43-101 compliant resource. It is uncertain whether further exploration of the exploration potential 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 resources that are not mineral reserves do not have demonstrated economic viability.

Kyzyl Ompul Project (80% interest) – Kyrgyz Republic

The uranium deposit/prospects and rare earth 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, of which the Company has an 80% interest in, and consists of one exploration license with an area of 42,379 hectares. The license is valid until December 31, 2015 and permits exploration for uranium, thorium, iron, titanium, phosphate, rare earth elements and feldspar.

MINERAL PROPERTIES (Continued)

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.

Subsequent to the Company's 80% acquisition of UrAsia, a more extensive exploration program commenced. The 2012 and 2013 exploration programs concentrated on both uranium and rare earth elements exploration. Over this period, 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 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. Details of the assumptions and parameters used for the resource estimate at Kyzyl Ompul, including information on data verification are set out in the Kyzyl Ompul Technical Report dated April 14, 2014, a copy of which is available under the Company's profile at www.sedar.com. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

In 2015, the Company plans to undertake a limited exploration program on the Kyzyl Ompul Project to further investigate the potential for rare earth elements, continuing its limited rare earth element exploration program from 2014.

MINERAL PROPERTIES (Continued)

Black Range (23.7% accounting interest as at the date of this MD&A)

Black Range is focused on growth through acquisition, exploration and development of uranium projects, particularly in the United States. Its growth strategy is underpinned by its 100% interest in the Hansen/Taylor Ranch Uranium Project located approximately 30 kilometers northwest of Cañon City in Colorado, USA.

On April 23, 2014, Black Range issued a press release announcing a JORC code 2012 compliant resource estimate for the Hansen/Taylor Ranch Uranium Project. Please refer to Black Range's press release entitled "Hansen/Taylor Ranch Uranium Project – JORC Code 2012 Mineral Resource Estimate" for details of the assumptions and parameters used to calculate the resources and uranium quality estimates and information on data verification. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Anatolia (11.3% interest as at the date of this MD&A)

Anatolia's primary focus is its advanced exploration and development projects in the central Anatolian region of Turkey. Anatolia owns 100% of the Temrezli Uranium Project in Turkey. On February 16, 2015, Anatolia issued a press release stating the results of a pre-feasibility study on the Temrezli Uranium Project prepared by Tetra Tech Inc. Please refer to Anatolia's press release entitled "Pre-feasibility Study" for details of the assumptions and parameters used to calculate the resources and uranium quality estimates and information on data verification. The Anatolia Pre-feasibility Study is preliminary in nature; certain scenarios prepared by Anatolia include 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 Pre-feasibility Study will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

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 and the consolidated statements of cash flows in this MD&A. The financial information has been prepared as a continuation of Azarga Resources' consolidated financial statements and the comparative figures presented represent the consolidated financial statements of Azarga Resources. The results of Powertech's operations have been included in the Company's consolidated financial statements subsequent to the close of the RTO on October 28, 2014. Further, financial information for the period ended 2012 is presented for a seven-month period as the Company was incorporated on May 30, 2012.

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

SELECTED ANNUAL INFORMATION (Continued)

	Year ended December 31, 2014	Year ended December 31, 2013	Period ended December 31, 2012
Total working capital deficit	$ (1,567,300)	$ (4,406,395)	$ (5,531,871)
Total assets	45,531,152	26,062,427	9,102,386
Exploration and evaluation assets	37,433,869	12,418,765	8,940,995
Long term investments (i)	3,951,880	10,344,230	-
Total comprehensive loss	(2,207,652)	(4,393,788)	(938,543)

(i) Includes investments in associates and the investment in Anatolia

As at December 31, 2014, the working capital deficit primarily related to 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"). The Company continues to actively manage its working capital position and is evaluating alternatives to improve its working capital position. As at December 31, 2013, the working capital deficit primarily related to deferred consideration owing to the original sellers of UrAsia and other current liabilities comprised primarily of the put option on the non-controlling interest of UrAsia (the original sellers of UrAsia have the right to sell the remaining 20% of UrAsia's charter capital to Azarga for $2,000,000 in cash or $2,000,000 in Azarga shares) and the put option held by Anatolia. As at December 31, 2012, the working capital deficit is primarily the result of deferred payments owing to the original sellers of UrAsia.

As at December 31, 2014, the Company's total assets were primarily comprised of the Company's investment in exploration and evaluation assets, which primarily includes the Company's investment in the Dewey Burdock Project, the Kyzyl Ompul Project and the Centennial Project and the Company's long-term investments, which included its investment in associates (Black Range) and the Company's investment in Anatolia. As at December 31, 2013, the total assets were primarily comprised of the Company's long-term investments, which included its investment in associates (Black Range and Powertech) and the Company's investment in Anatolia and the Company's investment in exploration and evaluation assets, which primarily included the Company's investment in the Kyzyl Ompul Project. As at December 31, 2012, the total assets were primarily comprised of the Company's investment in exploration and evaluation assets, which solely related to the Kyzyl Ompul Project.

For the year ended December 31, 2014, total comprehensive loss primarily consisted of administration expenses, unrealized losses on financial instruments, finance costs and an impairment on an investments in associate, partially offset by a bargain purchase gain recognized on close of the RTO. For the year ended December 31, 2013, total comprehensive loss primarily consisted of administration expenses, unrealized losses on financial instruments and finance costs. For the period ended December 31, 2012, total comprehensive loss primarily consisted of administration expenses and finance costs.

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

SELECTED ANNUAL INFORMATION (Continued)

Administration expenses for the year ended December 31, 2014 were $3,802,907 compared to $1,940,724 for the period ended December 31, 2013. The increase in administration expenses is primarily explained by the completion of the RTO, which resulted in increased consulting and professional feels and increased share-based compensation expense as well as increased salaries and benefits due to additional staff. For the period ended December 31, 2012, administration expenses were $370,133. The increase in administration expenses for the year ended December 31, 2013 compared to the period ended December 31, 2012 is primarily explained by the ramp-up of the Company's operations, but also by the 7-month reporting period in 2012 due to the foundation of the Company on May 30, 2012.

SUMMARY OF QUARTERLY RESULTS

The following table provides selected quarterly financial information for the most recent four quarters. Quarterly financial information is not available for prior periods.

	2014			
QUARTER ENDED	**31-Dec**	30-Sep	30-Jun	31-Mar
Administration expenses	$ (1,622,416)	$ (464,607)	$ (729,183)	$ (986,701)
Finance costs	(164,118)	(138,134)	(546,740)	(478,728)
Unrealized gain/(loss) on financial instruments	(749,459)	(1,283,982)	(52,451)	524,696
Realized gain/(loss) on financial instruments	301,133	170,216	(1,589,776)	946,947
Share of equity income/(loss) from associates	(1,942,957)	234,964	(352,905)	(222,563)
Impairment of investment in associates	(3,707,133)	-	-	-
Gain on bargain purchase on close of RTO	11,605,241	-	-	-
Deferred income tax recovery/(expense)	(122,546)	(33,196)	28,907	(128,260)
Net income/(loss)	3,633,140	(1,514,918)	(3,251,385)	(342,562)
Total comprehensive income/(loss)	3,238,470	(1,679,572)	(3,093,264)	(673,286)

The Company recorded net income of $3,633,140 for the three months ended December 31, 2014 primarily related to the following:

Administration expenses were $1,622,416 for the three months ended December 31, 2014 and primarily consisted of share-based compensation recorded on close of the RTO, consulting and professional fees, which included expenditures required to close the RTO, corporate administration fees, which included filing fees on close of the RTO and salaries and benefits. Administration expenditures were higher than prior periods due to Powertech's operations being included in the Company's consolidated financial statements subsequent to the close of the RTO on October 28, 2014 and additional costs related to the RTO.

SUMMARY OF QUARTERLY RESULTS (Continued)

Finance costs were $164,118 for the three months ended December 31, 2014 and primarily consisted of interest expense on the put option on the non-controlling interest of UrAsia, the deferred consideration payable to the original sellers of UrAsia, the Shareholders Loan Agreement and the Anadarko Agreement.

The Company recognized an unrealized loss of $749,459 for the three months ended December 31, 2014 primarily related to a loss on convertible loans issued outstanding to Powertech and a loss on the revaluation of the Company's investment in Anatolia.

The Company recognized a realized gain of $301,333 for the three months ended December 31, 2014 on the settlement of outstanding obligations between the Company and Powertech on close of the RTO.

The Company recognized an equity loss pick-up of $1,942,957 for the three months ended December 31, 2014 related to an equity income pick-up recognized on the Company's investment in Powertech, which was partially offset by an equity loss pick-up recognized on the Company's investment in Black Range.

The Company recognized an impairment charge of $3,707,133 prior to completing the RTO based on the fair value of the Company's previously held equity interest in Powertech.

The Company recognized a $11,605,241 bargain purchase gain on close of the RTO for the three months ended December 31, 2014 as a result of the fair value of consideration paid being lower than the fair value of the identifiable net assets acquired.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES

The Company's capital risk management objectives are to safeguard the Company's ability to continue as a going concern in order to support the Company's exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the costs 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, 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 come 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, 2014, the Company had negative working capital of $1,567,300 and an accumulated deficit of $6,272,029 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. The inability to obtain additional financing would 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 if additional funds are required; 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, 2014, the Company had cash of $3,214,529 compared to cash of $282,013 as at December 31, 2013. The Company's working capital deficit (current assets less current liabilities) was $1,567,300 as at December 31, 2014 compared to $4,406,395 as at December 31, 2013. The Company continues to actively manage its working capital position and is evaluating alternatives to further improve its working capital position. The Company is not subject to any externally imposed capital expenditure requirements.

Powertech Uranium Corp.

In July 2013, the Company purchased a 16.5% interest in Powertech and the Company provided a convertible debenture to Powertech in the amount of C$514,350 ($500,000) repayable in cash or shares at C$0.07 per share, pursuant to the terms and conditions of a private placement agreement dated July 31, 2013 ("Powertech Convertible Debenture"). On October 18, 2013, the Powertech Convertible Debenture was converted into 8,450,035 common shares at C$0.07 share.

In addition, on October 18, 2013, the Company agreed to provide a loan facility in amount of $3,600,000 to Powertech ("Powertech Convertible Loan") repayable in cash or shares. Other key terms of the convertible loan are as follows:

- Term – 24 months after the date of initial advance (the "Powertech CL Maturity Date");
- Conversion price - the conversion price shall be either 1) C$0.12 per share in the event that Powertech receives certain permits before December 31, 2013 or 2) C$0.095 per share in the event that such permits are not received by December 31, 2013. As at December 31, 2013, Powertech had not received such permits;

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

- Early repayment option – Powertech may repay the loan, in whole or in part, before the Powertech CL Maturity Date;
- Repayment/conversion amount – 115% or 130% of the amount of the Powertech Convertible Loan to be repaid/converted if the repayment/conversion occurs on or before 12 months or after 12 months from issuing the Powertech Convertible Loan, respectively;
- Powertech's conversion right - in whole or in part, on or before the Powertech CL Maturity Date;
- Azarga's conversion right – in whole or in part, after the earlier of 1) the Powertech board of directors approving a transaction resulting in a change of control; 2) a change of control of Powertech; 3) occurrence of an event of default; 4) after 9 months following the date of the initial advance; and
- Other - the Powertech Convertible Loan is non-interest bearing and is unsecured.

In November 2013, the Company further increased its ownership stake to 45% through the acquisition of additional Powertech shares at a price of C$0.0966 per share.

In addition, on September 12, 2014, Powertech and the Company agreed to enter into an additional $650,000 loan facility ("Second Powertech Convertible Loan"). Other key commercial terms of the loan include:

- Term – 24 months after the date of initial advance (the "Second Powertech CL Maturity Date");
- Conversion price - C$0.06 per share;
- Early repayment option – Powertech may repay the loan, in whole or in part, before the Second Powertech CL Maturity Date;
- Repayment/conversion amount – 115% or 130% of the amount of the Second Powertech Convertible Loan to be repaid/converted if the repayment/conversion occurs on or before 12 months or after 12 months from issuing the Second Powertech Convertible Loan, respectively;
- Powertech's conversion right - in whole or in part, on or before the Second Powertech CL Maturity Date;
- The Company's conversion right – in whole or in part, after the earlier of 1) the Powertech board of directors approving a transaction resulting in a change of control; 2) a change of control of Powertech; 3) occurrence of an event of default; 4) after 9 months following the date of the initial advance; and
- Other - the Second Powertech Convertible Loan is non-interest bearing and is unsecured.

The Powertech Convertible Loan and the Second Powertech Convertible Loan were settled in accordance with the terms and conditions of the share purchase agreements, as amended, on close of the RTO.

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 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, the original sellers of UrAsia also have 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 after July 27, 2014. Subsequently, the Company and the original sellers of UrAsia have amended the Purchase Agreements.

In 2013, the Company and the original sellers of UrAsia amended the payment terms surrounding the $5,800,000 deferred payment. Instead of settling the entire deferred payment in cash, the Company issued the original sellers of UrAsia 6,250,000 common shares to settle $2,500,000 of the obligation.

On February 12, 2014, payment terms for the remaining $1,850,000 owing to the original sellers of UrAsia were amended to be settled according to the following schedule: $150,000 payable on or before March 30, 2014, $200,000 payable on or before December 31, 2014, $500,000 payable on or before December 31, 2015, $500,000 payable on or before December 31, 2016 and $500,000 payable on or before December 31, 2017. Further, on December 30, 2014, the payment terms were amended to delay the $200,000 payable on or before December 31, 2014 to be payable on or before April 1, 2015.

For the year ended December 31, 2014, the Company made cash payments totaling $150,000 to partially settle the deferred consideration.

If Azarga fails to settle the outstanding deferred payments in accordance with the revised payment schedule, its participation interest in UrAsia's charter capital will be reduced (not more than 60%) based on a pro-rata calculation over the unpaid portion of the $5,800,000 and transferred back to the original sellers of UrAsia.

The February 12, 2014 amendment also aligned the put option exercise timing on the remaining 20% of UrAsia's charter capital with the final deferred payment to be made on or before December 31, 2017.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

Investment in Black Range

On March 14, 2013, the Company acquired a 19.7% interest in Black Range. On July 2, 2013, the Company entered into a financing agreement with Black Range to provide an A$2,000,000 convertible loan ("First Black Range CL") repayable in cash or common shares of Black Range (the "Black Range Shares"). Other key terms include:

- Term – 24 months from the date of the first draw down (the "First CL Maturity Date");
- Early repayment option – Black Range may repay the loan, in whole or in part, before the First CL Maturity Date;
- Automatic redemption – occurs when Black Range raises an aggregate of more than A$13,000,000 in debt and equity, other than any financing where no proceeds are received by Black Range;
- Conversion - If not repaid, the loan is automatically converted to shares of Black Range at the First CL Maturity Date;
- Conversion/redemption amount – 110%, 115% or 130% of the principal sum being repaid/converted if the repayment/conversion occurs before 6 months, not less than 6 months and not more than 12 months, or more than 12 months from issuing the First Black Range Convertible Loan, respectively; and
- Other – the First Black Range Convertible Loan is non-interest bearing and unsecured.

Subsequently, on October 26, 2013, the Company and Black Range amended the First Black Range CL and agreed to convert A$638,000 into Black Range Shares at the conversion price of A$0.01 per share.

On October 26, 2013, the Company entered into a second financing agreement with Black Range to provide an A$1,500,000 convertible loan ("Second Black Range CL") repayable in cash or Black Range Shares. Other key terms include:

- Term - 24 months from the date of the first draw down (the "Second CL Maturity Date");
- Early repayment option – Black Range may repay the loan, in whole or in part, before the Second CL Maturity Date;
- Automatic redemption – occurs when Black Range raises an aggregate of more than A$11,500,000 in debt and equity, other than any financing where no proceeds are received by Black Range;
- Conversion - If not repaid, the loan is automatically converted to shares of Black Range at the Second CL Maturity Date;

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

- Conversion/redemption amount – 110%, 115% or 130% of the principal sum being repaid/converted if the repayment/conversion occurs before 6 months, not less than 6 months and not more than 12 months, or more than 12 months from issuing the Second Black Range Convertible Loan, respectively; and
- Other - the Second Black Range Convertible Loan is non-interest bearing and unsecured.

In June 2014, the First and Second Black Range Convertible Loans were converted into 304,966,667 shares of Black Range in accordance with the terms stipulated in the loan agreements.

Further, on February 25, 2014, the Company entered into a third financing agreement with Black Range to provide an A$2,000,000 convertible loan ("Third Black Range CL") repayable in cash or Black Range Shares. Other key terms include:

- Term - 12 months from the date of the first draw down (the "Third CL Maturity Date");
- Conversion price – The higher of a) the three month volume weighted average price of Black Range shares traded on the Australian Stock Exchange from the date of the first draw down or b) A$.007;
- Early repayment option – Black Range may repay the loan, in whole or in part, before the Third CL Maturity Date;
- Conversion - If not repaid, the loan is automatically converted to shares of Black Range at the Third CL Maturity Date;
- The Company's conversion right – subject to Black Range obtaining regulatory approvals, the Company can convert the outstanding amount of the Third Black Range Convertible Loan three months after the first draw down;
- Conversion/redemption amount – 115% or 130% of the principal sum being repaid/converted if the repayment/conversion occurs on or before 6 months or after 6 months from issuing the Third Black Range Convertible Loan, respectively;
- Right to appoint a second director – if the fully diluted voting power of the Company exceeds 35%; and
- Other – the Third Black Range Convertible Loan is non-interest bearing and unsecured.

During the year ended December 31, 2014, Black Range drew down A$460,000 ($419,080), under the Third Black Range Convertible Loan. Subsequent to year-end the Third Black Range Convertible Loan was converted into 73,284,314 Black Range shares and the facility was extinguished.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

In addition, during 2014, the Company sold 39,388,824 Black Range shares for gross proceeds of $301,062.

On October 3, 2014, the Company closed a share sale agreement and economic exposure sharing deed with Empire Equity Ltd. ("Empire Equity") to sell 140,000,000 Black Range shares at A$0.008 per share for total consideration of A$1,120,000. The consideration is payable in four equal installments, with the first payment due on closing and subsequent payments due 12, 24 and 36 weeks after closing. Other key terms include:

- Profit sharing on future sales by Empire Equity – The Company receives 50% of proceeds from future sales of Black Range shares by Empire Equity, if Empire Equity sells the Black Range shares in excess of $A0.010 per share; however, the first A$1,260,000 of proceeds will be retained by Empire Equity;
- Profit guarantee on future sales by Empire Equity – Two years after closing, if Empire Equity sells its Black Range shares for less than A$0.008 per share, the Company will reimburse Empire Equity the difference between the sales price and A$0.008 per share; and
- Anniversary payments – After closing, at each 12 week interval (up to 96 weeks), the Company is obligated to make anniversary payments to Empire Equity, calculated based on the cumulative installments paid to the Company at the date of the anniversary payment, less the value of shares sold by Empire Equity, multiplied by 2.5%.

To date, the Company has received the first installment payment.

Subsequent to year-end, on March 23, 2015, Black Range announced that a definitive Merger Implementation Agreement has been executed with Western Uranium Corporation ("Western"), pursuant to which Western will offer to acquire all of the issued shares of Black Range. Black Range shareholders will receive 1 new Western share for every 750 shares of Black Range held.

According to the announcement, based on Western's closing share price on the Canadian Securities Exchange (Symbol: CNX:WUC) at the date of the proposed offer on January 29, 2015 and an exchange rate of C$1:A$1:02, the offer valued Black Range at A$18.5 million or $A0.00617 per share. The offer will be implemented via scheme of arrangement and an indicative timetable estimates the arrangement to be implemented in July 2015. The offer is subject to a number of conditions.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

Investment in Anatolia

During 2013, the Company acquired 27,209,573 shares of Anatolia for total consideration of $1,771,953. On October 1, 2013, the Company signed a put option agreement with Anatolia. Under the put option agreement, Anatolia can issue a total of 16,666,667 shares to the Company at an issue price of A$0.12 per share in tranches of 8,333,333 shares ("Tranche 1") and 8,333,334 shares ("Tranche 2"). In February 2014, Anatolia exercised Tranche 1 of the put option agreement and issued 8,333,333 Anatolia shares to the Company at an exercise price of $898,100.

Further, in August 2014, Anatolia and the Company amended the put option agreement. The Company paid consideration of $348,338 to Anatolia to settle Tranche 2 of the put option agreement and provide the Company with the ability to acquire up to 8,333,334 shares in Anatolia at a price of A$0.08 per share (the "Call Option Agreement"). The Call Option Agreement expired on March 31, 2015.

Powerlite Ventures Limited – Powerlite Facility

On May 22, 2013, the Company issued an equity instrument ("Powerlite Facility") to Powerlite Ventures Limited ("Powerlite") for $15,000,000 ("Facility Limit"). In accordance with the agreement, the outstanding principal and interest accrued under the agreement will be settled through the issuance of the Company's shares at $1.54 per share. As a result, the financial instrument has been classified as equity. Accrued interest has been recorded to interest expense with the offset being recorded 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 – $1.54 per share;
- Powerlite's conversion right – convert the outstanding notes plus accrued interest into the Company's shares after the date of issue;
- Company's conversion right – 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.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

On August 28, 2013 and February 12, 2014, the facility limit was amended to \$21,000,000 and \$26,000,000, respectively. As at December 31, 2014, the Company had drawn a total of \$18,000,000 (December 31, 2013: \$12,000,000) under the Powerlite Facility. The incremental facility amount of \$5,000,000 agreed on February 12, 2014 can only be drawn in 2015 and is subject to a mutually agreed upon draw down schedule to be agreed in writing prior to the end of 2014; however, a draw down schedule was not agreed prior to the end of 2014. \$3,000,000 remains available, subject to the Powerlite Facility terms discussed above.

On July 1, 2014, 38,212,493 shares were issued to Powerlite on conversion of the accumulated Powerlite equity contributions (\$18,000,000) made pursuant to the Powerlite Facility.

Shareholders Loan Agreement

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

- Interest – 10% per annum payable on each anniversary date of the Shareholders Loan Agreement;
- Term – 3 years, commencing July 31, 2012;
- Conversion price – based on the Company's most recent sale of shares to an outside third party;
- Founding 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
- Other - the Shareholders Loan Agreement is unsecured.

On February 12, 2014, the Shareholders Loan Agreement was amended to extend the term to 5 years. The conversion price was also amended to a) based on the Company's most recent sale of shares to an outside third party, if the Company is private or b) the higher of the Company's 20-day volume weighted average share price or \$0.40, adjusted for an appropriate transaction ratio, if the Company is public. On close of the RTO, the conversion price has been adjusted to C\$1.23 per share.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

As at December 31, 2014, the Company had drawn $1,776,000 under the Shareholders Loan Agreement, no change from December 31, 2013.

Other Loans Payable

The Company assumed loan agreements with Anadarko and Elston on close of the RTO. These agreements include:

<u>Anadarko Agreement</u>

The Company entered into an agreement with Anadarko to purchase uranium rights on certain areas of the Centennial Project for total consideration of $3,000,000, of which $1,815,000 had been paid as at December 31, 2014 (the "Anadarko Agreement"). Of the consideration outstanding, $790,000 is payable in 2015 and $395,000 is payable in 2016. An additional $2,000,000 is payable upon receipt of regulatory permits and licenses allowing uranium production on the area of the Centennial Project pertaining to these mineral interests. Other key terms of the Anadarko Agreement include:

- Failure to Permit – If the Company does not obtain the regulatory permits and licenses allowing uranium production by September 27, 2019, the uranium rights will transfer back to Anadarko, at Anadarko's option;
- In the event of default, the uranium rights will transfer back to Anadarko, at Anadarko's option; and
- The Anadarko Agreement is non-interest bearing.

<u>Elston Agreements</u>

The Company entered into an agreement with Elston to purchase mineral rights on certain areas of the Dewey Burdock Project for total consideration of $600,000, of which $480,000 had been paid as at December 31, 2014 (the "Elston Agreement"). Of the consideration outstanding, $30,000 is payable in 2015 and $90,000 is payable in three annual installments of $30,000 from 2016 to 2018. An additional $1,300,000 is payable, in four equal annual installments, upon receipt of regulatory permits and licenses allowing uranium production on the area of the Dewey Burdock Project pertaining to these mineral interests. Other key terms of the Elston Agreement include:

- In the event of default, Elston has the option to purchase the mineral property interests for $1; and
- The Elston Agreement is non-interest bearing.

FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

The Company also assumed an additional Elston agreement with $750,000 payable, in four equal annual installments, upon receipt of regulatory permits and licenses allowing uranium production on the area of the Dewey Burdock Project pertaining to the mineral interests covered by the agreement.

Cash Flow Highlights

Cash used in Operating Activities

For the year ended December 31, 2014, the Company used $2,137,962 of cash in operating activities compared to $1,560,001 for the year ended December 31, 2013. Cash used in operating activities increased in 2014 primarily due to increased administration expenditures as a result of the RTO. The increased administration expenditures were partially offset by changes in working capital items related to trade and other payables and other liabilities.

Cash used in Investing Activities

For the year ended December 31, 2014, the Company used $5,745,261 of cash in investing activities compared to $18,031,177 for the year ended December 31, 2013. In 2014, cash used in investing activities primarily related to $898,100 of long-term investments in Anatolia, $348,338 to settle the Anatolia put option agreement, $3,746,788 to purchase convertible loans in Powertech and Black Range and $940,089 of exploration and evaluation expenditures related to the Company's mineral properties, partially offset by the sale of $335,232 of long-term investments in Black Range and Anatolia.

In 2013, cash used in investing activities primarily related to a $1,450,000 deferred payment to the original sellers of UrAsia, a $1,072,468 payment related to the Company's 60% acquisition of the Centennial Project ($1,000,000 paid to Powertech and $72,468 of transaction fees), $9,734,807 of long-term investments in Powertech, Black Range and Anatolia, $3,751,087 to purchase convertible loans in Powertech and Black Range and $1,835,545 of exploration and evaluation expenditures related to the Kyzyl Ompul Project.

Cash generated from Financing Activities

For the year ended December 31, 2014, the Company generated $10,812,197 of cash from financing activities compared to $19,751,151 for the year ended December 31, 2013. In 2014, cash generated from financing activities related to $6,000,000 drawn under the Powerlite Facility and $4,812,197 proceeds from share issuances. In 2013, cash generated from financing activities primarily related to $12,000,000 drawn under the Powerlite Facility and $7,433,311 proceeds from share issuances.

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

CONTRACTUAL COMMITMENTS

As at December 31, 2014 and 2013, the Company's commitments for expenditures are as follows:

	As at December 31, 2014			
	Within 1 year	2-4 years	Over 4 years	Total
Capital expenditure commitments	$ -	$ -	$ -	$ -
Operating expenditure commitments	678,100	909,970	1,019,395	2,607,465
Commitments	$ 678,100	$ 909,970	$ 1,019,395	$ 2,607,465

	As at December 31, 2013			
	Within 1 year	2-4 years	Over 4 years	Total
Capital expenditure commitments	$ -	$ -	$ -	$ -
Operating expenditure commitments	19,111	-	-	19,111
Commitments	$ 19,111	$ -	$ -	$ 19,111

OFF BALANCE SHEET ARRANGEMENTS

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

FINANCIAL INSTRUMENTS

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

The fair values of the Company's financial instruments classified as 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 investment in the shares of Anatolia is 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.

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

FINANCIAL INSTRUMENTS (Continued)

  - The fair value of the put option held by Anatolia and the fair value of the call option held by the Company for Anatolia shares are 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 fair values of the embedded derivatives within the convertible loans issued by Powertech are determined using a Binomial Pricing Model. The loan asset components for both Powertech and Black Range are valued based on the present value of expected future cash flows at the discount rate that would have applied to the financial assets without conversion or other embedded derivative features. None of the fair value change in the convertible loans for the year ended December 31, 2014 and 2013 is related to a change in the credit risk of the convertible loans. All of the change in fair value is associated with changes in market conditions.

The fair value of all the other financial instruments of the Company approximates their carrying value because of the demand nature or short-term maturity of these instruments.

	As at December 31,	
	2014	**2013**
Financial assets		
Loans and receivables		
Cash and cash equivalents	$ 3,214,529	$ 282,013
Restricted cash	231,948	21,151
Fair value through profit or loss		
Investment in Anatolia	2,061,257	1,738,600
Convertible loans issued by Black Range	427,139	2,320,675
Convertible loans issued by Powertech	-	460,375
Call option on Anatolia shares	36,877	-
Total financial assets	$ 5,971,750	$ 4,822,814

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

FINANCIAL INSTRUMENTS (Continued)

	As at December 31,	
	2014	**2013**
Financial liabilities		
Other financial liabilities		
Trade and other payables	$ 3,470,711	$ 386,471
Loan payable to shareholders	2,024,522	1,846,531
Deferred consideration	1,400,672	1,741,080
Put option on non-controlling interest of UrAsia	1,423,118	1,872,592
Promissory note on Centennial Project	-	449,980
Put option held by Powertech on Centennial Project	-	177,835
Other loans payable	1,246,094	-
Fair value through profit or loss		
Put option held by Anatolia	-	818,523
Warrant Liability	328,213	-
Empire Equity facility	228,422	-
Total financial liabilities	$ 10,121,752	$ 7,293,012

The Company is exposed to credit risk associated with its cash and cash equivalents, its convertible loans acquired from Black Range and the installment payments owing from Empire Equity. The Company's maximum exposure to credit risk is equal to the carrying amount of its cash and cash equivalents, the nominal amount of the convertible loans and the amount of installments outstanding from Empire Equity.

The Company's credit risk on cash and cash equivalents and the Empire Equity facility arises from default of the counterparty. The Company limits its exposure to counterparty credit risk on cash and cash equivalents by only dealing with financial institutions with high credit ratings. The Company limits its exposure on the Empire Equity facility through the execution of legal agreements with various protections that are governed by first world jurisdictions.

The Company seeks to manage its credit risk on the convertible loans acquired from Black Range by including mechanisms that provide protection should Black Range not be able to repay the convertible loans, e.g. the conversion feature. The Company also has board representation to ensure that the Company is fully apprised of the financial environment at Black Range. Subsequent to December 31, 2014, all of the Black Range convertible loans had been converted into shares.

The Company is subject to share price risk with respect to its investments in Black Range and Anatolia.

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

RELATED PARTY TRANSACTIONS

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

Name	Country of incorporation	% equity interest As at December 31, 2014	2013
Azarga Resources (Hong Kong) Limited	Hong Kong	100%	100%
Azarga Resource Limited (BVI)	British Virgin Islands	100%	100%
Azarga Resources Canada Ltd.	Canada	100%	100%
Azarga Resources USA	United States of America	100%	100%
UrAsia	Kyrgyz Republic	80%	80%
Powertech USA, Inc.	United States of America	100%	45%
Black Range	Australia	24%	23%

As at December 31, 2014, the Company held a significant influence investment in Black Range. Black Range became an associate of the Company on July 2, 2013. The Company held a significant influence investment in Powertech from October 18, 2013 to October 28, 2014, at which point the RTO closed.

During the year ended December 31, 2014 and 2013, the Company had related party transactions with the Company's directors, shareholders, management and significant influence investees including:

- Shareholders and key management personnel subscribed for the Company's shares under subscription agreements;
- A shareholder of the Company received a commission of $300,000 for brokering private placements, this was recorded to equity in 2013;
- Interest continued to accrue to shareholders of the Company on the Shareholders Loan Agreement;
- The disposal of Black Range shares;
- The conversion of the First and Second Black Range Convertible Loans;
- The purchase of convertible loans issued by Black Range and Powertech; and
- The RTO with Powertech.

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

RELATED PARTY TRANSACTIONS (Continued)

Related party assets

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

	As at December 31,			
	2014		2013	
Convertible loans issued by Black Range	$	427,139	$	2,320,675
Convertible loan issued by Powertech		-		460,375
Centennial Project with Powertech		-		1,698,995
Investment in Powertech		-		5,788,794
Investment in Black Range		1,890,623		2,816,836
Total assets with related parties	$	2,317,762	$	13,085,675

Related party liabilities

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

	As at December 31,			
	2014		2013	
Loan payable to shareholders	$	2,024,522	$	1,846,531
Promissory note issued to Powertech for Centennial Project		-		449,980
Put option held by Powertech on Centennial Project		-		177,835
Total liabilities with related parties	$	2,024,522	$	2,474,346

Related party income and expenses

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

	Year ended December 31,			
	2014		2013	
Realized gain upon equity accounting for Powertech	$	-	$	220,369
Realized gain upon equity accounting for Black Range		-		483,132
Equity income pick-up from Powertech		341,757		11,130
Gain recognized on assets settled on close of RTO		301,133		-
Unrealized gain on Black Range convertible loans		353,778		102,277
Dilution gain on investment in associates		469,784		-
Total related party income	$	1,466,452	$	816,908

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

RELATED PARTY TRANSACTIONS (Continued)

	Year ended December 31,			
	2014		2013	
Interest expense on loan payable to shareholders	$	177,991	$	171,068
Interest expense on promissory note issued to Powertech for Centennial Project		19,795		682
Interest expense on put option held by Powertech on Centennial Project		17,604		606
Equity loss pick-up from Black Range		2,625,218		579,544
Realized loss on investment in Black Range		1,550,695		-
Unrealized loss on Powertech convertible loan		2,193,710		564,625
Total related party expenses	$	6,585,013	$	1,316,525

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, consists of the following amounts:

	Year ended December 31,			
	2014		2013	
Share-based compensation	$	490,992	$	169,087
Salaries, fees and other benefits		887,029		481,308
Key management personnel compensation	$	1,378,021	$	650,395

SHARE CAPITAL

The Company has authorized the issuance of an unlimited number of common and preferred shares with no par value. As at December 31, 2014, the Company had 59,403,733 (December 31, 2013: 75,583,274) common shares outstanding.

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

SHARE CAPITAL (Continued)

The movement of Company's common shares outstanding and share capital is as follows:

	Number of Common Shares		Amount ($)
As at December 31, 2012	**50,000,000**	**$**	**200,000**
Issuance of common shares	25,583,274		102,333
As at December 31, 2013	**75,583,274**		**302,333**
Issuance of common shares prior to close of RTO	39,241,880		156,968
RTO transactions			
Elimination of Azarga Resources common shares	(114,825,154)		-
Shares outstanding on close of RTO	505,700,952		3,109,018
Share consolidation on close of RTO	(455,130,857)		-
Reclassification of contributed surplus	-		29,192,012
Private placement financing (net of finder's fee)	8,580,830		4,043,409
Shares issued pursuant to employment agreements	252,808		135,024
As at December 31, 2014	**59,403,733**	**$**	**36,938,764**

The movement of Company's contributed surplus is as follows:

	Year ended December 31,			
		2014		**2013**
Opening balance, beginning of year	$	20,585,082	$	(1,594,389)
Issuance of common shares		254,787		10,130,978
Equity instrument issued to Powerlite		6,757,754		12,348,493
Less: transaction costs		-		(300,000)
Reclassification to share capital on close of RTO		(29,192,012)		-
Balance, end of year	$	(1,594,389)	$	20,585,082

For the year ended December 31, 2013, the Company issued 25,583,274 common shares for total proceeds of $10,233,311, before transaction costs of $300,000 (share capital of $102,333 plus contributed surplus of $10,130,978), at an average price of $0.40. Of which, 2,500,000 common shares were issued to settle the deferred payment to the original sellers of UrAsia and the remaining number of common shares were issued pursuant to investor subscription agreements.

On July 1, 2014, 38,212,493 shares were issued to Powerlite Ventures Limited ("Powerlite") on conversion of the accumulated Powerlite equity contributions made pursuant to the Powerlite Facility. As a result of the share issuance, $152,850 was reclassified from contributed surplus to share capital. In addition, the Company recorded $6,757,754 to contributed surplus for the equity instrument issued to Powerlite (December 31, 2013: $12,348,493).

SHARE CAPITAL (Continued)

On April 1, 2013, the Company entered into share subscription agreements with investors to subscribe for 4,250,000 shares for total subscription proceeds of $1,700,000 at $0.40 per share. As at the close of the RTO, the investors had paid subscription deposits totaling $645,064 (December 31, 2013: $283,310). No additional amounts will be funded through the subscription agreements as a result of the RTO. In 2014, the Company issued 904,387 common shares to the investors for total proceeds of $361,755 (share capital of $3,618 plus contributed surplus of $358,137) at an average price of $0.40. In addition, the Company issued 125,000 common shares pursuant to a key management employment agreement at an average price of $0.40, a price equivalent to the fair value of the common shares based on most recent equity raise, resulting in an increase in the Company's equity by $50,000 (share capital of $500 plus contributed surplus of $49,500) and a charge to share-based compensation expense.

In connection with the closing of the RTO and the Consolidation, the Company completed the Financing through the issuance of 8,338,134 post-Consolidation Units, each Unit consisting of one post-Consolidation common share and one-half Warrant. Each whole Warrant entitles the holder to purchase one post-Consolidation common share at an exercise price of C$1.00 per share until October 28, 2016. Accounting for the Consolidation adjustment, the Units subscribed for pursuant to the Financing were subscribed for at C$0.60 per Unit. Finder's fees in connection with the Financing were comprised of C$145,617 and 242,696 post-Consolidation shares. All securities issued pursuant to the Financing were subject to a hold period that expired March 1, 2015.

In addition, subsequent to the close of the RTO, 252,808 common shares were issued pursuant to a key management employment agreement at an average price of $0.60, a price equivalent to the fair value of the common shares based on the Financing.

For the year ended December 31, 2014, the Company granted 2,650,754 stock options to officers, employees, directors and other eligible persons at an exercise price of C$1.20 with an expiry date of October 28, 2019. The weighted average fair value of the options granted in the year ended December 31, 2014 was estimated at C$0.15 per option at the grant date using the Black-Scholes Option Pricing Model.

For the year ended December 31, 2013, the Company granted 1,150,000 stock options to officers, employees, directors and other eligible persons at exercise prices of $0.40 and $0.50 with expiry dates ranging from May 1, 2018 to November 4, 2018. The weighted average fair value of the options granted in the year ended December 31, 2013 was estimated at $0.31 per option at the grant date using the Black-Scholes Option Pricing Model.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 all of the Company's significant accounting policies is included in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2014 and 2013. Information about judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Liquidity and going concern assumption

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include forecasted capital deployment, 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.

Valuation of derivatives

Certain derivatives issued by the Company are valued using the Black Scholes Option Pricing Model. The Black Scholes Option Pricing Model is a formula that is used to determine the fair value of a call or put option based on factors such as underlying stock volatility, days to expiration, and others. Changes in the inputs to the valuation model could impact the carrying value of the derivatives and the amount of unrealized gains or losses recognized in profit or loss.

Valuation of convertible loans

The Company's convertible loans are valued using a binomial option pricing model. A binomial tree is a valuation model that uses a lattice of the underlying's price varying over discreet time periods and determines the value of an option at each node. The financial asset components are valued based on the present value of expected future cash flows at the discount rate that would have applied to the financial assets without conversion or other embedded derivative features. Changes in the inputs to the valuation model could impact the carrying value of the embedded derivatives and financial assets in the convertible loans and the amount of unrealized gains or losses recognized in profit or loss.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (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 business combinations and asset acquisitions

Management determines the assets acquired and liabilities assumed constitute a business if it consists of inputs and processes applied to those inputs that have the ability to create outputs. Powertech completed a RTO with Azarga Resources on October 28, 2014 and, in accordance with its policy, applied IFRS 3, Business Combinations, and concluded that the transaction qualified as a business combination as significant inputs and processes that constitute a business were identified.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

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.

Useful lives and depreciation rates for Property, Plant and Equipment ("PPE")

Depreciation expense is allocated based on estimated PPE useful lives and depreciation rates. Therefore, changes in the useful life or depreciation rates from the initial estimate could impact the carrying value of PPE and an adjustment would 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, 2014. The adoption of these standards did not have a material impact on the financial statements of the Company.

RECENT ACCOUNTING PRONOUNCEMENTS (Continued)

IFRS 10, IFRS 12 and IAS 27 (2011 Amendments)

Amendments to IFRS 10, IFRS 12 and IAS 27 provides an exception to consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them.

IAS 32 Financial Instruments: Presentation (Amendment)

Amendments to IAS 32 clarify matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements.

IAS 36 Impairment of Assets (Amendment)

Amendments to IAS 36 align the disclosures required for the recoverable amount of an asset (or cash generating unit) when this has been determined on the basis of fair value less costs of disposal with those required where the recoverable amount has been determined on the basis of value in use.

IAS 39 Financial Instruments: Recognition and Measurement (Amendment)

Amendments to IAS 39 allows hedge accounting to continue when derivatives are novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met.

IFRIC 21 Levies

IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's audited annual consolidated financial statements are the responsibility of the Company's management, and have been approved by the Board. The Company's audited annual consolidated financial statements were prepared by the Company's management in accordance with IFRS. The Company's audited annual 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 audited annual 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.

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, 2014, 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 control 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.

INTERNAL CONTROLS OVER FINANCIAL REPORTING (Continued)

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 the evaluation, management has concluded that internal controls over financial reporting were effective as at December 31, 2014.

There has been no change in the Company's internal controls over financial reporting that occurred subsequent to December 31, 2014 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 Richard F. Clement, Jr., the Deputy Chairman of the Company 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 massive investment losses by banks with resultant recapitalization efforts.

RISKS AND UNCERTAINTIES (Continued)

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 including Greece, and political instability in Eastern Europe continue to weigh on markets. These factors continue to impact commodity prices, including uranium, as well as currencies and global debt 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.

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.

RISKS AND UNCERTAINTIES (Continued)

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 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.

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.

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.

RISKS AND UNCERTAINTIES (Continued)

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.

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.

RISKS AND UNCERTAINTIES (Continued)

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 a relatively small number of uranium mining companies, from nationalized uranium 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.

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 properties, the Dewey Burdock Project in the United States and the Kyzyl Ompul Project in the Kyrgyz Republic. A loss of an interest in either of these mineral properties 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.

RISKS AND UNCERTAINTIES (Continued)

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.

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 the Company's business, financial condition, 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.

RISKS AND UNCERTAINTIES (Continued)

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.

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.

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 what 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 toward 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 expected the Company's 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.

Currency

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, Kyrgyz Som and Australian Dollars. The appreciation/depreciation of the United States Dollar against the Canadian Dollar, Kyrgyz Som and Australian Dollar will consequently have an impact on the Company's financial results.

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 may 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 through stricter license and permit conditions, could have a material adverse impact on the Company, increase costs and/or delay or prevent the development of new 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, such as those imposed by the suspension agreement between the United States and Russia. Changes in these policies and restrictions may adversely impact the Company's business.

With respect to the Company's Dewey Burdock Project, a final decision from the ASLB is expected by April 29, 2015, in accordance with the scheduling order issued by the ASLB; however, the final ASLB decision can be appealed, which could delay the permitting process for the Dewey Burdock Project. With respect to the Company's Centennial Project, originating from opposition to the Centennial Project by numerous interested parties in Colorado, a bill was signed (House Bill 1161) creating 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.

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.

RISKS AND UNCERTAINTIES (Continued)

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.

Native American Involvement in the Permitting Process

None of the Company's mineral properties are located within the boundaries of Native American lands, 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. This process could affect the final license timing at the Company's Dewey Burdock Project.

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.

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.

If Company's exploration license for the Kyzyl Ompul Project is not extended past December 31, 2015, the loss of this mineral property 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.

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 in 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.

RISKS AND UNCERTAINTIES (Continued)

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.

There can be no assurance that the Company's future exploration, development and acquisition efforts will be successful in determining mineral reserves and additional 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 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 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 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)

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 fluctuation, or in 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. 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.

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.

RISKS AND UNCERTAINTIES (Continued)

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.

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.

Disclosure and Internal Controls

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.

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 control 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.

RISKS AND UNCERTAINTIES (Continued)

Conflicts of Interest

Some of the directors of the Company are also directors 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 will 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).

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 affect on the Company's operations.