Azarga Uranium Corp.
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017
(Expressed in U.S. Dollars)

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Independent Auditor's Report

To the Shareholders of Azarga Uranium Corp.

We have audited the accompanying consolidated financial statements of Azarga Uranium Corp., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years 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 audits. We conducted our audits 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 consolidated 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 consolidated 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 consolidated 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 audits 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. as at December 31, 2017 and December 31, 2016 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information 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 generated revenues from operations, is currently in the exploration and development stage and has an accumulated deficit of $16,593,976. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants
Vancouver, Canada
March 27, 2018

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AZARGA URANIUM CORP.
Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

	Notes	As at December 31, 2017	2016
ASSETS			
Current assets			
Cash		$ 432,192	$ 941,370
Other assets		123,160	30,681
Investments held for sale	5	-	68,264
Total current assets		555,352	1,040,315
Non-current assets			
Restricted cash		39,176	42,687
Exploration and evaluation assets	6	33,003,670	38,284,484
Property, plant and equipment		97,322	105,819
Total non-current assets		33,140,168	38,432,990
Total assets		$ 33,695,520	$ 39,473,305
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		$ 1,525,906	$ 1,066,872
Loans payable	7	328,678	1,898,135
Total current liabilities		1,854,584	2,965,007
Non-current liabilities			
Trade and other payables	16	-	310,000
Loans payable	7	1,776,000	40,065
Deferred income tax liabilities	22	4,052,790	6,288,790
Decommissioning liability	8	142,918	129,933
Warrant liabilities	9	258,116	596,602
Total non-current liabilities		6,229,824	7,365,390
Total liabilities		8,084,408	10,330,397
Equity			
Common shares	10	41,286,853	39,762,939
Contributed surplus	10	768,652	793,625
Share option reserve	11	1,427,563	1,196,865
Foreign currency translation reserve		(827,984)	(842,006)
Accumulated deficit		(16,593,976)	(13,015,295)
Equity attributable to the equity holders of the Company		26,061,108	27,896,128
Non-controlling interest	21	(449,996)	1,246,780
Total equity		25,611,112	29,142,908
Total liabilities and equity		$ 33,695,520	$ 39,473,305

Approved by the Board:

"Joseph L. Havlin", Director

"Richard F. Clement, Jr.", Director

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

AZARGA URANIUM CORP.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in U.S. Dollars)

	Notes	Year ended December 31, 2017	2016
Administrative expenses	12	$ (1,659,228)	$ (1,554,213)
Foreign exchange gain		114,110	82,223
Impairment of exploration and evaluation assets	6	(6,346,899)	-
Loss from operations		(7,892,017)	(1,471,990)
Finance costs	13	(216,478)	(191,080)
Unrealized gain (loss)	14	595,801	(1,204,160)
Realized gain (loss)	15	(3,938)	20,285
Loss before income tax		(7,516,632)	(2,846,945)
Deferred income tax recovery (expense)	22	2,236,000	(266,000)
Net loss		(5,280,632)	(3,112,945)
Other comprehensive income (loss)			
Item that may be reclassified subsequently as profit or loss			
Foreign currency translation adjustment		19,197	280,876
Total comprehensive loss		$ (5,261,435)	$ (2,832,069)
Net income (loss) attributable to:			
Equity holders of the Company		(3,578,681)	(3,118,216)
Non-controlling interest		(1,701,951)	5,271
Net loss		$ (5,280,632)	$ (3,112,945)
Other comprehensive income attributable to:			
Equity holders of the Company		14,022	207,995
Non-controlling interest		5,175	72,881
Other comprehensive income		$ 19,197	$ 280,876
Basic and diluted loss per share		$ (0.07)	$ (0.05)
Weighted average number of common shares outstanding		77,506,606	65,360,184

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

AZARGA URANIUM CORP.

Consolidated Statements of Changes in Equity

(Expressed in U.S. Dollars and shares)

	Attributable to equity holders of the Company								
	Number of shares	Common shares	Contributed surplus	Share option reserve	Foreign currency translation reserve	Accumulated deficit	Total equity	Non-controlling interest	Total equity
Balances, December 31, 2016	74,766,046	$ 39,762,939	$ 793,625	$ 1,196,865	$ (842,006)	$ (13,015,295)	$ 27,896,128	$ 1,246,780	$ 29,142,908
Issuance of shares for private placements	6,626,938	1,089,008	-	-	-	-	1,089,008	-	1,089,008
Issuance of shares to settle ESPP	1,100,918	234,652	(234,652)	-	-	-	-	-	-
Issuance of shares to settle DSA	288,448	61,060	(61,060)	-	-	-	-	-	-
Issuance of shares to settle employee remuneration	750,000	123,466	(123,466)	-	-	-	-	-	-
Issuance of shares for services	87,500	15,728	-	-	-	-	15,728	-	15,728
Share-based compensation	-	-	-	230,698	-	-	230,698	-	230,698
Compensation settled by equity	-	-	394,205	-	-	-	394,205	-	394,205
Net loss for the year	-	-	-	-	-	(3,578,681)	(3,578,681)	(1,701,951)	(5,280,632)
Other comprehensive income for the year	-	-	-	-	14,022	-	14,022	5,175	19,197
Balances, December 31, 2017	83,619,850	$ 41,286,853	$ 768,652	$ 1,427,563	$ (827,984)	$ (16,593,976)	$ 26,061,108	$ (449,996)	$ 25,611,112

	Attributable to equity holders of the Company								
	Number of shares	Common shares	Contributed surplus	Share option reserve	Foreign currency translation reserve	Accumulated deficit	Total equity	Non-controlling interest	Total equity
Balances, December 31, 2015	60,332,314	$ 37,256,196	$ 766,630	$ 1,021,099	$ (1,050,001)	$ (9,897,079)	$ 28,096,845	$ 1,168,628	$ 29,265,473
Issuance of shares for private placements	9,243,336	1,303,553	-	-	-	-	1,303,553	-	1,303,553
Issuance of shares to settle trade and other payables	1,130,664	280,401	-	-	-	-	280,401	-	280,401
Issuance of shares to settle ESPP	1,465,950	343,718	(343,718)	-	-	-	-	-	-
Issuance of shares to settle DSA	640,656	158,464	(158,464)	-	-	-	-	-	-
Issuance of shares to settle employee remuneration	812,500	169,933	(169,933)	-	-	-	-	-	-
Issuance of shares to settle interest	1,140,626	250,674	282,126	-	-	-	532,800	-	532,800
Share-based compensation	-	-	-	175,766	-	-	175,766	-	175,766
Compensation settled by equity	-	-	416,984	-	-	-	416,984	-	416,984
Net income (loss) for the year	-	-	-	-	-	(3,118,216)	(3,118,216)	5,271	(3,112,945)
Other comprehensive income for the year	-	-	-	-	207,995	-	207,995	72,881	280,876
Balances, December 31, 2016	74,766,046	$ 39,762,939	$ 793,625	$ 1,196,865	$ (842,006)	$ (13,015,295)	$ 27,896,128	$ 1,246,780	$ 29,142,908

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

(Expressed in U.S. Dollars)

Azarga Uranium Corp.
Consolidated Statements of Cash Flows

	Notes	Year ended December 31, 2017	2016
OPERATING ACTIVITIES			
Net loss		$ (5,280,632)	$ (3,112,945)
Adjustments for:			
Depreciation		2,123	6,015
Share-based compensation	11	198,706	147,909
Impairment of exploration and evaluation assets	6	6,346,899	-
Deferred income tax (recovery) expense	22	(2,236,000)	266,000
Equity compensation expense	10	409,933	-
Finance costs	13	216,478	191,080
Unrealized (gain) loss	14	(595,801)	1,204,160
Realized (gain) loss	15	3,938	(20,285)
Unrealized foreign exchange gain		(33,500)	(17,883)
Operating cash flows before changes in non-cash working capital items		(967,856)	(1,335,949)
Change in other assets		(92,479)	(147,002)
Change in trade and other payables		242,166	(456,392)
Change in other liabilities		-	(8,836)
Net cash used in operating activities		(818,169)	(1,948,179)
INVESTING ACTIVITIES			
Sale of investments	5	71,106	1,096,659
Sale of exploration and evaluation assets	6	-	604,092
Expenditures on exploration and evaluation assets	6	(1,163,207)	(650,311)
Option payments received for exploration and evaluation assets	6	150,000	-
Sale (purchase)of property, plant and equipment		(1,350)	11,130
Net cash generated by (used in) investing activities		(943,451)	1,061,570
FINANCING ACTIVITIES			
Proceeds from issuance of common shares	10	1,353,937	1,701,930
Share issue costs	10	(55,006)	(51,408)
Payment of other loans payable	7	(50,000)	(60,000)
Net cash generated by financing activities		1,248,931	1,590,522
Effect of foreign exchange rate changes on cash		3,511	(1,870)
Increase (decrease) in cash		(509,178)	702,043
Cash, beginning of year		941,370	239,327
Cash, end of year		$ 432,192	$ 941,370

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

1. CORPORATE INFORMATION AND GOING CONCERN

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

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

The address of the Company's corporate office and registered and records office is Unit 1 – 15782 Marine Drive, White Rock, BC, V4B 1E6.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they fall due. To date, the Company has not generated revenues from operations and is currently in the exploration and development stage. As at December 31, 2017, the Company had a working capital deficit of $1,299,232 and an accumulated deficit of $16,593,976 and will continue incurring losses in the foreseeable future. Additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. There is no certainty that additional financing, at terms that are acceptable to the Company, will be available. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern. The Company has successfully raised financing in the past and will continue to assess available alternatives; however, there is no assurance that the Company will be able to raise additional funds in the future.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

These consolidated financial statements for the year ended December 31, 2017 were approved and authorized for issue by the Company's Board of Directors on March 22, 2018.

2. BASIS OF PREPARATION (Continued)

2.2 Basis of presentation

These 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 17 of these consolidated financial statements.

2.3 Adoption of new and revised standards and interpretations

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

2.4 Standards issued but not yet effective

The standards and interpretations that are issued up to the date of issuance of the Company's consolidated financial statements, but were not effective for the year ended December 31, 2017, are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 – Financial Instruments (Effective January 1, 2018)

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

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

IFRS 15 – Revenue from Contracts with Customers (Effective January 1, 2018)

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

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

2. BASIS OF PREPARATION (Continued)

2.4 Standards issued but not yet effective (Continued)

The introduction of IFRS 15 is not expected to have a significant impact on the Company's financial statements.

IFRS 16 – Leases (Effective January 1, 2019)

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

The introduction of IFRS 16 is not expected to have a significant impact on the Company's financial statements, as the leases currently held by the Company are either leases to explore for uranium resources, which are exempt from IFRS 16, or relate to office leases which are not material.

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.

Name of subsidiary	Place of incorporation	Ownership interest at December 31, 2017	Principal activity
Powertech USA, Inc.	United States of America	100%	Operating uranium exploration company
Azarga Resources Limited	BVI	100%	Holding company
UrAsia in Kyrgyzstan LLC	Kyrgyz Republic	70%	Operating uranium exploration company
Azarga Resources (Hong Kong) Limited	Hong Kong	100%	Holding company
Azarga Resources Canada Ltd.	Canada	100%	Holding company
Azarga Resources USA Company	United States of America	100%	Holding company

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income or loss 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 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 the investor's share of the payment 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 statements of profit or loss and other comprehensive income or loss.

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.

3.3 Functional and presentation currency

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

These consolidated financial statements are presented in United States Dollars.

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 statements of profit or loss and other comprehensive income or loss in the period in which they arise.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Exchange differences are transferred directly to other comprehensive income or 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.

3.4 Restricted cash

In the USA, restricted cash consists of deposits held for collateral pursuant to bonds provided to state authorities in connection with exploration and evaluation property activities. In the Kyrgyz Republic, restricted cash consists 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.

3.5 Property, plant and equipment

Property, plant and equipment ("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 PPE 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, borrowing costs during construction, if applicable, and the estimated costs associated with dismantling and removing the assets.

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
• Vehicles	3 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Property, plant and equipment (Continued)

- 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.

3.6 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, salaries and consulting, rehabilitation costs and license fees, inclusive of land payments and claims maintenance. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur. Payments received by the Company from partners are credited to the capitalized cost of the exploration and evaluation asset. If the payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as a gain.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Exploration and evaluation assets (continued)

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.

3.7 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.

3.8 Taxation

Income tax expense represents the sum of current and deferred income 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 taxation authorities. The tax rates and tax laws used to compute current income taxes for each jurisdiction in which the Company operates, are those that are substantively enacted at the end of each reporting period. The Company incurred no current income taxes for the years ended December 31, 2017 and 2016.

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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Taxation (Continued)

Deferred income tax (Continued)

- 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Taxation (Continued)

Deferred income tax (Continued)

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

3.9 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 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 or loss 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

Financial assets (Continued)

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

3.10 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;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

Derivative financial instruments (continued)

- The entire instrument is not measured at fair value with changes in fair value recognized in the consolidated statements of profit or loss and other comprehensive income or loss.

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 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. 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 recorded as profit or loss over the expected life of the financial liabilities.

3.11 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)

3.11 Impairment of financial assets (continued)

Assets carried at amortized cost (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.

3.12 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 the current market 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 is reduced to its recoverable amount. The impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but not above the original carrying amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or the Company has transferred substantially all the risks and rewards of ownership. On derecognition, 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 underlying 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, unless the financial liability is settled with the Company's shares, in which case it is recognized in profit or loss or equity.

3.14 Share-based payment transactions

Equity-settled transactions

For equity-settled plans, the grant date fair value of share-based compensation awards granted to employees, inclusive of directors of the Company (the "Employees"), is recognized as an expense or is capitalized as appropriate, with a corresponding increase in equity, over the period that the Employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and vesting conditions, if any, are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Certain Employees of the Company receive a portion of their remuneration in the form of share-based payments.

Cash-settled transactions

For cash-settled plans, the fair value of the amount payable to Employees is recognized as an expense, with a corresponding increase in liabilities, over the period that the Employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as an expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Share-based payment transactions (continued)

Choice of settlement

If the Company has a choice of whether to settle a share-based payment in cash or by issuing equity, the Company will record this as an equity-settled transaction, unless there is a present obligation to settle in cash, whereby the Company will record this as cash-settled transaction.

3.15 Common shares

Common shares are classified as equity. Costs directly attributable to the issuance of common shares are shown in equity as a reduction, net of tax, of the proceeds.

3.16 Share purchase warrants

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. As a result, the fair value of the share purchase warrants are calculated on the issuance date using the Black-Scholes Option Pricing model. Any foreign exchange or change in the fair value of the warrant subsequent to the initial recognition is recorded in profit or loss.

3.17 Loss per share

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

Diluted loss per share is calculated by adjusting the net 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.

In the Company's case, diluted loss per share is the same as basic loss per share, as the effect of outstanding share options on loss per share would be anti-dilutive.

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, progress on permitting, results from the exploration and development of its properties and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern (Note 1).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Significant accounting judgments and estimates (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.

During the year ended December 31, 2017, the Company recorded an impairment loss of $6,346,899 on its Kyzul Ompul project in Kyrgyzstan (Note 6).

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year will 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.

3.21 Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

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

4. SEGMENTED INFORMATION

The Company has two reportable business segments: the United States Uranium Division and the Kyrgyzstan 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 and exploration and evaluation assets and the Company's loss before income tax and impairment of exploration and evaluation assets analyzed by operating segment are as follows:

	Kyrgyzstan Uranium Division	United States Uranium Division	Unallocated (i)	Consolidated Total
Segment assets				
As at December 31, 2017	$ 4,141,856	$ 29,288,567	$ 265,097	$ 33,695,520
As at December 31, 2016	$ 10,402,932	$ 28,120,831	$ 949,542	$ 39,473,305
Segment liabilities				
As at December 31, 2017	$ 1,036,156	$ 3,677,443	$ 3,370,809	$ 8,084,408
As at December 31, 2016	$ 2,093,651	$ 4,946,039	$ 3,290,707	$ 10,330,397
Exploration and evaluation assets (Note 6)				
As at December 31, 2017	$ 4,069,145	$ 28,934,525	$ -	$ 33,003,670
As at December 31, 2016	$ 10,363,942	$ 27,920,542	$ -	$ 38,284,484
Loss before income tax				
Year ended December 31, 2017	$ (6,416,438)	$ (271,561)	$ (828,633)	$ (7,516,632)
Year ended December 31, 2016	$ (174,777)	$ (193,604)	$ (2,478,564)	$ (2,846,945)
Impairment of exploration and evaluation assets (Note 6)				
Year ended December 31, 2017	$ (6,346,899)	$ -	$ -	$ (6,346,899)
Year ended December 31, 2016	$ -	$ -	$ -	$ -

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

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

5. INVESTMENTS HELD FOR SALE

5.1 Investment in Uranium Resources, Inc.

	Year ended December 31, 2017	2016
Balance, beginning of year	$ 68,264	$ 1,132,695
Disposition of shares	(93,676)	(419,201)
Unrealized gain (loss) on revaluation of investment	25,412	(645,230)
Balance, end of year	$ -	$ 68,264

As at December 31, 2017, the Company no longer held an ownership interest in Uranium Resources, Inc. ("URI"). The Company accounted for its investment in URI as FVTPL and fair value changes were recorded through profit or loss.

During the year ended December 31, 2017, the Company sold its remaining 49,828 URI shares for proceeds of $71,106 and recognized a realized loss of $22,570. In addition, the Company also recorded an unrealized gain on revaluation of its investment in URI of $25,412. During the year ended December 31, 2016, the Company sold 131,694 URI shares for proceeds of $347,151 and recognized a realized loss of $72,050. In addition, the Company also recorded an unrealized loss on revaluation of its investment in URI of $645,230.

5.2 Investment in Western Uranium Corporation

	Year ended December 31, 2017	2016
Balance, beginning of year	$ -	$ 1,195,960
Disposition of shares	-	(897,649)
Unrealized loss on revaluation of investment	-	(298,311)
Balance, end of year	$ -	$ -

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

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

5. INVESTMENTS HELD FOR SALE (continued)

5.2 Investment in Western Uranium Corporation

During the year ended December 31, 2016, the Company sold 645,399 Western Uranium shares for proceeds of $749,508 and recognized a realized loss of $148,141. In addition, the Company also recorded an unrealized loss on revaluation of its investment in Western Uranium of $298,311.

6. EXPLORATION AND EVALUATION ASSETS

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

	South Dakota	Kyrgyzstan	Colorado	Wyoming	
	Dewey Burdock	**Kyzyl Ompul**	**Centennial**	**Other**	**Total**
Balance, December 31, 2016	$ 25,073,304	$ 10,363,942	$ 2,288,492	$ 558,746	$ 38,284,484
Salaries and consulting	558,701	56,153	21,172	21,000	657,026
License fees	263,038	50,735	6,724	110,187	430,684
Decommissioning liability	-	-	12,985	-	12,985
Share-based compensation	14,492	11,816	2,842	2,842	31,992
Rehabilitation costs	-	2,269	-	-	2,269
Depreciation	-	7,901	-	-	7,901
Option payments received	-	(150,000)	-	-	(150,000)
Impairment	-	(6,346,899)	-	-	(6,346,899)
Currency translation effect	-	73,228	-	-	73,228
Balance, December 31, 2017	$ 25,909,535	$ 4,069,145	$ 2,332,215	$ 692,775	$ 33,003,670

	South Dakota	Kyrgyzstan	Colorado	Wyoming	
	Dewey Burdock	**Kyzyl Ompul**	**Centennial**	**Other**	**Total**
Balance, December 31, 2015	$ 24,649,275	$ 9,908,668	$ 2,189,362	$ 426,870	$ 37,174,175
Salaries and consulting	188,625	109,670	55,246	-	353,541
License fees	213,576	43,146	32,049	131,876	420,647
Decommissioning liability	-	-	11,835	-	11,835
Share-based compensation	21,828	6,029	-	-	27,857
Depreciation	-	5,997	-	-	5,997
Currency translation effect	-	290,432	-	-	290,432
Balance, December 31, 2016	$ 25,073,304	$ 10,363,942	$ 2,288,492	$ 558,746	$ 38,284,484

6. EXPLORATION AND EVALUATION ASSETS (continued)

6.1 Dewey Burdock Project, South Dakota

The Dewey Burdock Uranium Project is an in-situ recovery uranium project located in the Edgemont uranium district in South Dakota. The Dewey Burdock Uranium Project is the Company's initial development priority.

6.2 Dewey Terrace Project, South Dakota

The Dewey Terrace Uranium Project is located in the Weston and Niobrara Counties of Wyoming, adjacent to the Dewey Burdock Project.

6.3 Kyzyl Ompul Project, Kyrgyz Republic

The Kyzyl Ompul Project is 100% owned and operated by UrAsia in Kyrgyzstan LLC ("UrAsia"), in which the Company owns a 70% interest and consists of one exploration license. The license is valid until December 31, 2020 and permits exploration for uranium.

On July 31, 2017, UrAsia executed an earn-in agreement (the "Earn-In Agreement") with Mining Investment Company Alliance ("Alliance"). The Earn-In Agreement provides Alliance with an earn-in option to acquire a 100% interest in the Kyzyl Ompul Project in exchange for $6.0 million of cash payments and a two percent net smelter royalty of up to $5.0 million as well as Alliance making $1.6 million of exploration and development expenditures over a three-year period. During the year ended December 31, 2017, UrAsia received $150,000 in cash payments from Alliance. The remaining cash payments are expected to be received as follows: $60,000 per month commencing February 1, 2018, increasing to $229,000 per month commencing August 1, 2018, and a final payment of $223,000 on July 1, 2020. Cash payments received from Alliance over the course of the Earn-In Agreement are not reimbursable if Alliance does not exercise its earn-in option.

The February 1 and March 1, 2018 cash payments have not yet been received and the Company is in discussions with Alliance to resolve this default using the remedies available to it under the Earn-In Agreement.

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

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

6. EXPLORATION AND EVALUATION ASSETS (Continued)

6.3 Kyzyl Ompul Project, Kyrgyz Republic (continued)

During the year ended December 31, 2017, the Company recognized an impairment charge of $6,346,899 for the Kyzyl Ompul Project on execution of the Earn-In Agreement. The recoverable amount of the Kyzyl Ompul Project was based on a fair value less cost to sell model, which incorporated the net present value of expected cash flows in accordance with the Earn-In Agreement discounted at a rate of 22%. It was categorized as a non-recurring level 3 fair value measurement. The discount rate was determined based on a market participant's cost of capital, adjusted for political and development risks.

6.4 Centennial Project, Colorado

The Centennial Uranium Project is located in the western part of Weld County in northeastern Colorado.

During the year ended December 31, 2016, the Company sold redundant land for net proceeds of $604,092 resulting in a gain on sale of $154,092.

7. LOANS PAYABLE

	As at December 31, 2017		2016	
Loan payable to shareholders	$	2,057,805	$	1,848,135
Other loans payable		46,873		90,065
Loans payable	$	2,104,678	$	1,938,200
Current portion	$	328,678	$	1,898,135
Non-current portion	$	1,776,000	$	40,065

	As at December 31, 2017		2016	
Loan payable to shareholders - current	$	281,805	$	1,848,135
Loan payable to shareholders - non-current		1,776,000		-
Loan payable to shareholders	$	2,057,805	$	1,848,135

7. LOANS PAYABLE (Continued)

7.1 Loan payable to shareholders

On July 31, 2012, the Company entered into a $1,800,000 convertible loan agreement with certain shareholders ("Shareholders Loan Agreement"), as amended. The proceeds were used to fund the UrAsia 2012 exploration program and for general working capital purposes. On June 30, 2017, the Company exercised its option to extend the term of the Shareholders Loan Agreement for an additional three years. The changes to the term of the Shareholders Loan Agreement was accounted for as a debt modification in accordance with IAS 39. The key commercial terms of the loan include:

- Interest – 15% per annum payable on each anniversary date of the Shareholders Loan Agreement (10% per annum prior to the Company's exercise of the term extension);
- Term – 8 years, commencing July 31, 2012;
- Conversion price – Canadian dollar ("C$")1.23;
- Shareholders' conversion right – to convert the outstanding balance of the loan plus accrued interest, in whole or in part, into ordinary shares of the Company at the conversion price;
- Early repayment option – the Company has the right, but not the obligation, to repay the whole balance of the loan plus accrued interest at any time out of the proceeds of a capital raising or if the loan is refinanced or replaced by a new loan on or before the maturity; and
- The Shareholders Loan Agreement is unsecured.

The terms of the Shareholders Loan Agreement were also amended to defer the July 31, 2014 and 2015 annual interest payments until July 31, 2016. In May 2016, the Company entered into shares for debt settlement agreements for up to $532,800 to settle the July 31, 2014, 2015 and 2016 annual interest payments. As a result, the Company issued 1,140,626 common shares to settle the outstanding interest of $532,800 as at July 31, 2016.

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

As at December 31, 2017, the Company had drawn $1,776,000 under the Shareholders Loan Agreement and no additional amounts are available to be drawn. During the year ended December 31, 2017, the Company recorded interest expense on the convertible loan of $209,670 (2016 - $178,489).

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

7. LOANS PAYABLE (Continued)

7.2 Other loans payable

	Year ended December 31, 2017		2016	
Other loans payable - current	$	46,873	$	50,000
Other loans payable - non-current		-		40,065
Other loans payable	$	46,873	$	90,065

For the year ended December 31, 2017, the imputed effective interest expense on other loans payable was $6,808 (2016 - $10,012) and the Company made payments totaling $50,000 (2016 - $60,000).

Centennial Purchase Agreement

In 2006, the Company entered into an agreement, as amended, to purchase uranium rights on certain areas of the Centennial Project for consideration of $1,895,000, excluding contingent payments. As at December 31, 2017, $1,875,000 (2016 – $1,855,000) had been paid. The outstanding consideration of $20,000 is payable in September 2018. An additional $3,165,000 is payable upon receipt of regulatory permits and licenses allowing uranium production on the area of the Centennial Project pertaining to these uranium interests. The Company has disclosed this amount as a commitment in Note 19. The Company has also agreed to purchase up to 1,280 surface acres at the Centennial Project upon receipt of regulatory permits and licenses allowing uranium production. The purchase price for the surface acres will be calculated using the then prevailing market rates; however, this amount cannot currently be reasonably quantified due to the uncertainty associated with the timing of receipt of the regulatory permits and licenses, the number of surface acres that will be purchased and the future prevailing market rates for the surface acres. If the Company does not obtain the regulatory permits and licenses allowing uranium production pertaining to the Centennial purchase agreement by September 27, 2019, the uranium rights will transfer back to the seller, at seller's option.

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

7. LOANS PAYABLE (Continued)

7.2 Other loans payable (Continued)

Dewey Burdock Purchase Agreements

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

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

8. DECOMMISSIONING LIABILITY

	Year ended December 31, 2017		2016	
Balance, beginning of year	$	129,933	$	118,097
Accretion		12,985		11,836
Balance, end of year	$	142,918	$	129,933

The decommissioning liability includes the estimated reclamation costs on exploration wells at the Centennial project. The Company has recorded the present value of the liability based on the assumption that $168,806 will be paid out in September 2019.

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

9. WARRANT LIABILITIES

	Year ended December 31, 2017	2016
Balance, beginning of year	$ 596,602	$ 3,809
Issuance of warrants	209,923	346,969
(Gain) loss on revaluation	(570,389)	260,619
Currency translation effect	21,980	(14,795)
Balance, end of year	$ 258,116	$ 596,602

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 share purchase warrant liability was revalued as at December 31, 2017 and 2016 using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 1.66% (2016 – 0.63%); an expected volatility of 58-68% (2016 – 76%); an expected life of 1-3 years (2.73 years); a forfeiture rate of zero; and an expected dividend of zero.

10. EQUITY

10.1 Authorized 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, 2017, the Company had 83,619,850 (2016 - 74,766,046) common shares outstanding and no preferred shares outstanding.

10.2 Issued share capital

During the year ended December 31, 2017, the Company completed the following equity transactions:

- In July 2017, the Company closed a non-brokered private placement for gross proceeds of C$1,141,904 ($916,995) through the issuance of 4,391,938 units at a price of C$0.26 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of C$0.36 per share for a period of three years. The warrants were valued on a relative fair value basis at $165,249. The Company paid cash finders' fees and other fees of $37,432.

10. EQUITY (Continued)

10.2 Issued share capital (Continued)

The Company issued 138,000 finder's warrants on the same terms as the warrants in this private placement. The finder's warrants were valued at $13,446. The warrants and the finder's warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 0.79%; an expected volatility of 72.6%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

The Company issued 1,695,968 share purchase warrants (excluding the finder's warrants) as part of the private placement and 500,000 share purchase warrants are to be issued to an insider of the Company subject to disinterested shareholder and TSX approval.

- In October 2017, the Company issued 750,000 common shares to settle $123,466 of outstanding employee remuneration. As a result, $123,466 was reclassified from contributed surplus to share capital. The Company paid cash share issue fees of $5,167.

- In October 2017, the Company issued 87,500 common shares valued at $15,728 for consulting services.

- In December 2017, the Company closed the first tranche of a non-brokered private placement for gross proceeds of C$558,750 ($436,942) through the issuance of 2,235,000 units at a price of C$0.25 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of C$0.35 per share for a period of three years. The warrants were valued on a relative fair value basis at $28,462. The Company paid cash finders' fees and other fees of $12,407.

The Company issued 60,000 finder's warrants on the same terms as the warrants in this private placement. The finder's warrants were valued at $2,766. The warrants and the finder's warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 1.64%; an expected volatility of 62.4%; an expected life of 3 years; a forfeiture rate of zero; and an expected dividend of zero.

The Company issued 617,500 share purchase warrants (excluding the finder's warrants) as part of the private placement and 500,000 share purchase warrants are to be issued to an insider of the Company subject to disinterested shareholder and TSX approval.

10. EQUITY (Continued)

10.2 Issued share capital (Continued)

- During the year ended December 31, 2017, the Company issued 1,100,918 common shares to settle $234,652 owing pursuant to the Company's employee share purchase plan ("ESPP") and 288,448 common shares to settle $61,060 owing pursuant to the Company's director services agreements ("DSA").

During the year ended December 31, 2016, the Company completed the following equity transactions:

- In August 2016, the Company issued 1,140,626 common shares to settle interest payable of $532,800 pertaining to the Shareholders Loan Agreement (Note 7.1). The fair value differential between the common shares issued and the carrying value of the interest settled resulted in an increase of $282,126 to contributed surplus due to the shareholders' existing ownership interest in the Company.

- In August 2016, the Company issued 812,500 common shares to settle $169,933 of outstanding employee remuneration. As a result, $169,933 was reclassified from contributed surplus to share capital.

- In September 2016, the Company closed a non-brokered private placement for gross proceeds of C$2,218,401 ($1,701,930) through the issuance of 9,243,336 units at a price of C$0.24 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of C$0.35 per share for a period of three years from closing. The warrants were valued on a relative fair value basis at $346,969. The Company paid cash finder's fees and other fees of $51,408.

  The warrants were valued using the Black-Scholes pricing model with the following assumptions: a risk free interest rate of 0.64%; an expected volatility of 80%; an expected life of 3.0 years; a forfeiture rate of zero; and an expected dividend of zero.

- During the year ended December 31, 2016, the Company issued 1,130,664 common shares valued at $280,401 to settle trade and other payables of $355,658. As a result, the Company recorded a gain on settlement of trade and other payables of $75,257.

- During the year ended December 31, 2016, the Company issued 1,465,950 common shares to settle $343,718 owing pursuant to the Company's ESPP and 640,656 common shares to settle $158,464 owing pursuant to the Company's DSA. As a result, $502,182 was reclassified from contributed surplus to share capital.

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

10. EQUITY (Continued)

10.3 Share purchase warrants

The continuity of share purchase warrants for the year ended December 31, 2017 is as follows:

Expiry date	Exercise price	Balance, December 31, 2016	Issued	Exercised	Expired	Balance, December 31, 2017
September 23, 2019	$ 0.35	4,621,655	-	-	-	4,621,655
July 27, 2020	$ 0.36	-	1,833,968	-	-	1,833,968
December 22, 2020	$ 0.35	-	677,500	-	-	677,500
		4,621,655	2,511,468	-	-	7,133,123
Weighted average exercise price		$ 0.35	$ 0.36	$ -	$ -	$ 0.35

The weighted average remaining contractual life is 2.06 years.

The continuity of share purchase warrants for the year ended December 31, 2016 is as follows:

Expiry date	Exercise price	Balance, December 31, 2015	Issued	Exercised	Expired	Balance, December 31, 2016
February 26, 2016	$ 2.00	1,500,000	-	-	(1,500,000)	-
February 26, 2016	$ 1.15	84,980	-	-	(84,980)	-
October 24, 2016	$ 1.00	4,169,067	-	-	(4,169,067)	-
September 23, 2019	$ 0.35	-	4,621,655	-	-	4,621,655
		5,754,047	4,621,655	-	(5,754,047)	4,621,655
Weighted average exercise price		$ 1.26	$ 0.35	$ -	$ 1.26	$ 0.35

10.4 Equity instrument issued to Powerlite Ventures Limited

The Company is party to a credit facility with Powerlite Ventures Limited ("Powerlite") for $21,000,000 of which the Company drew down and, in 2014, repaid $18,000,000 through the issuance of shares leaving an available balance of $3,000,000. The Company believes it is unlikely that Powerlite will be able to fund the remaining amount of the facility.

10. EQUITY (Continued)

10.5 Equity settled compensation arrangements

ESPP

In 2015, the Company adopted an ESPP. The Company is authorized to issue up to 3,000,000 common shares pursuant to the terms and conditions of the ESPP. Employees, who elect to participate in the ESPP, can contribute up to 50% of their salary (the "Employee Contribution"). The Company will then match 66.67% of the Employee's Contribution (the "Matching Contribution"). The purchase price of the common shares is calculated based on the five-day volume weighted average trading price of the common shares immediately preceding the end of each calendar quarter. The Employee Contribution and the Matching Contribution are expensed in the period in which they are incurred with the offsetting amount being recorded in contributed surplus until the common shares are issued.

During the year ended December 31, 2017, Employee Contributions totaled $143,366 (2016 - $126,476) and Matching Contributions totaled $95,574 (2016 - $84,313). As at December 31, 2017 and to date, a total of 2,566,868 and 2,917,805 common shares had been issued, respectively, pursuant to the ESPP.

DSA

In 2015, the Company adopted the DSA. The Company is authorized to issue up to 2,000,000 common shares pursuant to the terms and conditions of the DSA. Directors who elect to participate in the DSA contribute 50% of their director fee/salary to the ESPP and the remaining 50% of their director fee/salary is settled through the issuance of common shares in accordance with the DSA. The purchase price of the common shares is calculated based on the five-day volume weighted average trading price of the common shares immediately preceding the end of each calendar quarter. Amounts settled in accordance with the DSA are expensed in the period in which they are incurred with the offsetting amount being recorded in contributed surplus until the common shares are issued.

During the year ended December 31, 2017, $61,766 (2016 - $66,060) was expensed under the DSA. As at December 31, 2017 and to date, a total of 929,104 and 1,022,115 common shares had been issued, respectively, pursuant to DSA.

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

11. SHARE OPTION RESERVE

11.1 Stock option plan

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

11.2 Stock option continuity

The continuity of stock options for the year ended December 31, 2017 is as follows:

Expiry date	Exercise price	Balance, December 31, 2016	Issued	Exercised	Expired/ Forfeited	Balance, December 31, 2017
May 14, 2017	$ 2.00	225,000	-	-	(225,000)	-
April 30, 2018	$ 1.20	165,163	-	-	-	165,163
August 6, 2018	$ 0.35	1,000,000	-	-	-	1,000,000
November 3, 2018	$ 1.20	15,513	-	-	-	15,513
November 3, 2018	$ 1.50	54,750	-	-	-	54,750
October 27, 2019	$ 1.20	393,336	-	-	-	393,336
May 19, 2020	$ 0.335	1,040,000	-	-	(10,000)	1,030,000
May 19, 2021	$ 0.36	1,185,000	-	-	-	1,185,000
May 16, 2022	$ 0.32	-	2,060,000	-	-	2,060,000
		4,078,762	2,060,000	-	(235,000)	5,903,762
Weighted average exercise price		$ 0.58	$ 0.32	$ -	$ 1.93	$ 0.43

As at December 31, 2017, 4,135,429 stock options were exercisable.

The weighted average remaining contractual life is 2.86 years.

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

11. SHARE OPTION RESERVE (Continued)

11.2 Stock option continuity (Continued)

The continuity of stock options for the year ended December 31, 2016 is as follows:

Expiry date	Exercise price	Balance, December 31, 2015	Issued	Exercised	Expired/ Forfeited	Balance, December 31, 2016
May 14, 2017	$ 2.00	235,000	-	-	(10,000)	225,000
April 30, 2018	$ 1.20	260,976	-	-	(95,813)	165,163
August 6, 2018	$ 0.35	1,000,000	-	-	-	1,000,000
November 3, 2018	$ 1.20	15,513	-	-	-	15,513
November 3, 2018	$ 1.50	54,750	-	-	-	54,750
October 27, 2019	$ 1.20	2,650,754	-	-	(2,257,418)	393,336
May 19, 2020	$ 0.335	1,285,000	-	-	(245,000)	1,040,000
June 2, 2020	$ 0.375	20,000	-	-	(20,000)	-
May 19, 2021	$ 0.36	-	1,235,000	-	(50,000)	1,185,000
		5,521,993	1,235,000	-	(2,678,231)	4,078,762
Weighted average exercise price		$ 0.88	$ 0.36	$ -	$ 1.10	$ 0.58

11.3 Share-based compensation

During the year ended December 31, 2017, the Company recognized share-based compensation expense of $230,698 (2016 - $175,766), of which $198,706 (2016 - $147,909) has been allocated to administrative expenses and $31,992 (2016 - $27,857) has been allocated to exploration and evaluation assets.

In May 2017, the Company granted 2,060,000 stock options to officers, employees, directors and other eligible persons at an exercise price of C$0.32 with an expiry date of May 16, 2022. The weighted average fair value of the options granted was estimated at C$0.17 per option at the grant date using the Black-Scholes Option Pricing model with the following assumptions: a risk free interest rate of 1.12%; an expected volatility of 79%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

In May 2016, the Company granted 1,235,000 stock options to officers, employees, directors and other eligible persons at an exercise price of C$0.36 with an expiry date of May 19, 2021. The weighted average fair value of the options granted was estimated at C$0.21 per option at the grant date using the Black-Scholes Option Pricing model with the following assumptions: a risk free interest rate of 0.69%; an expected volatility of 79%; an expected life of 5 years; a forfeiture rate of zero; and an expected dividend of zero.

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

12. ADMINISTRATIVE EXPENSES

		Year ended December 31, 2017		2016
Salaries and benefits	$	984,264	$	1,077,241
Consulting and professional fees		233,328		150,386
Corporate administration		240,807		172,662
Depreciation		2,123		6,015
Share-based compensation		198,706		147,909
	$	1,659,228	$	1,554,213

13. FINANCE COSTS

	Note		Year ended December 31, 2017		2016
Interest expense on shareholder loan	7.1	$	209,670	$	178,489
Interest expense on other loans payable	7.2		6,808		10,012
Other interest expense			-		2,579
		$	216,478	$	191,080

14. UNREALIZED GAIN (LOSS)

	Note		Year ended December 31, 2017		2016
Gain (loss) on revaluation of investment in URI	5.1	$	25,412	$	(645,230)
Loss on revaluation of investment in Western Uranium	5.2		-		(298,311)
Gain (loss) on warrant liabilities	9		570,389		(260,619)
		$	595,801	$	(1,204,160)

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

15. REALIZED GAIN (LOSS)

	Note		Year ended December 31, 2017		2016
Loss on sale of investment in URI	5.1	$	(22,570)	$	(72,050)
Loss on sale of investment in Western Uranium	5.2		-		(148,141)
Gain on sale of exploration and evaluation assets held for sale	6.3		-		154,092
Gain on settlement of trade and other payables	10.2		-		75,257
Other gains			18,632		11,127
		$	(3,938)	$	20,285

16. RELATED PARTY TRANSACTIONS AND BALANCES

16.1 Related party transactions

During the years ended December 31, 2017 and 2016, the Company had related party transactions with the Company's directors, management and shareholders including:

- Interest accruing to certain directors/shareholders of the Company on the Shareholders Loan Agreement (Note 7.1);
- The extension of the term of the Shareholders Loan Agreement and other amendments and agreements related to the Shareholders Loan Agreement as disclosed (Note 7.1); and
- The issuance of common shares to key management personnel of the Company to settle trade and other payables, employee remuneration (Note 10.2) and interest on the Shareholders Loan Agreement (Note 7.1).

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

16. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

16.2 Key management personnel compensation

The remuneration of the Company's directors and other key management personnel, being those 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,			
		2017		2016
Salaries and benefits	$	731,926	$	871,312
Share-based compensation		176,296		87,194
	$	908,222	$	958,506

16.3 Related party liabilities

	As at December 31,			
		2017		2016
Loan payable to shareholders	$	2,057,805	$	1,848,135
Trade and other payables for key management personnel - current		716,838		339,043
Trade and other payables for key management personnel - non-current		-		310,000
	$	2,774,643	$	2,497,178

Included in trade and other payables as at December 31, 2017 is $512,500 (2016 - $557,500) owing to a director of the Company of which $325,000 (2016 - $370,000) is related to a severance agreement and $187,500 (2016 – $187,500) is related to a deferred compensation agreement. During the year ended December 31, 2017, the Company paid this director $45,000 (2016 - $60,000) towards the severance agreement. On February 14, 2018, the Company entered into an amended severance agreement with this director to defer the remaining severance payments over 48 months, whereby the amount payable was increased to $370,000. The Company and this director have agreed to settle the deferred compensation of $187,500 by the issue of up to 578,822 common shares of the Company before June 30, 2018.

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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

17.1 Categories of financial instruments

Financial instruments are classified into one of the following categories: FVTPL; loans and receivables; or other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

		As at December 31,	
Financial assets	**Note**	**2017**	**2016**
Loans and receivables			
Cash		$ 432,192	$ 941,370
Restricted cash		39,176	42,687
Fair value through profit or loss			
Investment in URI	5.1	-	68,264
		$ 471,368	$ 1,052,321

		As at December 31,	
Financial liabilities	**Note**	**2017**	**2016**
Other financial liabilities			
Trade and other payables		$ 1,525,906	$ 1,376,872
Loan payable to shareholders	7	2,057,805	1,848,135
Other loans payable	7	46,873	90,065
Decommissioning liability	8	142,918	129,933
Fair value through profit or loss			
Warrant liabilities	9	258,116	596,602
		$ 4,031,618	$ 4,041,607

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

17.2 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 investments were determined using this methodology.
- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are directly (i.e. prices) or indirectly (i.e. derived prices) observable. The fair value of the warrant liability is determined using the Black-Scholes Option Pricing model.
- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are not directly (i.e. prices) or indirectly (i.e. derived from prices) observable.

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

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- 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.

The fair value of the Company's investment in URI was recorded at fair value using Level 1 of the fair value hierarchy. The fair value of the Company's warrant liabilities is recorded at fair value using Level 2 of the fair value hierarchy.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

17.3 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. During the year ended December 31, 2017, 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 instruments are summarized below:

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. Management believes the currency risk related to currency conversions is minimal and therefore, does not hedge its currency risk.

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.

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 significant.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

17.3 Financial risk management objectives and policies (Continued)

Interest rate risk (Continued)

The Company's Shareholders Loan Agreement (Note 7.1) accrues interest at a fixed rate; therefore, the Company is not exposed to interest rate risk on this instrument. The Company's other loans payable (Note 7.2) are non-interest bearing and interest is calculated using an effective interest rate.

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. The Company's maximum exposure to credit risk is equal to the carrying amount of its cash.

The Company's credit risk on cash arises from default of the counterparty. The Company limits its exposure to counterparty credit risk on cash by only dealing with financial institutions with high credit ratings.

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, access to financing facilities or access to cash generating opportunities, such as the liquidation of non-core and redundant assets to meet its liquidity requirements in the short and long term. In order to ensure that the Company has sufficient cash, access to financing facilities or access to cash generating opportunities, such as the liquidation of non-core and redundant assets to meet expected expenditures, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, progress on permitting, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

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

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

17.3 Financial risk management objectives and policies (Continued)

Liquidity risk (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, 2017	1-3 months	3 months - 1 year	1-5 years	Total
Trade and other payables	$ 1,525,906	$ -	$ -	$ 1,525,906
Loan payable to	-	281,805	1,776,000	2,057,805
Other loans payable	-	46,873	-	46,873
	$ 1,525,906	$ 328,678	$1,776,000	$ 3,630,584

18. 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, progress on permitting, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors. During the year ended December 31, 2017, 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, 2017, the Company's capital structure consists of loans payable (Note 7) and the equity of the Company (Note 10).

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

19. COMMITMENTS

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

	Within 1 year	2-4 years	Over 4 years	Total
Operating lease	$ 45,847	$ 7,667	$ -	$ 53,514
Exploration and evaluation	507,738	4,120,283	3,441,651	8,069,672
	$ 553,585	$ 4,127,950	$ 3,441,651	$ 8,123,186

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

20. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2017, the Company completed the following non-cash investing and financing activities:

- Issued 1,100,918 common shares to settle $234,652 owing pursuant to the Company's ESPP;
- Issued 288,448 common shares to settle $61,060 owing pursuant to the Company's DSA;
- Issued 750,000 common shares to settle $123,466 of outstanding employee remuneration;
- Issued 87,500 common shares to settle $15,728 of consulting services;
- Allocated share-based compensation of $31,992 to exploration and evaluation assets;
- Recorded $394,205 to contributed surplus for equity settled transactions pursuant to the Company's ESPP, DSA, and employee share-based remuneration not issued pursuant to the ESPP and DSA; and
- Issued 2,511,468 share purchase warrants valued at $209,923 as part of the July and December 2017 financings.

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

20. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

During the year ended December 31, 2016, the Company completed the following non-cash investing and financing activities:

- Issued 1,130,664 common shares to settle trade and other payables of $355,658;
- Issued 1,465,950 common shares to settle $343,718 owing pursuant to the Company's ESPP;
- Issued 640,656 common shares to settle $158,464 owing pursuant to the Company's DSA;
- Issued 1,140,626 common shares to settle $532,800 of outstanding interest pertaining to the Shareholders Loan Agreement;
- Issued 812,500 common shares to settle $169,933 of outstanding employee remuneration;
- Allocated share-based compensation of $27,857 to exploration and evaluation assets;
- Recorded $416,984 to contributed surplus for equity settled transactions pursuant to the Company's ESPP, DSA, and employee share-based remuneration not issued pursuant to the ESPP and DSA; and
- Issued 4,621,665 share purchase warrants as part of the September 2016 financing;

No cash interest or income taxes were paid during the years ended December 31, 2017 and 2016.

21. NON-CONTROLLING INTEREST

The Company's non-controlling interest relates to its 70% interest in UrAsia.

Changes in the Company's non-controlling interest for the years ended December 31, 2017 and 2016 were as follows:

	Year ended December 31, 2017		2016	
Balance, beginning of year	$	1,246,780	$	1,168,628
Plus (less): non-controlling interest from net income (loss)		(1,701,951)		5,271
Plus: non-controlling interest from other comprehensive income		5,175		72,881
Balance, end of year	$	(449,996)	$	1,246,780

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

21. NON-CONTROLLING INTEREST (Continued)

Set out below is the summarized financial information for 100% of UrAsia's net assets, total comprehensive income (loss) and cash. The information is presented before considering inter-company consolidation and elimination adjustments.

		As at December 31, 2017		2016
Current				
Assets	$	103,431	$	208
Liabilities		(15,451)		(12,934)
Total current net assets (liabilities)		87,980		(12,726)
Non-current				
Assets		4,030,524		10,336,254
Liabilities		(1,020,705)		(2,354,202)
Total non-current net assets		3,009,819		7,982,052
Net assets	$	3,097,799	$	7,969,326

		As at December 31, 2017		2016
Net loss before tax	$	(6,416,438)	$	(53,801)
Deferred income tax recovery		992,989		7,666
Net loss		(5,423,449)		(46,135)
Other comprehensive income		14,022		252,678
Total comprehensive income (loss)	$	(5,409,427)	$	206,543

		Year ended December 31, 2017		2016
Net cash used in operating activities	$	(20,440)	$	(105,147)
Net cash used in investing activities		(1,051,759)		(93,091)
Net cash generated from financing activities		1,103,534		199,514
Net increase in cash		31,335		1,276
Cash, beginning of year		585		1,181
Effect of foreign exchange rate changes on cash		(1,364)		(1,872)
Cash, end of year	$	30,556	$	585

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

22. DEFERRED INCOME TAX

22.1 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 jurisdictions in which the Company operates.

22.2 Deferred income tax expenses

	Year ended December 31,			
		2017		2016
Net loss before income tax	$	7,516,632	$	2,846,945
Statutory tax rate		26%		26%
Deferred income tax recovery based on statutory rate	$	1,954,000	$	740,000
Effect of different tax rates applicable in foreign jurisdictions		(982,000)		(275,000)
Effect of reduction in foreign statutory rate		1,286,000		-
Unrecognized deferred tax assets		(283,000)		(162,000)
Effect of non-deductible expenses and non-taxable revenue and other		261,000		(569,000)
Deferred income tax recovery (expense)	$	2,236,000	$	(266,000)

In December 2017, the US government enacted the Tax Cuts and Jobs Act of 2017 ("the Act") which reduced the statutory tax rate from 34% to 21%. The impact of this legislation created a $1.3 million tax recovery due to the re-measurement of the Company's deferred tax liabilities at the new US federal tax rate of 21%.

22.3 Deferred tax balances

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

	As at December 31,			
		2017		2016
Exploration and evaluation assets	$	2,920,790	$	5,121,370
Inter-company loans eliminated on consolidation		1,132,000		1,167,420
Deferred tax liabilities	$	4,052,790	$	6,288,790

As at December 31, 2017 and 2016, the Company has not recognized any deferred tax assets.

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

22. DEFERRED INCOME TAX (Continued)

22.3 Deferred tax balances (Continued)

Changes in the Company's deferred tax liabilities for the years ended December 31, 2017 and 2016 were as follows:

		Year ended December 31, 2017		2016
Opening balance	$	6,288,790	$	6,022,790
Deferred income tax (recovery) expense		(2,236,000)		266,000
Deferred tax liabilities	$	4,052,790	$	6,288,790

22.4 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 tax affected amounts:

		As at December 31, 2017		2016
Non-capital losses	$	2,509,000	$	2,175,000
Deductible temporary differences		110,000		161,000
Total unrecognized amounts	$	2,619,000	$	2,336,000

As at December 31, 2017, the Company had unrecognized deferred tax assets attributable to deductible temporary differences of $110,000 (2016 – $161,000) which are primarily related to value added tax receivables and certain deferred payments not being recognized.

The deferred tax assets related to the temporary differences and non-capital losses were not recognized as their recoverability was not considered to be probable.

22.5 Expiry dates

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

		As at December 31, 2017	
Non-capital losses			
Kyrgyz Republic	$	3,510,000	2018 - 2022
Hong Kong		631,000	Indefinite
Canada		4,180,000	2032 - 2037
United States		4,412,000	2034 - 2037
	$	12,733,000	

23. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, the Company completed the following transactions:

- In January 2018, the Company issued 350,937 common shares to settle $60,901 owing pursuant to the Company's ESPP and 93,011 common shares to settle $16,141 owing pursuant to the Company's DSA.

- In January 2018, the Company closed the second and final tranche of its non-brokered private placement of C$195,000 through the issuance of 780,000 units at a price of C$0.25 per unit. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of C$0.35 per share for a period of three years.

- In February 2018, the Company entered into an amended severance agreement to defer the remaining severance payments over 48 months as discussed in note 16.3.

- In March 2018, the Company received conditional TSX approval to issue up to 186,512 common shares in settlement of C$46,628 of trade and other payables.

- In March 2018, the Company received conditional TSX approval to issue up to 162,900 common shares in settlement of $32,103 of trade and other payables.

- In March 2018, the Company received conditional TSX approval to issue up to 125,000 common shares to buy back a royalty on the Dewey Burdock Project.

Azarga Uranium Corp.
MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended December 31, 2017
(Expressed in U.S. Dollars)

The following management discussion and analysis ("MD&A") of the results of operations and financial condition of Azarga Uranium Corp. for the year ended December 31, 2017 and up to the date of this MD&A, should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31, 2017, together with the notes thereto (the "Financial Report").

All financial information in this MD&A is derived from the Company's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in US dollars unless otherwise indicated.

The effective date of this MD&A is March 22, 2018.

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

DESCRIPTION OF THE BUSINESS

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

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

OPERATIONAL HIGHLIGHTS

The Company's significant events and highlights for the year ended December 31, 2017 and to the date of this MD&A are as follows:

- **Dewey Burdock permitting advanced –** in March 2017, the United States Environmental Protection Agency ("EPA") issued two key permits for the Dewey Burdock Project representing the completion of a major regulatory milestone for the Company. In October 2017, the Atomic Safety and Licensing Board ("ASLB") issued a memorandum and order resolving one of two remaining contentions on the Nuclear Regulatory Commission ("NRC") license. The Company is now working to resolve the remaining contention on the NRC license and to receive the final EPA permits.

- **Dewey Burdock – growth potential identified –** new uranium mineralization identified at both the Dewey and the Burdock areas of the Dewey Burdock Project through the review and analysis of historical data owned by the Company and the evaluation of revised in-situ recovery ("ISR") cutoff criteria, consistent with other producing ISR projects in nearby Wyoming.

- **Dewey Terrace – uranium mineralization adjacent to Dewey Burdock –** through reviewing and analyzing historical exploration data the Company identified new uranium mineralization covering seven separate mineralized zones at the Dewey Terrace Project over a trend of approximately 2.5 miles.

- **Kyzyl Ompul Project – earn-in agreement –** In July 2017, UrAsia in Kyrgyzstan LLC ("UrAsia") executed an earn-in agreement (the "Earn-in Agreement") with Mining Investment Company Alliance ("Alliance") providing Alliance with an earn-in option to acquire a 100% interest in the Kyzyl Ompul Project, in which the Company holds a 70% interest, for $6 million and a retained 2% net smelter return ("NSR") royalty capped at $5 million.

INDUSTRY TRENDS AND OUTLOOK

Although uranium prices have recovered from their recent lows in the fourth quarter of 2016, the Company believes that the following key elements will contribute to further improvements in the uranium sector:

- **Global reactor pipeline exceeds pre-Fukushima total** – The global reactor pipeline consists of 1,014 [1] nuclear reactors that are operable, under construction, planned or proposed compared to 983[2] before the Fukushima incident in 2011. Of the 1,014 nuclear reactors, 447 reactors are operable[1]. A total of 216[1] nuclear reactors are under construction or planned, which represents approximately 48% of the current operating fleet. China, Russia and India lead the world in terms of the number of nuclear power plants under construction, with twenty, seven and six, respectively[1]. China continues to accelerate their nuclear growth plans and intends to have 58 GWe of installed capacity by 2020-21 and 150 GWe by 2030[3] (currently 35 GWe[4]). According to their latest Five Year Plan, China is forecasting the approval and construction of 6-8 units per year between 2016 and 2020, increasing to 10 units per year thereafter[3].

- **Current prices will constrain supply** – Low prices are forcing producers to curtail mining, development and exploration. Annual U_3O_8 supply has decreased

[1] World Nuclear Association – *World Nuclear Power Reactors & Uranium Requirements (September 2017)*
[2] Haywood Securities Inc. – *Target & Commodity Price Revisions (January 25, 2017)*
[3] World Nuclear Association – *Nuclear Power in China (September 2017)*
[4] The Business Times – *China had 20 nuclear reactors under construction at end-March: nuclear association (April 27, 2017)*

by 5% from 2013 to 2016[5]. In 2016, Cameco Corp. ("Cameco") announced the shut down of its Rabbit Lake Mine, which produced 4.2 million pounds of uranium in 2015[6], curtailed its United States operations and announced production halts at its McArthur River and Cigar Lake mines for periods in 2017. Further, Kazatomprom announced a 10% production cut commencing in 2017, which equates to approximately 3% of the global uranium supply[7]. In November 2017, Cameco further announced that it would suspend operations at McArthur River and Key Lake for 10 months by the end of January 2018. These operations produced 11.1 million pounds of uranium in the first nine months of 2017[8]. Cantor Fitzgerald estimates that this announcement by Cameco removes 13.2 million pounds or 9% of uranium production from its 2018 forecast.[9]

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

- **Continue with the advancement of the Dewey Burdock Project** – Receiving the NRC license for the Dewey Burdock Project in April 2014 and the draft EPA permits in March 2017 were significant milestones for the Dewey Burdock Project. The Company is now working to resolve the remaining contention on the NRC license and to receive the final EPA permits. In parallel with advancing the Dewey Burdock Project on the permitting front, the Company will continue to evaluate project-financing options, with a view to having a funding solution in place prior to or concurrent with the finalization of permits.

- **Expand uranium resources at the Dewey Burdock Project and identify uranium resources at the Dewey Terrace Project** – The Company will continue the evaluation and analysis of historical data at the Dewey Burdock Project with the goal of publishing a resource update and revised preliminary economic assessment ("PEA") and the Dewey Terrace Project with the goal of identifying additional uranium mineralization.

- **Future uranium production off-take** – The Company will continue the process of engaging with potential customers for future uranium production off-take. Although the Company plans to continue these discussions, in parallel with the advancement of the Dewey Burdock Project, the level of these activities will be dependent on the market environment.

[5] TD Securities Inc. – *Equity Research: Metals & Minerals (August 1, 2017)*
[6] Saskatoon Star Phoenix – *Rabbit Lake closure 'right economic decision' given tough market: Cameco VP (April 26, 2016)*
[7] World Nuclear News – *Oversupply prompts Kazakh uranium production cut (January 10, 2017)*
[8] Cameo Corp. press release *(November 8, 2017)*
[9] Cantor Fitzgerald – *Cameco: A Necessary Move: McArthur River/Key Lake Suspended; Dividend cut (November 2017)*

- **Minimize activities in the Kyrgyz Republic** – The execution of the Earn-In Agreement should alleviate the Company's need to fund future exploration and development expenditures at the Kyzyl Ompul Project and is expected to provide the Company with significant cash payments over a three-year period, which can be deployed towards core strategic initiatives, such as the advancement of the Dewey Burdock Project. The Company also retains upside from the Kyzyl Ompul Project through the NSR royalty.

The Company expects to successfully execute its strategy, as the Company believes that:

- uranium prices will move higher in the near to medium term;
- the PEA demonstrates that 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;
- on completion of permitting the Company will be able to attract financing and move into the construction phase;
- the Company's asset suite includes mineral properties at various stages of development, providing a pipeline for continued growth; and
- management and the Board of Directors have extensive experience in uranium, the broader mining sector and financial markets.

OVERALL PERFORMANCE

Dewey Burdock permitting advanced

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

The Company's 100% owned Dewey Burdock Project is an ISR uranium project located in the Edgemont uranium district, in South Dakota, USA. Through property purchase agreements, mining leases and/or mining claims, the Dewey Burdock Project is comprised of approximately 12,500 surface acres and 17,320 net mineral acres. The Dewey Burdock Project is the Company's initial development priority.

In April 2015, the Company filed an updated NI 43-101 compliant independent resource estimate and PEA for the Dewey Burdock Project prepared by TREC Inc. and Rough Stock Mining Services (the "Dewey Burdock PEA") with an effective date of January 29, 2015. The Dewey Burdock Project contains measured uranium resources of 4,122,000 pounds at 0.33% U_3O_8 and indicated uranium resources of 4,460,000 pounds at 0.21% U_3O_8 at a 0.5 grade-thickness ("GT") cut-off and inferred uranium resources of 3,528,000 pounds at 0.05% U_3O_8 at a 0.2 GT cut-off in the ISR mineral resource estimate. The mineral resource estimate includes an additional 940,000 pounds of non-ISR (located above the water table) inferred resources at 0.17% U_3O_8. The non-ISR resources are not included in the resources presented in the economic analysis of the Dewey Burdock PEA.

Details of the assumptions and parameters used with respect to the Dewey Burdock PEA, including information on data verification, are set out in the Dewey Burdock Technical Report dated April 21, 2015, a copy of which is available under the Company's profile at www.sedar.com. The Dewey Burdock PEA is preliminary in nature; it includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Dewey Burdock PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The Dewey Burdock PEA resulted in a pre-federal income tax net present value of $149.4 million at a discount rate of 8% and an internal rate of return of 67% compared to a post-federal income tax net present value of $113.8 million at a discount rate of 8% and an internal rate of return of 57%. The Dewey Burdock PEA post-federal income tax calculations do not include a corporate level assessment of federal income tax liabilities; taxes have only been calculated at the Dewey Burdock Project level. The estimate of federal income tax at the corporate level is subject to a number of additional considerations that have not been factored in when calculating federal taxes at the project level, including but not limited to, the capital structure to finance the Dewey Burdock Project, which has not yet been determined and loss carry forwards available at the corporate level. Further, In December 2017, the US government enacted the Tax Cuts and Jobs Act of 2017, which reduced the statutory tax rate from 34% to 21%.

The Dewey Burdock PEA assumed uranium prices of \$65/lb U_3O_8, cash operating costs of \$18.86/lb U_3O_8, which included \$6.33/lb of local taxes and royalties, and initial capital expenditures of \$27.0 million. Total cash operating costs and capital expenditures are assumed to be \$35.66/lb U_3O_8 (pre-federal income tax). Over its 16-year mine life, the Dewey Burdock Project is forecast to produce 9.7 million lbs of U_3O_8 with a pay-back period in the third quarter of the second year of production. The estimated federal income tax is equal to US\$6.53/lb of estimated U_3O_8 production.

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

Permit, License or Approval Name	Agency	Status
UIC Class III Permit UIC Class V Permit	EPA	• Draft permits issued March 2017 • Public comment period closed June 2017 • Working with EPA to obtain final permits

Final Source and Byproduct Materials License	NRC	• Issued April 2014 and in good standing • Final contention, which pertains to identification and protection of historic and cultural resources, has path to completion
Groundwater Discharge Plan Water Rights Permit Large Scale Mine Permit	DENR	• Applications complete and recommended for conditional approval by DENR staff • Hearings for final approval commenced in late-2013, continuance ordered until completion of federal regulatory approvals (NRC and EPA)
Plan of Operations	BLM	• Approval anticipated on successful resolution of final NRC contention

DENR South Dakota Department of Environment and Natural Resources
EPA United States Environmental Protection Agency
NRC United States Nuclear Regulatory Commission
BLM Bureau of Land Management

The NRC issued the final Supplemental Environment Impact Statement ("SEIS") for the Dewey Burdock Project in the first quarter of 2014. The Section 106 programmatic agreement ("PA") was executed on April 7, 2014 by the Advisory Council on Historic Preservation, the NRC, the South Dakota State Historic Preservation Office and the BLM. Subsequent to the PA being executed, the NRC issued a final Safety Evaluation Report and the Company's Dewey Burdock Project received its Source and Byproduct Materials License SUA-1600 on April 8, 2014, covering 10,580 acres. In the fourth quarter of 2016, the Company received approval from the NRC for the first amendment to the NRC license, which completed certain NRC license conditions. The Company controls the mineral and surface rights for the area pertaining to the NRC license.

In August 2014, the evidentiary hearing was held with the ASLB in regards to the contentions raised with respect to the Dewey Burdock Project. These ASLB hearings are normal practice and are undertaken after the NRC license has been granted to determine whether or not the NRC staff has considered all issues related to the NRC license. In April 2015, the ASLB ruled on seven contentions raised by the consolidated intervenors and the Oglala Sioux Tribe (collectively, the "Intervenors") regarding the

NRC license for the Dewey Burdock Project. For five contentions, including those related to groundwater usage, groundwater quality, ability to contain fluid migration, mitigation measures, and connected actions, the ASLB ruled in favor of the NRC staff and the Company. For the remaining two contentions, which relate to identification and protection of historic and cultural resources, the ASLB requested additional consultation between the NRC staff and the Oglala Sioux Tribe. The ASLB also ruled inadmissible two new contentions that were filed by the Intervenors after the evidentiary hearing.

Subsequent to the ASLB partial initial decision in April 2015, the Company and the NRC staff filed petitions for review of the ASLB decision to the NRC Commission with respect to their ruling that additional consultation efforts were required between the Oglala Sioux Tribe and the NRC staff regarding the two contentions relating to the identification and protection of historic and cultural resources. The Intervenors filed petitions for review of the ASLB decision to the NRC Commission covering most of the contentions heard by the ASLB. Upon consideration of the information presented, the NRC Commission denied the party's petitions for review of the ASLB decision, with the exception of 1) the NRC staff's and the Company's petition for review with respect to the ASLB's direction to the NRC staff regarding the resolution of the outstanding two contentions relating to the identification and protection of historic and cultural resources, in which the NRC Commission ultimately affirmed the ASLB's decision and 2) a petition for review filed by the Oglala Sioux Tribe claiming that the draft SEIS had been issued without the requisite scoping process, in which the NRC Commission affirmed the ASLB's decision and dismissed the contention.

In August 2017, the Company received notice that the NRC staff filed a motion for summary disposition before the ASLB to resolve the remaining two contentions from the ASLB partial initial decision. The Company filed a brief in support of the NRC staff motion, while the Intervenors filed briefs opposing the motion. In October 2017, the ASLB issued a memorandum and order pertaining to this motion. With respect to the outstanding contention requiring additional consultation between the NRC staff and the Oglala Sioux Tribe under the National Historic Preservation Act, the ASLB granted the motion for summary disposition in favor of the NRC staff and the Company. With respect to the outstanding contention pertaining to the identification and protection of historic and cultural resources for the purposes of compliance with the National Environmental Policy Act ("NEPA"), the ASLB did not grant the motion for summary disposition; however, the ASLB did provide specific guidance and establish a schedule to address the only remaining contention. As a result, the Company expected to have the final contention resolved by the second quarter of 2018, however that deadline is not certain. The Company plans to fully support the NRC staff in resolving the only remaining contention.

In February 2017, the Oglala Sioux Tribe filed an appeal of the decision made by the NRC Commission to the United States Court of Appeals for the District of Columbia Circuit (the "DC Circuit"). Subsequently, the NRC staff filed a motion to dismiss the Oglala Sioux Tribe's appeal. The Company supported the motion to dismiss filed by the

NRC staff, while the Oglala Sioux Tribe opposed this motion. The DC Circuit ruled that the motion to dismiss would be referred to the merits panel and the parties were directed to address the motion to dismiss in their briefs. The Oglala Sioux Tribe has filed their brief to the DC Circuit and their brief covers the majority of issues previously heard by the ASLB and the NRC Commission. The NRC staff and the Company have filed their briefs refuting the issues raised by the Oglala Sioux Tribe. On March 20, 2018, the DC Circuit heard oral arguments from the parties.

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

The Company continues to be in compliance with the existing conditions of the NRC license and other permitting/licensing requirements. Prior to commencing construction and operations at the Dewey Burdock Project, the Company requires regulatory approvals from two other major agencies, the EPA and the DENR. These approvals include the final Class III and Class V Underground Injection Control ("UIC") permits from the EPA and three state permits to be issued by the DENR. Additional requirements that need to be addressed prior to commencing construction and operations at the Dewey Burdock Project include the satisfaction of pre-operational conditions under the NRC license and the development and implementation of mitigation plans for protection of cultural resources under the PA, including resolution of the one outstanding contention related to NEPA. In March 2017, the Company received notice that the EPA issued draft Class III and Class V UIC permits completing a major regulatory milestone.

The Company submitted applications to the DENR in 2012 for its Groundwater Discharge Plan ("GDP"), Water Rights ("WR") and Large Scale Mine Plan ("LSM") permits. All permit applications have been deemed complete and have been recommended for conditional approval by the DENR staff. The GDP and WR permits are subject to hearing with public participation. The hearing commenced on October 28, 2013 and continued through November 25, 2013, at which point it was determined that the hearing will resume once the NRC and EPA have ruled and set the federal surety. The LSM permit has been finalized subject to continuation of a hearing before the Board of Minerals and Environment, which commenced the week of September 23, 2013 and continued through November 5, 2013, at which point it was determined that the hearing will resume once the NRC and EPA have ruled and set the federal surety. Subject to improved market conditions, the Company plans to re-commence the regulatory process with the DENR once the final EPA Class III and Class V UIC permits have been issued.

On July 8, 2014, the BLM requested additional information on the Company's plan of operations for the Dewey Burdock Project. The Company submitted the requested information and anticipates that the BLM will approve the plan of operations subsequent to the successful resolution of the remaining contention on the NRC license, at which point it is also anticipated that the BLM will prepare an environmental assessment and issue its Record of Decision.

Dewey Burdock – growth potential identified from reviewing and analyzing historical data

On February 8 and 26, 2018, the Company announced newly identified uranium mineralization at the Dewey Burdock Project. The Company has identified new uranium mineralization at the Dewey Burdock Project through the analysis of historical data owned by the Company (the "Data Set") and the evaluation of revised ISR cutoff criteria, consistent with other producing ISR projects in nearby Wyoming.

Highlights of the new uranium mineralization at the Dewey Burdock Project includes:

- Dewey resource area: 107 mineralized drill holes with 111 intercepts equal to or exceeding a 0.20 GT cutoff using a .02% grade cutoff with an average eU_3O_8 grade of 0.105% and an average thickness of 5.5 feet
- Burdock resource area: 706 mineralized drill holes with 787 intercepts equal to or exceeding a 0.20 GT cutoff using a 0.02% grade cutoff with an average eU_3O_8 grade of 0.139% and an average thickness of 5.1 feet
- Falls within the existing NRC license boundary for the Dewey Burdock Project
- Contiguous with ISR resources already identified at the Dewey Burdock Project
- Indicates the potential to significantly expand the Dewey Burdock Project resource estimate within the NRC license boundary
- Larger and more continuous resource areas within the Dewey Burdock Project could achieve certain cost reductions compared to the existing preliminary economic assessment

The Data Set includes historical drilling information that has been reviewed by the Company's geological team, as well as 91 exploratory drill holes completed by the Company in a previous exploration campaign. The Company's review of the records and information within the Data Set reasonably substantiate the validity of this information; however, the Company cannot directly verify the accuracy of the historical data, including the procedures used for sample collection and analysis. Therefore, the Company encourages investors not to place undue weight on these results.

The objective of the Company is to use this additional information to complete a resource update and revised PEA for the Dewey Burdock Project.

Dewey Terrace – adjacent to Dewey Burdock, further growth potential identified

Dewey Terrace Project (100% interest) – Wyoming, USA

The Company's 100% owned Dewey Terrace Project is located in the Weston and Niobrara Counties of Wyoming. The Company acquired this project primarily through the staking of federal mining claims, along with the acquisition of lease agreements.

Through mining leases and/or mining claims, the Dewey Terrace Project is comprised of approximately 1,834 acres of surface rights and approximately 7,514 acres of mineral rights. The Dewey Terrace Project is located adjacent to the Company's NRC licensed Dewey Burdock Project.

The Company has identified uranium mineralization at the Dewey Terrace Project through the review and analysis of historical data in the Data Set. The Data Set identified 259 mineralized drill holes indicating significant potential for a new resource area at the Dewey Terrace Project. Further, deposition is consistent with sand channel systems categorized within the Dewey Burdock Project and conditions that indicate possible in-situ recovery amenability. Several drill holes encountered multiple intercepts demonstrating a vertically stacked group of separate mineralized zones similar to those at the Dewey Burdock Project. The uranium mineralization covers seven separate mineralized zones over a trend of approximately 2.5 miles.

As announced on October 31, 2017, the Data Set analysis has identified 91 mineralized drill holes with 129 intercepts equal to or exceeding a 0.2 GT cutoff using a 0.02% grade cutoff with an average eU308 grade of 0.062% and an average thickness of 7.4 feet. The Company also identified 93 drill holes with 112 intercepts that had GT values ranging from 0.1 to 0.2 GT based on review of the Data Set. These intercepts had an average thickness of 4.1 feet with an average grade of 0.041% eU3O8. The remaining 187 drill holes reviewed range from barren to an average GT of 0.1.

The Data Set includes historical drilling information that has been reviewed by the Company's geological team, as well as 20 exploratory drill holes completed by the Company in a previous exploration campaign. The exploratory drill holes completed by the Company confirm the presence of uranium mineralization at the Dewey Terrace Project. The Company's review of the records and information within the Data Set reasonably substantiate the validity of this information; however, the Company cannot directly verify the accuracy of the historical data, including the procedures used for sample collection and analysis. Therefore, the Company encourages investors not to place undue weight on these results.

The objective of the Data Set analysis is to identify uranium mineralization in a cost-effective manner in the vicinity of the Company's Dewey Terrace and Dewey Burdock Projects. The Company is continuing its review of the Data Set with the objective of identifying additional uranium mineralization.

Kyzyl Ompul Project – earn-in agreement

Kyzyl Ompul Project (70% interest) – Kyrgyz Republic

The uranium deposit/prospects of the Kyzyl Ompul Project are located in the Kyrgyz Republic, approximately 125 kilometers ("km") east of the capital of Bishkek. More specifically, the Kyzyl Ompul Project is located in the Kochkor region of the Naryn Oblast and the Issyk-Kul region of the Issyk-Kul Oblast. The Kyzyl Ompul Project is

100% owned and operated by UrAsia, in which the Company owns a 70% interest, and consists of one exploration license with an area of 42,379 hectares. The license is valid until December 31, 2020 and permits exploration for uranium.

In July 2017, UrAsia executed the Earn-In Agreement with Alliance, which provides Alliance with an earn-in option to acquire a 100% interest in the Kyzyl Ompul Project in exchange for an aggregate $6.0 million of cash payments over three years and a two percent NSR royalty of up to $5.0 million as well as Alliance funding $1.6 million of exploration and development expenditures over a three-year period.

In April 2014, Ravensgate Mining Industry Consultants ("Ravensgate") prepared a maiden NI 43-101 compliant independent resource estimate for the Kok Moinok deposit located within the Kyzyl Ompul Project. Ravensgate estimated that the Kok Moinok deposit contained inferred uranium resources of 7.51 million pounds at 225.2 parts per million U3O8 using a cut-off of 100 parts per million as at December 31, 2013, the effective date of the resource estimate. Details of the assumptions and parameters used for the resource estimate at Kyzyl Ompul, including information on data verification, are set out in the Kyzyl Ompul Technical Report dated April 14, 2014, a copy of which is available under the Company's profile at www.sedar.com. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

In 2016, the Company conducted desktop studies for the Kyzyl Ompul Project, in order to conserve the Company's financial resources. In 2017, up to the execution of the Earn-In Agreement, the Company continued these desktop studies and conducted minimum exploration activities as required under the exploration license.

Other mineral property interests

The Company continues to maintain its interests in the Centennial and Aladdin deposits and continues to analyse development scenarios for the Centennial Project and the Aladdin deposits to maximize the value that can be extracted from these projects.

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

The Company's 100% owned Centennial Project is located in the western part of Weld County in northeastern Colorado. Through property purchase and/or lease agreements, the Centennial Project is comprised of approximately 1,360 acres of surface rights and approximately 6,230 acres of mineral rights.

Historical exploration work included drilling, recovery tests, water well tests and environmental studies. At the request of the Colorado Division of Reclamation, Mining and Safety, the Company prepared and submitted an updated Site Characterization Plan in April 2009. All the required environmental surveys and studies have been completed and the draft reports have been received. The Company completed its application to the EPA for a Class I UIC Permit in November 2010. In December 2010, the EPA informed the Company that the application was deemed complete. The majority of the major mine permit applications for the Centennial Project have not been prepared or submitted to date.

In August 2010, a NI 43-101 compliant independent PEA (the "Centennial PEA") was prepared by SRK Consulting (U.S.), Inc. and Lyntek Incorporated with an effective date of June 2, 2010. The Centennial PEA indicated that the Centennial Project can be developed using the ISR method and resulted in a pre-tax net present value of $51.8 million at a discount rate of 8% and an internal rate of return of 18%. The Centennial PEA assumed uranium prices of $65/lb U_3O_8, cash operating costs of $34.95/lb U_3O_8 and capital costs of $71.1 million. The Centennial PEA included indicated uranium resources of 10,371,571 pounds at 0.09% U_3O_8 and inferred uranium resources of 2,325,514 pounds at 0.09% U_3O_8 at a 0.20 GT cut-off and annual production of 700,000 lbs per annum, which resulted in a 14-year mine life.

Details of the assumptions and parameters used with respect to the Centennial PEA, including information on data verification, are set out in the Centennial PEA dated August 6, 2010, a copy of which is available under the Company's profile at www.sedar.com. The Centennial PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the Centennial PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Subsequent to the Centennial PEA being completed, certain lease agreements with respect to the Centennial Project were not renewed and certain parcels of redundant land at the Centennial Project were sold; however, the impact to the Centennial PEA is immaterial.

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

The Aladdin Deposit is comprised of approximately 5,100 acres of surface rights and 4,600 acres of mineral rights located in Wyoming along the Wyoming/South Dakota border on the northwestern flank of the Black Hills Uplift, within sandstones of the Lower Cretaceous-age Inyan Kara Group. The Aladdin property is 80 miles northwest of the Dewey Burdock Project. Uranium resources at the Aladdin Deposit have developed within the same host rocks that contain the Dewey Burdock uranium resources.

In June 2012, the Company completed a NI 43-101 compliant technical report for the Aladdin Deposit, with an effective date of June 21, 2012, describing the results of the Company's confirmation drilling program and continued evaluation of the historic exploration drilling data from the Teton Exploration Company. The Aladdin Deposit contains indicated uranium resources of 1,038,023 pounds at 0.111% U_3O_8 and inferred uranium resources of 101,255 pounds at 0.119% U_3O_8 at a 0.20 GT cut-off. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

In addition, using the same cut-off, the quantity of mineralization for the exploration target was determined to be 5.0 to 11.0 million pounds of uranium, averaging 0.11% - 0.12% U_3O_8. In over 80% of the project area, the density of exploration drilling is light and insufficient to calculate resources. In these lightly explored areas, there is sufficient drill hole control for subsurface geochemical mapping and thirteen mineralized trends were identified. This estimation used a range of i) mineralized trend lengths, ii) widths of mineralization and iii) grades of mineralization. The grade and quantity of this exploration target is conceptual in nature and there has been insufficient exploration work performed with respect to the exploration target to define a NI 43-101 compliant resource. It is uncertain whether further exploration of the exploration target will result in the delineation of a NI 43-101 compliant resource.

Details of the assumptions and parameters used with respect to the Aladdin NI 43-101 Technical Report, including quality estimates and information on data verification, are available under the Company's profile on SEDAR at www.sedar.com.

Subsequent to the NI 43-101 compliant technical report being completed, certain lease agreements/claims were not renewed; however, the impact to the Aladdin NI 43-101 Technical Report is immaterial.

QUALIFIED PERSON

Disclosure of a scientific or technical nature in this MD&A has been reviewed and approved by John Mays, P.E., Chief Operating Officer and a "qualified person" as defined under NI 43-101.

SELECTED ANNUAL INFORMATION

	Fiscal Year Ended December 31, 2017	Fiscal Year Ended December 31, 2016	Fiscal Year Ended December 31, 2015
Statement of Loss:			
Net revenues	$Nil	$Nil	$Nil
Net loss	$5,280,632	$3,112,945	$3,744,830
Net loss per share	$0.07	$0.05	$.06
Financial Position:			
Total assets	$33,695,520	$39,473,305	$40,354,891
Long term liabilities	$6,229,824	$7,365,390	$8,370,749
Dividends	$Nil	$Nil	$Nil

The net loss in the year ended December 31, 2017 included a $6.3 million impairment of exploration and evaluation assets related to Kyzyl Ompul Project.

RESULTS OF OPERATIONS – YEAR ENDED DECEMBER 31, 2017

The consolidated net loss for the year ended December 31, 2017 was $5,280,632 (2016 - $3,112,945).

The significant changes between the current year and the comparative year are discussed below:

Administrative expenses totaled $1,659,228 (2016 - $1,554,213). The overall increase in administrative expenses primarily relates to increased consulting and professional fees and corporate administration expenses offset by decreased salaries and benefits.

During the year ended December 31, 2017, the Company recognized an impairment charge of $6,346,899 for the Kyzyl Ompul Project on execution of the Earn-In Agreement that established the fair value of the project. As the recoverable amount of the project was determined to be less than its carrying value, the carrying value was impaired.

Finance costs totaled $216,478 (2016 - $191,080). The increase in finance costs primarily relates to the interest rate increase from 10% to 15% on the Shareholders Loan Agreement (defined below) as a result of the Company exercising its option to extend the term of the Shareholders Loan Agreement.

The Company recognized an unrealized gain of $595,801 for the year ended December 31, 2017 (2016 – unrealized loss of $1,204,160). The unrealized gain in the current year relates primarily to the revaluation of the Company's warrant liability whereas the unrealized loss in the prior year relates primarily to losses on the revaluation of the Company's investments in Western Uranium Corp. and Uranium Resources, Inc. ("URI") as well as the loss on revaluation of the Company's warrant liability.

SUMMARY OF QUARTERLY RESULTS

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

	3 Months Ended December 31, 2017	3 Months Ended September 30, 2017	3 Months Ended June 30, 2017	3 Months Ended March 31, 2017
Total revenues	$Nil	$Nil	$Nil	$Nil
Net income (loss)	$1,782,760	$(6,438,864)	$(347,086)	$(277,442)
Net income (loss) per share, basic and diluted	$0.02	$(0.08)	$(0.01)	$(0.00)

	3 Months Ended December 31, 2016	3 Months Ended September 30, 2016	3 Months Ended June 30, 2016	3 Months Ended March 31, 2016
Total revenues	$Nil	$Nil	$Nil	$Nil
Net loss	$996,351	$382,491	$655,688	$1,078,415
Net loss per share, basic and diluted	$0.01	$0.01	$0.01	$0.02

The Company impaired the value of its Kyzyl Ompul Project by $6,346,899 in the third quarter of 2017.

Fourth Quarter 2017

The Company began the fourth quarter with $318,133 cash. During the fourth quarter, the Company expended $109,339 on operating activities net of working capital changes, $199,640 on investing activities and received $419,368 from financing activities to end the quarter and the year with $432,192 cash.

LIQUIDITY AND CAPITAL RESOURCES

The Company began the fiscal year with $941,370 cash. During the year ended December 31, 2017, the Company expended $818,169 on operating activities net of working capital changes, $943,451 on investing activities and received $1,248,931 from financing activities to end at December 31, 2017 with $432,192 cash.

In July 2017, the Company closed its non-brokered private placement of C$1.14 million through the issuance of 4,391,938 units at a price of C$0.26 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of C$0.36 per share for a period of three years. An insider of the Company sold 1,000,000 freely tradable shares to an arm's length third party and subscribed for 1,000,000 units. The issuance of the 500,000 share purchase warrants at C$0.36 to the insider is subject to disinterested shareholder approval, in addition to the final approval of the Toronto Stock Exchange.

In December 2017, the Company closed the first tranche of its non-brokered private placement of $558,750 through the issuance of 2,235,000 units at a price of C$0.25 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of C$0.35 per share for a period of three years. An insider of the

Company sold 1,000,000 freely tradable shares to an arm's length third party and subscribed for 1,000,000 units. The issuance of 500,000 share purchase warrants at C$0.35 to the insider is subject to disinterested shareholder approval, in addition to the final approval of the Toronto Stock Exchange.

In January 2018, the Company closed the second and final tranche of its non-brokered private placement of $195,000 through the issuance of 780,000 units at a price of C$0.25 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of C$0.35 per share for a period of three years.

The remaining cash payments from the Alliance Earn-In Agreement on the Kyzyl Ompul Project are expected to be received as follows: $60,000 per month commencing February 1, 2018, increasing to $229,000 per month commencing August 1, 2018, and a final payment of $223,000 on July 1, 2020. During the year ended December 31, 2017, UrAsia received $150,000 in cash payments from Alliance. The February 1 and March 1, 2018 cash payments have not yet been received and the Company is in discussions with Alliance to resolve this default using the remedies available to it under the Earn-In Agreement.

The Company's capital risk management objectives have been established to safeguard the Company's ability to continue as a going concern in order to support the Company's permitting and exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. To facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, progress on permitting, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they fall due. To date, the Company has not generated revenues from operations and is currently in the exploration and development stage. Additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. There is no certainty that additional financing, at terms that are acceptable to the Company, will be available. These material uncertainties cast significant doubt on the Company's ability to continue as a going concern. The Company has successfully raised financing in the past and will continue to assess available alternatives; however, there is no assurance that the Company will be able to raise additional funds in the future.

Powerlite Ventures Limited

The Company is party to a credit facility with Powerlite Ventures Limited ("Powerlite") for $21,000,000 of which the Company drew down and, in 2014, repaid $18,000,000 through the issuance of shares leaving an available balance of $3,000,000. The Company believes it is unlikely that Powerlite will be able to fund the remaining amount of the facility.

Shareholders Loan Agreement

The Company has drawn down $1,776,000 under a shareholder's loan agreement dated July 31, 2012, as amended ("Shareholders Loan Agreement"). The loan is convertible into shares of the Company at a conversion price of C$1.23, at the shareholders option, matures on July 31, 2020, and bears interest at the rate of 15% per annum. The Company has accrued a total of $281,805 interest for a total amount owed at December 31, 2017 of $2,057,805. The loan is unsecured and may be prepaid at any time.

Other Loans Payable

At December 31, 2017, the Company owed a total of $46,873 (2016 – $90,065) related to purchase agreements for the Company's Centennial and Dewey Burdock Projects.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

As at December 31, 2017 the Company's commitments were as follows:

	Within 1 year	2-4 years	Over 4 years	Total
Operating lease	$ 45,847	$ 7,667	$ -	$ 53,514
Exploration and evaluation	507,738	4,120,283	3,441,651	8,069,672
	$ 553,585	$ 4,127,950	$ 3,441,651	$ 8,123,186

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

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Financial instruments are classified into one of the following categories: fair value through profit or loss ("FVTPL"); loans and receivables; or other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

	As at December 31,			
Financial assets		**2017**		**2016**
Loans and receivables				
Cash	$	432,192	$	941,370
Restricted cash		39,176		42,687
Fair value through profit or loss				
Investment in URI		-		68,264
	$	471,368	$	1,052,321

	As at December 31,			
Financial liabilities		**2017**		**2016**
Other financial liabilities				
Trade and other payables	$	1,525,906	$	1,376,872
Loan payable to shareholders		2,057,805		1,848,135
Other loans payable		46,873		90,065
Decommissioning liability		142,918		129,933
Fair value through profit or loss				
Warrant liabilities		258,116		596,602
	$	4,031,618	$	4,041,607

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 investments are determined using this methodology.
- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are directly (i.e. prices) or indirectly (i.e. derived prices) observable. The fair value of the warrant liability is determined using the Black-Scholes Option Pricing model.
- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are not directly (i.e. prices) or indirectly (i.e. derived from prices) observable.

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

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- 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.

The fair value of the Company's investment in URI was recorded at fair value using Level 1 of the fair value hierarchy. The fair value of the Company's warrant liability is recorded at fair value using Level 2 of the fair value hierarchy.

Risk Management

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. During the year ended December 31, 2017, 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 instruments are summarized below:

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. Management believes the currency risk related to currency conversions is minimal and therefore, does not hedge its currency risk.

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.

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 significant.

The Company's Shareholders Loan Agreement accrues interest at a fixed rate; therefore, the Company is not exposed to interest rate risk on this instrument. The Company's other loans payable are non-interest bearing and interest is calculated using an effective interest rate.

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. The Company's maximum exposure to credit risk is equal to the carrying amount of its cash.

The Company's credit risk on cash arises from default of the counterparty. The Company limits its exposure to counterparty credit risk on cash by only dealing with financial institutions with high credit ratings.

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, access to financing facilities or access to cash generating opportunities, such as the liquidation of non-core and redundant assets to meet its liquidity requirements in the short and long term. In order to ensure that the Company has sufficient cash, access to financing facilities or access to cash generating opportunities, such as the liquidation of non-core and redundant assets to meet expected expenditures, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, progress on permitting, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

The 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, 2017	**1-3 months**	**3 months - 1 year**	**1-5 years**	**Total**
Trade and other payables	$ 1,525,906	$ -	$ -	$ 1,525,906
Loan payable to shareholders	-	281,805	1,776,000	2,057,805
Other loans payable	-	46,873	-	46,873
	$ 1,525,906	$ 328,678	$1,776,000	$ 3,630,584

RELATED PARTY TRANSACTIONS

Related party transactions

During the years ended December 31, 2017 and 2016, the Company had related party transactions with the Company's directors, management and shareholders including:

- Interest accruing to certain directors/shareholders of the Company on the Shareholders Loan Agreement;
- The extension of the term of the Shareholders Loan Agreement and other amendments and agreements related to the Shareholders Loan Agreement as disclosed; and
- The issuance of common shares to key management personnel of the Company to settle trade and other payables, employee remuneration and interest on the Shareholders Loan Agreement.

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, 2017		2016
Salaries and benefits	$	731,926	$	871,312
Share-based compensation		176,296		87,194
	$	908,222	$	958,506

Related party liabilities

		Year ended December 31, 2017		2016
Loan payable to shareholders	$	2,057,805	$	1,848,135
Trade and other payables for key management personnel - current		716,838		339,043
Trade and other payables for key management personnel - non-current		-		310,000
	$	2,774,643	$	2,497,178

Included in trade and other payables as at December 31, 2017 is $512,500 (2016 - $557,500) owing to a director of the Company of which $325,000 (2016 - $370,000) is related to a severance agreement and $187,500 (2016 – $187,500) is related to a deferred compensation agreement. During the year ended December 31, 2017, the Company paid this director $45,000 (2016 - $60,000) towards the severance agreement. On February 14, 2018, the Company entered into an amended severance agreement with this director to defer the remaining severance payments over 48 months, whereby the amount payable was increased to $370,000. The Company and this director have agreed to settle the deferred compensation of $187,500 by the issue of up to 578,822 common shares of the Company before June 30, 2018.

OUTSTANDING SHARE DATA AS AT THE DATE OF THIS MD&A

Authorized: an unlimited number of common and preferred shares with no par value.

	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Common Share Purchase Options
Balance, December 31, 2017	83,619,850	7,133,123	5,903,762
Isuance of shares for ESPP	350,937	-	-
Issuance of shares for DSA	93,011	-	-
Issuance of shares for private placement	780,000	390,000	-
Balance as at the date of this MD&A	84,843,798	7,523,123	5,903,762

- In March 2018, the Company received conditional TSX approval to issue up to 186,512 common shares in settlement of C$46,628 of trade and other payables.
- In March 2018, the Company received conditional TSX approval to issue up to 162,900 common shares in settlement of $32,103 of trade and other payables.
- In March 2018, the Company received conditional TSX approval to issue up to 125,000 common shares to buy back a royalty on the Dewey Burdock Project.

USE OF ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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, progress on permitting, results from the exploration and development of its properties and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

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.

During the year ended December 31, 2017, the Company recorded an impairment loss of $6,346,899 on its Kyzul Ompul project in Kyrgyzstan.

Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year will 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.

RECENT ACCOUNTING PRONOUNCEMENTS

The Company has adopted the new and revised standards and interpretations issued by the International Accounting Standards Board or IFRS Interpretations Committee effective January 1, 2017. The adoption of these standards did not have a material impact on the Company's Financial Report.

Refer to the discussion of "Standards issued but not yet effective" in Note 2.4 to the consolidated financial statements. The Company has not applied any of the new and revised IFRS detailed therein, all of which have been issued, but are not yet effective at the date of this MD&A.

PROPOSED TRANSACTIONS

As is typical of the mineral exploration and development industry, the Company is continually reviewing potential acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. There is currently no proposed asset or business acquisitions or dispositions, other than those discussed in this MD&A and those in the ordinary course, before the board of directors for consideration. While we remain focused on our plans to continue exploration and development on our material property, should we enter into agreements in the future on new properties, we may be required to make cash payments and complete work expenditure commitments under those agreements.

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, 2017, 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.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. As a result, even those systems determined to be effective can only provide reasonable assurance regarding the preparation of financial statements. Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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

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

The Company's management, under the supervision of the CEO and the CFO, has evaluated the effectiveness of the Company's internal controls over financial reporting using the framework and criteria as required by the applicable rules of the Canadian Securities Administrators (or Canadian securities regulatory authorities). Based on this evaluation, management has concluded that internal controls over financial reporting were effective as at December 31, 2017.

There were no changes in the Company's internal controls over financial reporting that occurred during the year ended December 31, 2017, that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

This MD&A may include or incorporate by reference certain statements or disclosures that constitute "forward-looking information" under applicable securities laws. All information, other than statements of historical fact, included or incorporated by reference in this MD&A that addresses activities, events or developments that Azarga Uranium or its management expects or anticipates will or may occur in the future constitute forward-looking information. Forward-looking information is provided through statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur or continue. These forward-looking statements are based on certain assumptions and analyses made by Azarga Uranium and its management in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances.

Although Azarga Uranium believes such forward-looking information and the expectations expressed in them are based on reasonable assumptions, investors are cautioned that any such information and statements are not guarantees of future realities and actual realities or developments may differ materially from those projected in forward-looking information and statements. Whether actual results will conform to the expectations of Azarga Uranium is subject to a number of risks and uncertainties, including those risk factors discussed under "Risk Factors" elsewhere in this MD&A, those listed under "Risk Factors" in the Company's Annual Information Form and the documents incorporated herein by reference. In particular, if any of the risk factors materialize, the expectations, and the predictions based on them, of Azarga Uranium may need to be re-evaluated. Consequently, all of the forward-looking information in this MD&A and the documents incorporated herein by reference is expressly qualified by these cautionary statements and other cautionary statements or factors contained herein or in documents incorporated by reference herein, and there can be no assurance that the actual results or developments anticipated by Azarga Uranium will be realized or, even if substantially realized, that they will have the expected consequences for Azarga Uranium.

Forward-looking statements are based on the beliefs, estimates and opinions of Azarga Uranium's management on the date the statements are made. Unless otherwise required by law, Azarga Uranium expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise, and Azarga Uranium does not have any policies or procedures in place concerning the updating of forward-looking information other than those required under applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information.