



**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING  
OF SHAREHOLDERS  
TO BE HELD ON JUNE 30, 2014**

**AND**

**INFORMATION CIRCULAR**

*May 13, 2014*

*This document requires immediate attention. If you are in doubt as to how to deal with the documents or matters referred to in this Information Circular, you should immediately contact your advisor.*



Suite #140 - 5575 DTC Parkway  
Greenwood Village, Colorado  
USA 80111  
Telephone: 303.790.7528  
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May 13, 2014

Dear Shareholders:

You are cordially invited to attend the annual general and special meeting (the "**Powertech Meeting**") of the holders (the "**Powertech Shareholders**") of common shares (the "**Powertech Shares**") of Powertech Uranium Corp. ("**Powertech**") to be held at the offices of Clark Wilson LLP, Suite 900 - 885 West Georgia Street, Vancouver, BC, on Monday, June 30, 2014 at 10:00 a.m. (Vancouver time). At the Powertech Meeting, you will be asked to consider, among other things, the proposed acquisition (the "**Acquisition**") of all of the issued and outstanding common shares (the "**Azarga Shares**") and other securities of Azarga Resources Ltd. ("**Azarga**") in accordance with the share purchase agreement dated February 25, 2014 (the "**Acquisition Agreement**") between Powertech and Azarga.

At the Powertech Meeting, Powertech Shareholders will be asked to consider and, if deemed advisable, to pass an ordinary resolution of the disinterested Powertech Shareholders (the "**Acquisition Resolution**") approving the Acquisition on the terms and conditions of the Acquisition Agreement which involves, among other things, the acquisition of all of the Azarga Shares by Powertech in exchange for the issuance by Powertech of Powertech Shares to holders of Azarga Shares (the "**Azarga Shareholders**"), as more fully set forth below and in the accompanying Information Circular.

In connection with the Acquisition:

- (a) each issued and outstanding Azarga Share held by Azarga Shareholders immediately prior to effecting the Acquisition shall be transferred by the holder thereof to Powertech on closing of the Acquisition (the "**Closing**") and in exchange therefor Powertech shall issue, as consideration, Powertech Shares (the "**Consideration Shares**") on the basis of 3.65 fully paid and non-assessable Consideration Shares for each Azarga Share (the "**Exchange Ratio**"), such that Powertech will issue approximately 279,636,213 Consideration Shares to the Azarga Shareholders, which Consideration Shares will represent approximately 77% of the total issued and outstanding Powertech Shares immediately following closing of the Acquisition on an undiluted basis; and

- (b) each option to acquire Azarga Shares (each, an “**Azarga Option**”) which is outstanding immediately before the Closing will be exchanged by the holders thereof (the “**Azarga Option Holders**”) for options to acquire Powertech Shares (each, a “**Consideration Option**”) on the basis of the Exchange Ratio, which Consideration Options are expected to be granted pursuant to, and governed in accordance with, the proposed 20% fixed stock option plan (the “**2014 Plan**”) as more particularly described in this Information Circular, the adoption of which is conditional on completion of the Acquisition and receipt of the requisite shareholder approval.

Also in connection with the Acquisition, Powertech Shareholders will be asked to consider, and if appropriate, approve the following resolutions which are more particularly described in the Information Circular:

- (a) ordinary resolutions providing for an increase in the number of directors of Powertech to seven (7) and for the election of Richard F. Clement, Jr., Douglas E. Eacrett, Matthew O’Kane, Apolonius (Paul) Struijk, Curtis Church, Joseph Havlin and Alexander Molyneux as directors of Powertech with the election of Richard F. Clement, Jr., Douglas E. Eacrett, Matthew O’Kane and Apolonius (Paul) Struijk to be effective at the conclusion of the Meeting until the next annual general meeting of Powertech and the election of Curtis Church, Joseph Havlin and Alexander Molyneux to be effective from closing of the Acquisition until the next annual general meeting of Powertech Shareholders (collectively, the “**Director Election Resolution**”);
- (b) the ordinary resolution providing for the approval and adoption of the 2014 Plan, which is a 20% fixed stock option plan, which provides for the grant of stock options for the purchase of up to 72,718,155 Powertech Shares (the “**2014 Plan Resolution**”), the adoption of which is conditional on completion of the Acquisition; and
- (c) the ordinary resolution of disinterested Powertech Shareholders providing for the settlement (the “**Deferred Compensation Settlement**”) of estimated debts in the aggregate amount of \$176,404 owed by Powertech to certain insiders of Powertech in connection with deferred compensation by the issuance to such insiders of such number of Powertech Shares equal to the amount of debt to be settled, as expressed in Canadian dollars based on the Bank of Canada noon exchange rate on the date of share issuance, divided by the five day volume weighted average price of the Powertech Shares for the five day period immediately before the completion of the Deferred Compensation Settlement, subject to a floor price of C\$0.065 per Powertech Share (the “**Settlement Resolution**”).

To be effective, the Acquisition Resolution and the Settlement Resolution must be approved by not less than a simple majority of the votes cast by all disinterested Powertech Shareholders present in person or represented by proxy at the Powertech Meeting. Completion of the Acquisition and the Deferred Compensation Settlement are subject to various conditions, including the receipt of all requisite regulatory and shareholder approvals. If the Acquisition and the Deferred Compensation Settlement are approved by the Powertech Shareholders and all other conditions to the implementation of the Acquisition and the Deferred Compensation

Settlement are satisfied or waived, it is anticipated that the Acquisition and the Deferred Compensation Settlement will become effective on or before July 31, 2014.

To be effective, the Director Election Resolution and the 2014 Plan Resolution must be approved by not less than a simple majority of the votes cast by all Powertech Shareholders present in person or represented by proxy at the Powertech Meeting. The adoption of the 2014 Plan is conditional on completion of the Acquisition.

The board of directors of Powertech (the “**Board**”) has unanimously (with Matthew O’Kane abstaining as he is a consultant and shareholder of Azarga) determined that the Acquisition is in the best interests of Powertech, and unanimously recommends that the Powertech Shareholders vote **IN FAVOUR** of the Acquisition Resolution and, therefore, the Acquisition. The recommendation of the Board is based on various factors, including the Board’s analysis of the relative value of the consideration to be paid by Powertech for all of the issued and outstanding Azarga Shares, versus the range of fair market values for the Azarga Shares as set out in the Valuation by Salman Partners Inc. as of February 20, 2014. See “*Particulars of Matters To Be Acted Upon – Azarga Acquisition – Valuation*”.

The Board also unanimously (with Richard F. Clement abstaining with respect to the Deferred Compensation Settlement as part of the deferred compensation to be settled is owed to him) recommends that the Powertech Shareholders vote **IN FAVOUR** of the Director Election Resolution, the 2014 Plan Resolution and the Settlement Resolution.

The accompanying Notice of Meeting and Information Circular provide a full description of the Acquisition and includes additional information to assist you in considering how to vote on the Acquisition Resolution, the Director Election Resolution, the 2014 Plan Resolution and the Settlement Resolution. You are encouraged to consider carefully all of the information in the accompanying Information Circular, including the documents incorporated by reference therein. If you require assistance, you should contact your financial, legal or other professional advisor.

Your vote is important regardless of the number of Powertech Shares that you own. If you are a registered holder of Powertech Shares, we encourage you to take the time now to complete, sign, date and return the enclosed form of proxy by no later than 10:00 a.m. (Vancouver time) on June 27, 2014, to ensure that your Powertech Shares are voted at the Powertech Meeting in accordance with your instructions, whether or not you are able to attend in person. If you hold your Powertech Shares through a broker or other intermediary, you should follow the instructions provided by your broker or other intermediary to vote your Powertech Shares.

On behalf of Powertech, we would like to thank all Powertech Shareholders for their ongoing support as we prepare for this important event in Powertech history.

*“Richard F. Clement, Jr.”*

Richard F. Clement, Jr.  
President, Chief Executive Officer,  
Corporate Secretary and Director

Greenwood Village, Colorado, USA  
May 13, 2014



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## NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF POWERTECH URANIUM CORP.:

NOTICE IS HEREBY GIVEN that the annual general and special meeting (the "**Meeting**") of the shareholders (the "**Powertech Shareholders**") of Powertech Uranium Corp. ("**Powertech**") will be held at the offices of Clark Wilson LLP, located at 900 – 885 West Georgia Street, Vancouver, British Columbia, on June 30, 2014, at the hour of 10:00 a.m. (Vancouver time) for the following purposes:

1. to place before the Meeting the audited financial statements of Powertech for the financial period ended December 31, 2013, and accompanying report of the auditors;
2. to appoint BDO Canada LLP as the auditors of Powertech for the fiscal period ending December 31, 2014;
3. to authorize the board of directors of Powertech to fix the remuneration to be paid to the auditors for the fiscal period ending December 31, 2014;
4. to set the number of directors of Powertech until the next annual general meeting of Powertech at seven (7);
5. to elect Richard F. Clement, Jr., Douglas E. Eacrett, Matthew O'Kane, Apolonius (Paul) Struijk, Curtis Church, Joseph Havlin and Alexander Molyneux as directors of Powertech with the election of Richard F. Clement, Jr., Douglas E. Eacrett, Matthew O'Kane and Apolonius (Paul) Struijk to be effective at the conclusion of the Meeting until the next annual general meeting of Powertech and the election of Curtis Church, Joseph Havlin and Alexander Molyneux to be effective from closing (the "**Closing**") of the transactions contemplated by the Share Purchase Agreement dated February 25, 2014 (the "**Acquisition Agreement**") between Powertech and Azarga Resources Limited ("**Azarga**") until the next annual general meeting of the shareholders;
6. to consider and, if thought appropriate, pass an ordinary resolution of the disinterested Powertech Shareholders authorizing and approving the acquisition of all of the issued and outstanding common shares and convertible securities of

Azarga in exchange for common shares of Powertech (each, a “**Powertech Share**”) pursuant to the Acquisition Agreement, which transaction will constitute a reverse takeover of Powertech, as more particularly described in the Information Circular of Powertech dated May 13, 2014 (the “**Information Circular**”);

7. to consider and, if thought appropriate, pass an ordinary resolution of the disinterested Powertech Shareholders authorizing and approving the issuance to certain insiders of such number of Powertech Shares equal to the amount of debt to be settled divided by the five day volume weighted average price of the Powertech Shares for the five day period immediately before the completion of the Deferred Compensation Settlement, subject to a floor price of C\$0.065 per Powertech Share, as more particularly described in the Information Circular;
8. to consider and, if deemed appropriate, pass an ordinary resolution approving and adopting Powertech’s proposed 2014 Stock Option Plan, the adoption of which is conditional on completion of the Acquisition; and
9. to transact such further or other business as may properly come before the Meeting and any adjournment or postponement thereof.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is supplemental to, and expressly made a part of, this Notice of Meeting.

The board of directors of the Company has fixed May 8, 2014 as the record date for the determination of Powertech Shareholders entitled to notice of and to vote at the Meeting and at any adjournment or postponement thereof. Each registered Powertech Shareholder at the close of business on that date is entitled to such notice and to vote at the Meeting in the circumstances set out in the accompanying Information Circular.

If you are a registered Powertech Shareholder and unable to attend the Meeting in person, please complete, date and sign the accompanying form of proxy and deposit it with the Company’s transfer agent, Computershare Investor Services Inc., by mail at 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 or by fax at 1-866-249-7775, or vote by telephone (toll free) at 1-866-732-VOTE (8683) or online at [www.investorvote.com](http://www.investorvote.com), by 10:00 a.m. (Vancouver time) on Friday, June 27, 2014.

If you are a non-registered Powertech Shareholder and received this Notice of Meeting and accompanying materials through a broker, a financial institution, a participant or a trustee or administrator of a self-administered retirement savings plan, retirement income fund, education savings plan or other similar self-administered savings or investment plan registered under the *Income Tax Act* (Canada), or a nominee of any of the foregoing that holds your securities on your behalf (an “**Intermediary**”), please complete and return the materials in accordance with the instructions provided to you by your Intermediary.

DATED at Vancouver, British Columbia, this 13th day of May, 2014.

By Order of the Board of Directors of

**POWERTECH URANIUM CORP.**

*"Richard F. Clement, Jr."*

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Richard F. Clement, Jr.  
President, Chief Executive Officer  
and Corporate Secretary

**PLEASE VOTE. YOUR VOTE IS IMPORTANT.  
WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE,  
SIGN AND DATE THE ENCLOSED PROXY FORM AND PROMPTLY RETURN IT IN THE  
ENVELOPE PROVIDED.**

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## INFORMATION CIRCULAR

Dated and information as of May 13, 2014 (unless otherwise noted)

### INTRODUCTION

This Information Circular accompanies the Notice of Annual General and Special Meeting of Shareholders (the "**Notice**") and is furnished to shareholders (the "**Powertech Shareholders**") holding common shares (each, a "**Powertech Share**") in the capital of Powertech Uranium Corp. ("**Powertech**") in connection with the solicitation by the management of Powertech of proxies to be voted at the annual general and special meeting (the "**Meeting**") of the Powertech Shareholders to be held at 10:00 a.m. (Vancouver time) on June 30, 2014, at the offices of Clark Wilson LLP at 900 - 885 West Georgia Street, Vancouver, British Columbia, or at any adjournment or postponement thereof.

### INFORMATION CONTAINED IN THIS INFORMATION CIRCULAR PRELIMINARY MATTERS

The information contained in this Information Circular is given as at May 13, 2014, except where otherwise stated. Unless the context otherwise requires, all references to "**Powertech**", the "**Company**" "**us**", "**our**", "**we**" or similar terms mean Powertech Uranium Corp. and all references to "**Azarga**" mean Azarga Resources Ltd. Certain other terms used herein are defined in the "Glossary of Defined Terms". In this Information Circular, unless otherwise specified, all references to "**dollars**" or "**\$**" are to United States dollars, all references to "**C\$**" are references to Canadian dollars and all references to "**A\$**" are references to Australian dollars. On May 13, 2014, as reported by the Bank of Canada, the noon exchange rate for one United States dollar expressed in Canadian dollars, was C\$1.0892 and the noon exchange rate for one Australian dollar expressed in Canadian dollars was C\$1.0204.

No person has been authorized to give any information or to make any representation in connection with the matters being considered herein other than those contained in this Information Circular and, if given or made, any such information or representation should be considered as not having been authorized by Powertech or Azarga. This Information Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or solicitation. Powertech

Shareholders should not construe the contents of this Information Circular as legal, tax or financial advice and should consult with their own professional advisors as to the relevant legal, tax, financial and other matters in connection herewith.

The proposed acquisition of all of the issued and outstanding shares of Azarga (each, an “**Azarga Share**”) by Powertech in exchange for Powertech Shares on the basis of 3.65 Powertech Shares for each Azarga Share (collectively, the “**Acquisition**”), has not been approved or disapproved by any securities regulatory authority and no securities regulatory authority has passed upon the fairness or merits of the Acquisition or upon the accuracy or adequacy of the information contained in this Information Circular. Any representation to the contrary is unlawful. The Acquisition is expected to result in a reverse takeover of Powertech by holders of Azarga Shares (the “**Azarga Shareholders**”)

Certain information pertaining to Azarga, including forward-looking information pertaining to Azarga, included in this Information Circular or incorporated by reference herein has been provided by Azarga or is based on publicly available documents. Powertech assumes no responsibility for the accuracy or completeness of such information, nor for the failure by such other persons to disclose events which may have occurred or which may affect the completeness or accuracy of such information.

#### **Cautionary Note Regarding Forward-Looking Information**

Certain statements in this Information Circular are forward-looking statements. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Often, but not always, forward looking statements can be identified by the use of words such as “plans”, “expects”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative and grammatical variations) of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Company’s actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These forward-looking statements reflect management’s current views, and are based on certain assumptions, and speak only as of May 13, 2014. These assumptions, which include management’s current expectations, estimates and assumptions about certain projects and the markets the Company operates in, the global economic environment, interest rates, exchange rates, the Company’s ability to manage its assets and operating costs, and satisfying the terms and conditions of the Acquisition, including the approval of the Acquisition Resolution by the Powertech Shareholders and the acceptance of the Acquisition by the TSX, may prove to be incorrect. A number of risks and uncertainties could cause actual results, including performance or achievements of Powertech and Azarga after the Acquisition, to differ materially from those expressed or implied by the forward looking statements, including, but not limited to: (1) that the conditions to completion of the Acquisition may not be satisfied, and that even if they are satisfied that the Acquisition may not close for any reason whatsoever; (2) that events in Japan in early 2011 may continue to affect public acceptance of nuclear energy and the Company’s permitting timelines; (3) a decrease in the market price of uranium; (4) a decrease in the demand for uranium and uranium related products; (5) discrepancies between actual and estimated

mineral resources and mineral reserves; (6) changes to the cost of commencing production and the time when production commences, and actual ongoing costs; (7) the occurrence of risks associated with the development and commencement of mining operations; (8) unforeseen or changed regulatory restrictions, requirements and limitations, including environmental regulatory restrictions and liability and permitting restrictions; (9) the failure to obtain governmental approvals and fulfill contractual commitments, and the need to obtain new or amended licenses and permits; (10) unforeseen changes in the costs of material inputs, including fuel, steel and other construction materials; (11) the loss of key employees; (12) the loss of, or defective title to, exploration and mining claims, rights, leases or licenses; (13) the number of competitors; (14) political and economic conditions in uranium producing and consuming countries; (15) failure to obtain additional capital at all or on commercially reasonable terms; (16) other factors beyond the Company's control; and (17) those factors described in the sections entitled "Risk Factors" and "Information Concerning Azarga - Risk Factors Relating to Azarga" in this Information Circular.

Readers should not place undue reliance on forward-looking statements and forward-looking information because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from statements made in or incorporated by reference in this Information Circular.

Although Powertech and Azarga have attempted to identify important factors that could affect Powertech and Azarga and may cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Forward-looking statements are based upon the beliefs, estimates and opinions of the management of Powertech and Azarga at the time they are made and neither Powertech nor Azarga undertakes any obligation to update forward-looking statements if these beliefs, estimates and opinions or circumstances should change. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements and forward-looking information in this Information Circular speak only as of the date hereof. Powertech and Azarga do not undertake any obligation to release publicly any revisions to these forward-looking statements and forward-looking information to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events, except as required by law.

### **Technical Information**

Disclosure of a scientific or technical nature in this Information Circular was prepared by or under the supervision of Qualified Persons within the meaning of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101").

Information regarding the Kyzyl Ompul License, Kyrgyz Republic in which Azarga holds an interest through UrAsia is based on the technical report entitled "NI 43-101 Technical Report on

the Kyzyl Ompul License, Kyrgyz Republic” and dated effective April 14, 2014 which was prepared for Powertech, Azarga and UrAsia by Stephen Hyland and Samuel Ulrich on behalf of Corvidae Pty Ltd. as trustee for Ravensgate Unit Trust trading as Ravensgate (“**Ravensgate**”) and which is available under Powertech’s profile on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”). Mr. Hyland and Mr. Ulrich are both Qualified Persons in accordance with NI 43-101.

## **Mineral Reporting Standards**

The disclosure in this Information Circular in respect of Powertech’s and Azarga’s mineral resources is based on technical reports prepared for and described in this Information Circular. Such information has been prepared in accordance with the Canadian requirements under NI 43-101 and has been reviewed by qualified persons, as such term is defined in NI 43-101. The mineral resources described in this document are current to the dates on which they were estimated.

Unless otherwise noted, the estimated mineral resources for the various mineral projects, as disclosed in this Information Circular, have been calculated in accordance with the definitions and guidelines for the reporting of exploration information, mineral resources and mineral reserves determined by the Canadian Institute of Mining, Metallurgy & Petroleum (“**CIM**”) *Definition Standards for Mineral Resources and Mineral Reserves* adopted under NI 43-101 (the “**CIM Standards**”). Pursuant to NI 43-101, a qualified person’s classification of a mineral deposit as a mineral resource or mineral reserve must follow the *CIM Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines* adopted by the CIM. The following definitions are reproduced from those guidelines.

The term “mineral resource” means a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal and industrial minerals in or on the Earth’s crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories.

The term “inferred mineral resource” means that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The term “indicated mineral resource” means that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

The term “measured mineral resource” means that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

The term “mineral reserve” means the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined. Mineral reserves are sub-divided in order of increasing confidence into probable and proven categories.

The term “probable mineral reserve” means the economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

The term “proven mineral reserve” means the economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

#### **NOTICE TO UNITED STATES SHAREHOLDERS**

THE SECURITIES ISSUABLE IN CONNECTION WITH THE ACQUISITION AND SETTLEMENT DESCRIBED IN THIS INFORMATION CIRCULAR HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE, NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Information Circular has been prepared in accordance with applicable disclosure requirements in Canada. Powertech Shareholders in the United States should be aware that Canadian requirements are different than those of the United States applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act.

Information concerning the properties and operations of Powertech and Azarga has been prepared in accordance with Canadian standards, and may not be comparable to similar information for United States companies. In particular, disclosure of scientific or technical information in this Information Circular has been made in accordance with NI 43-101. NI 43-101 is a rule implemented by the Canadian Securities Administrators. NI 43-101 establishes

standards for all public disclosure an issuer makes of scientific and technical information concerning mineral project material to the issuer.

Financial statements and information included herein have been prepared in accordance with IFRS (as defined herein) and are subject to international auditing and auditor independence standards, and therefore may not be comparable to financial statements of prepared in accordance with United States generally accepted accounting principles.

The enforcement by Powertech Shareholders of civil liabilities under the United States federal securities Laws may be affected adversely by the fact that Powertech and Azarga are incorporated outside of the United States, that some or all of their officers and directors and the experts named herein are resident outside of the United States, and that a substantial portion of the assets of Powertech, Azarga and such persons may be located outside the United States. As a result, it may be difficult or impossible for Powertech Shareholders who are residents of the United States to effect service of process within the United States upon Powertech, Azarga, their directors or officers or the experts named herein, or to realize against them upon judgments of courts of the United States predicated upon civil liabilities under the federal securities Laws of the United States or the securities or "blue sky" Laws of any state within the United States. In addition, Powertech Shareholders who are residents of the United States should not assume that the courts of Canada: (a) would allow them to sue Powertech, Azarga, or their officers or directors in the courts of Canada; (b) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities Laws of the United States or the securities or "blue sky" Laws of any state within the United States; or (c) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or the securities or "blue sky" Laws of any state within the United States.

#### **REPORTING CURRENCIES AND ACCOUNTING PRINCIPLES**

The historical consolidated financial statements of Powertech are reported in United States dollars and have been prepared in accordance with IFRS. The historical consolidated financial statements of Azarga included at Schedule "I" of this Information Circular are reported in United States dollars and have been prepared in accordance with IFRS. All references to dollar amounts in this Information Circular are to United States dollars unless stated otherwise or the context otherwise requires.



## GLOSSARY OF DEFINED TERMS

In this Information Circular, unless the context requires otherwise:

**"2011 Plan"** means the 2011 Stock Option Plan of Powertech which is a 10% rolling stock option plan;

**"2014 Plan"** means the 2014 Stock Option Plan of Powertech which is a 20% fixed stock option plan that is being put to Powertech Shareholders for consideration and approval at the Meeting;

**"2014 Plan Resolution"** means the ordinary resolution of Powertech Shareholders to be considered by Powertech Shareholders at the Meeting with respect to the 2014 Plan, the full text of which is set out at Schedule "E" hereto;

**"Acquisition"** means the acquisition by Powertech of all of the issued and outstanding (i) Azarga Shares in exchange for Powertech Shares and (ii) Azarga Options in exchange for Powertech Options, each on the basis of the Exchange Ratio and in accordance with the Acquisition Agreement;

**"Acquisition Agreement"** means the Share Purchase Agreement dated February 25, 2014 between Powertech and Azarga;

**"Acquisition Resolution"** means the ordinary resolution of the disinterested Powertech Shareholders to be considered by Powertech Shareholders at the Meeting with respect to the Acquisition, the full text of which is set out at Schedule "C" hereto;

**"ASX"** means the Australian Stock Exchange;

**"Azarga"** means Azarga Resources Limited;

**"Azarga Board"** means the board of directors of Azarga;

**"Azarga Options"** means the options to acquire Azarga Shares pursuant to the Azarga Plan;

**"Azarga Plan"** means the Employee and Directors' Equity Incentive Plan of Azarga;

**"Azarga Shareholders"** means the holders of the Azarga Shares;

**"Azarga Shares"** means the common shares in the authorized capital of Azarga;

**"Board"** means the board of directors of Powertech;

**"Blubaugh Deferred Compensation Agreement"** means the Deferred Compensation Agreement dated November 11, 2011, as amended on January 31, 2014, between Richard Blubaugh and Powertech;

**"Blubaugh Settlement Agreement"** means the Settlement Agreement dated May 12, 2014 between Richard Blubaugh and Powertech with respect to the deferred compensation owing under the Blubaugh Deferred Compensation Agreement;

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**Clement Deferred Compensation Agreement**” means the Deferred Compensation Agreement dated November 11, 2011, as amended on January 31, 2014, between Richard F. Clement, Jr. and Powertech;

“**Clement Settlement Agreement**” means the Settlement Agreement dated May 12, 2014 between Richard F. Clement, Jr. and Powertech with respect to the deferred compensation owing under the Clement Deferred Compensation Agreement;

“**Closing**” means the closing of the transactions contemplated by the Acquisition Agreement;

“**Closing Date**” means the date of Closing, which is expected to be on or before July 31, 2014;

“**Consideration Shares**” means the Powertech Shares to be issued to Azarga Shareholders in exchange for their Azarga Shares in accordance with the Acquisition Agreement;

“**COO**” means Chief Operating Officer;

“**Deferred Compensation Agreements**” means, collectively, the Clement Deferred Compensation Agreement, the Mays Deferred Compensation Agreement and the Blubaugh Deferred Compensation Agreement;

“**Director Election Resolution**” means, collectively, the ordinary resolutions of the Powertech Shareholders to be considered at the Meeting with respect to increasing the size of the Powertech Board to seven (7) directors and electing eight individuals named in this Information Circular under the heading “*Election of Directors*” as directors of Powertech, as more particularly described in this Information Circular and the text of which is set out at Schedule “A” hereto;

“**Disinterested Shareholders**” means the Powertech Shareholders other than Azarga;

“**Exchange Ratio**” means the exchange ratio set out in the Acquisition Agreement for the exchange of Powertech Shares for Azarga Shares, which is 3.65 Powertech Shares for each Azarga Share;

“**IASB**” means the International Accounting Standards Board;

“**IFRS**” means International Financial Reporting Standards as issued by IASB;

“**Information Circular**” means this Management Information Circular dated May 13, 2014;

“**Kyzyl Technical Report**” means the technical report entitled “NI 43-101 Technical Report on the Kyzyl Ompul License, Kyrgyz Republic” and dated effective April 14, 2014 that was prepared for Powertech, Azarga and UrAsia by Stephen Hyland and Samuel Ulrich on behalf of Ravensgate;

“**Mays Deferred Compensation Agreement**” means the Deferred Compensation Agreement dated December 31, 2013 between John Mays and Powertech;

**“Mays Settlement Agreement”** means the Settlement Agreement dated May 12, 2014 between John Mays and Powertech with respect to the deferred compensation owing under the Mays Deferred Compensation Agreement;

**“Meeting”** or **“Powertech Meeting”** means the annual general and special meeting of Powertech Shareholders to be held on June 30, 2014 at 10:00 a.m. (Vancouver time) to which this Information Circular relates;

**“MI 61-101”** means *Multilateral Instrument 61-101 – Protection of Minority Holders in Special Transactions* .

**“Outstanding Debt”** means the total estimated debt in the amount of \$176,404 owed by Powertech to certain insiders of Powertech pursuant to the Deferred Compensation Agreements;

**“Outstanding Debtholders”** means, collectively, Richard F. Clement, Jr., Richard Blubaugh and John Mays;

**“Powerlite”** means Powerlite Ventures Limited;

**“Powerlite Note Deed”** means the convertible note deed, dated May 22, 2013, as amended on August 28, 2013 and February 12, 2014, between Azarga and Powerlite;

**“Powertech Options”** means the options to acquire Powertech Shares pursuant to any incentive stock option plan of Powertech;

**“Powertech Shareholders”** means the holders of the Powertech Shares;

**“Powertech Shares”** means the Class A common shares in the authorized capital of Powertech;

**“Powertech”** means Powertech Uranium Corp.;

**“Record Date”** means May 8, 2014;

**“Salman Partners”** means Salman Partners Inc.;

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators which is available online at [www.sedar.com](http://www.sedar.com);

**“Settlement”** means the settlement of the Outstanding Debt owing to the Outstanding Debtholders pursuant to the Deferred Compensation Agreements by the issuance of the Settlement Shares in accordance with the Settlement Agreements;

**“Settlement Agreements”** means, collectively, the Clement Settlement Agreement, the Mays Settlement Agreement and the Blubaugh Settlement Agreement;

**“Settlement Resolution”** means the ordinary resolution of the disinterested Powertech Shareholders to be considered by Powertech Shareholders at the Meeting with respect to the Settlement, the full text of which is set out at Schedule D hereto;

**“Settlement Shares”** means such number of Powertech Shares as is equal to the amount of Outstanding Debt divided by the five day VWAP for the five trading days immediately before the completion of the Settlement, subject to a floor price of C\$0.065 per Powertech Share, which are to be issued to the Outstanding Debtholders pursuant to the Settlement Agreements;

**“Special Committee”** means the special committee of the Board that was formed in connection with the Acquisition;

**“Steele Employment Agreement”** means the employment agreement dated November 3, 2013 between Azarga Resources (Hong Kong) Limited and Blake Steele;

**“TSX”** means the Toronto Stock Exchange;

**“UrAsia”** means UrAsia in Kyrgyzstan LLC;

**“Valuation”** means the valuation opinion dated February 20, 2014 prepared by Salman Partners, the full text of which is set out at Schedule L hereto;

**“Voting Agreements”** means the voting agreements to be entered into among certain executive officers and directors of Powertech, Powertech and Azarga, whereby each such executive officer or director agreed to vote at the Meeting all of the Powertech Shares they own in favour of the Acquisition Resolution; and

**“VWAP”** means the volume weighted average trading price of the Powertech Shares, calculated by dividing the total value by the total volume of Powertech Shares traded for the relevant period; provided that, where appropriate, TSX may exclude internal crosses and certain other special terms trades from the calculation.

## SUMMARY

*The following is a summary of certain information contained in this Information Circular, including the schedules hereto. Capitalized terms not otherwise defined in this summary are defined in the "Glossary of Defined Terms" or elsewhere in this Information Circular. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere in this Information Circular.*

### **Date, Time and Place of Powertech Meeting**

The Powertech Meeting will be held on Monday, June 30, 2014 at 10:00 a.m. (Vancouver time) at the offices of Clark Wilson LLP at Suite 900 – 885 West Georgia Street, Vancouver, British Columbia.

### **Record Date**

Only Powertech Shareholders of record at the close of business (Vancouver time) on May 8, 2014 will be entitled to receive notice of and to vote at the Powertech Meeting, or any adjournment or postponement thereof.

### **Principal Purposes of the Powertech Meeting**

The Powertech Meeting will constitute the annual general and special meeting of the Powertech Shareholders. In addition to considering the annual business of Powertech, the Powertech Shareholders will be asked to consider and, if deemed advisable, to pass the following resolutions: the Director Election Resolution, the Acquisition Resolution, the Settlement Resolution and the 2014 Plan Resolution.

### **Acquisition**

Powertech and Azarga entered into the Acquisition Agreement on February 25, 2014, whereby Powertech agreed to acquire all of the issued and outstanding Azarga Shares in exchange for Consideration Shares on the basis of the Exchange Ratio. In addition, Powertech agreed to replace the outstanding Azarga Options with Powertech Options on the basis of the Exchange Ratio. On this basis, 279,636,213 Consideration Shares will be issued to the former Azarga Shareholders on closing of the Acquisition, representing approximately 77% of the issued and outstanding Powertech Shares on closing of the Acquisition. In addition, 30,705,037 Powertech Shares will be reserved for issuance to former holders of Azarga Options, 2,528,077 in accordance with the Steele Employment Agreement and 365,183,600 Powertech Shares will be reserved for issuance to Powerlite in connection with the conversion of principal and interest under the Powerlite Note Deed. The aggregate number of 678,052,927 Powertech Shares to be issued and issuable in connection with the Acquisition represents approximately 443% of the current issued and outstanding Powertech Shares. See "*Particulars of Matters To Be Acted Upon – Azarga Acquisition*".

Upon completion of the Acquisition:

- Azarga will become a wholly-owned subsidiary of Powertech, and the former Azarga Shareholders will become Powertech Shareholders owning approximately 77% of the issued and outstanding Powertech Shares;
- Powertech is expected to continue to carry on its business and Azarga's business and change its name to "Azarga Uranium Corp.";
- Richard F. Clement, Jr., Powertech's President and CEO, and John Mays, Powertech's COO, will each remain in their respective roles, and Curtis Church and Blake Steele, currently members of Azarga's senior management team, will be added to Powertech's senior management team as Vice-President International Operations and CFO, respectively; and
- the Board will be reconstituted, assuming approval of the Director Election Resolution, to include the members of the existing Board with the addition of certain representatives of the existing Azarga board, with the Board expected to consist of Alexander Molyneux (Chairman), Richard F. Clement, Jr., Curtis Church, Douglas E. Eacrett, Apolonius (Paul) Struijk, Matthew O'Kane and Joseph Havlin.

On a pro forma basis, Powertech expects to have approximately 364 million issued and outstanding Powertech Shares on an undiluted basis, of which approximately 23% would be held by current Powertech Shareholders and approximately 77% would be held by former Azarga Shareholders. In addition, Powertech expects to reserve an aggregate of 422,716,514 Powertech Shares, consisting of 3,450,000 Powertech Shares which would be issuable on exercise of currently outstanding Powertech Options, 30,705,037 Powertech Shares which would be would be issuable on exercise of Replacement Options (as hereinafter defined) to be held by former holders of Azarga Options, 2,528,077 which would be issuable in accordance with the Steele Employment Agreement, 20,849,800 Powertech Shares which would be issuable on exercise of currently outstanding warrants of Powertech and 365,183,600 Powertech Shares which would be issuable on the conversion of principal and interest under the Powerlite Note Deed, all as more particularly described under "*Particulars of Matters to be Acted Upon - Azarga Acquisition*".

The completion of the Acquisition is subject to, among other things, approval of the disinterested Powertech Shareholders, approval of the Azarga Shareholders, and approval of the TSX, including satisfaction of the TSX's original listing requirements.

See "*Number of Directors*", "*Election of Directors*" and "*Particulars of Matters to be Acted Upon - Azarga Acquisition*".

### **Acquisition Agreement**

The Acquisition Agreement was entered into on February 25, 2014 between Powertech and Azarga. The Acquisition Agreement sets out the terms and conditions on which Powertech and Azarga intend to complete the Acquisition and the related transactions.

In accordance with the Acquisition Agreement, Powertech has agreed to acquire all of the 76,612,661 issued and outstanding Azarga Shares in exchange for a total of 279,636,213 Consideration Shares on the basis of the Exchange Ratio. In addition, Powertech has agreed to replace the outstanding Azarga Options with Powertech Options also on the basis of the Exchange Ratio. The Powertech Options issued as part of the Acquisition will be exercisable at C\$0.12 per Powertech Share, with the exception of 150,000 Powertech Options to be issued as part of the Acquisition which will be exercisable at C\$0.15 per Powertech Share.

Pursuant to the Acquisition Agreement, the executive officers and directors of Powertech have agreed to enter into the Voting Agreements with Azarga, whereby they have agreed to vote, or cause to be voted, any Powertech Shares owned by them in favour of the Acquisition Resolution. A total of 3,993,000 Powertech Shares representing approximately 2.6% of the total issued and outstanding Powertech Shares will be subject to the Voting Agreements.

The Acquisition Agreement sets out a number of conditions to completion of the Acquisition including, without limitation, receiving the requisite approvals from: the Powertech Shareholders for the Acquisition Resolution; the Azarga Shareholders for the Acquisition; the TSX for the Acquisition and related transactions; and any necessary regulatory approvals and third party consents.

Powertech and Azarga have also agreed, pursuant to the Acquisition Agreement, to be bound by certain non-solicitation provisions, subject to a superior proposal being received by either party, in accordance with the terms of the Acquisition Agreement. The Acquisition Agreement also provides for Powertech and Azarga to be reimbursed by the other party for certain expenses related to the Acquisition in certain circumstances in accordance with the Acquisition Agreement.

The Acquisition Agreement may be terminated by: (i) mutual written agreement of Powertech and Azarga; (ii) either Azarga or Powertech, if: (a) the Acquisition has not been completed on or before December 31, 2014 (provided that the right to terminate shall not be available to any party whose failure to fulfill any of its obligations or whose breach of any of its representations and warranties under the Acquisition Agreement has been the cause or, or directly resulted in, the failure of the completion of the Acquisition.

See "*Particulars of Matters to be Acted Upon – Azarga Acquisition – Acquisition Agreement*" and the full text of the Acquisition Agreement, a copy of which has been filed under Powertech's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Special Committee**

An independent committee of the Powertech Board (the "**Special Committee**") was formed in connection with the Acquisition, to, among other things: engage and supervise a qualified and independent valuator in connection with the preparation of a valuation of the Azarga Shares as required by Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* and the policies of the TSX; to participate in, review and report upon, evaluate and/or negotiate the Acquisition on behalf of Powertech; to review all public disclosure regarding the Valuation and/or the Acquisition; and to provide a recommendation to the Board

in connection with the Acquisition. The Special Committee is comprised of Malcolm Clay and Douglas E. Eacrett.

### **Settlement**

As of June 30, 2014, Powertech is expected to owe a total of \$176,404 to the Outstanding Debtholders pursuant to the Deferred Compensation Agreements. In connection with the Acquisition, Powertech seeks to settle the Outstanding Debt by the issuance of the Settlement Shares pursuant to the Settlement Agreements. Accordingly, the Powertech Board is seeking approval of the Settlement Resolution from the disinterested Powertech Shareholders at the Meeting.

See *“Particulars of Matters to be Acted Upon – Settlement”*.

### **2014 Stock Option Plan**

On Closing, pursuant to the Acquisition Agreement, it is expected that Powertech Options to acquire up to 30,705,037 Powertech Shares will be granted to former holders of Azarga Options, 31,923,787 Powertech Options at a price of C\$0.12 per Powertech Share and 150,000 Powertech Options at a price of C\$0.15 per Powertech Share, in exchange for their Azarga Options to acquire up to 8,412,339 Azarga Shares. Immediately following Closing, it is expected that Powertech Options to acquire up to 34,155,037 Powertech Shares will be outstanding, of which 3,450,000 Powertech Options represent currently outstanding Powertech Options and 30,705,037 Powertech Options represent Powertech Options to be issued in exchange for Azarga Options.

Under the current 2011 Plan, which is a 10% rolling stock option plan, only 835,290 Powertech Options would remain available for grant. Accordingly, in an effort to increase the number of Powertech Options available for grant so that Powertech can continue to use the grant of stock options as part of its compensation strategy for directors, officers, employees and consultants following Closing, Powertech seeks to adopt the 2014 Plan.

Under the proposed 2014 Plan, which is a 20% fixed stock option plan, it is proposed that 72,718,155 Powertech Shares be reserved for issuance pursuant to Powertech Options under the 2014 Plan. If the 2014 Plan is approved and the Acquisition is completed, 36,035,041 Powertech Shares would remain available for grant pursuant to the 2014 Plan (less such number of Powertech Shares to be issued pursuant to the Settlement).

See *“Statement of Executive Compensation”*, *“Terms of 2011 Stock Option Plan”* and *“Particulars of Matters to be Acted Upon – 2014 Plan”*.

### **Recommendation of the Board of Powertech**

The Board, after careful consideration, unanimously (with Matthew O’Kane abstaining as he is a consultant and shareholder of Azarga) determined that the Acquisition, the Settlement, the 2014 Plan and the election of directors proposed by the Acquisition Agreement are in the best interests of Powertech.



Accordingly, the Board unanimously recommends (with Matthew O’Kane abstaining) that Powertech Shareholders vote IN FAVOUR of the Acquisition Resolution, the Director Election Resolution, the 2014 Plan Resolution and the Settlement Resolution for the reasons set out under the heading “Particulars of Matters To Be Acted Upon”.

### **Reasons for Recommendations**

In the course of their evaluations of the Acquisition, the Board consulted with Powertech’s senior management and legal counsel and reviewed an extensive amount of information, including the Valuation. The conclusions and recommendations of the Board are based upon the following factors, among others:

- to provide Powertech with access to additional financing it requires to complete the permitting process for its Dewey-Burdock project and to provide working capital;
- to increase the scale and diversity of Powertech’s assets by adding Azarga’s assets to Powertech’s portfolio;
- to provide Powertech with increased access to strategic investors and financial stability; and
- to provide Powertech with additional expertise and experience by enhancing Powertech’s management team and board of directors with the addition of new members.

The foregoing discussion summarizes the material information and factors considered by the Special Committee and the Board in its consideration of the Acquisition and is not intended to be exhaustive. The Special Committee and the Board each reached their decision with respect to the Acquisition in light of the factors described above and other factors that each member thereof felt were appropriate. In view of the wide variety of factors and the quality and amount of information considered, the Special Committee and the Board did not find it useful or practicable to, and did not make specific assessments of, quantify, rank or otherwise assign relative weights to the specific factors considered in reaching their determinations. Individual members of the Special Committee and the Board may have given different weight to different factors.

### **Valuation**

Salman Partners was engaged by the Special Committee to consider the Acquisition and provide its opinion as to the value of the Azarga Shares to be acquired in consideration for the Consideration Shares. Salman Partners delivered the written Valuation to the Special Committee. In the Valuation, Salman Partners concluded that, subject to the assumptions, qualifications and limitations contained in the Valuation, as of February 20, 2014, the fair market value of the Azarga Shares was in the range of \$0.27 to \$0.36 per Azarga Share. The Valuation was provided to the Special Committee solely for the purpose of its consideration of the Acquisition and addresses the value of Azarga and the Azarga Shares.

The full text of the Valuation, which sets forth, among other things, the assumptions, qualifications, considerations and limitations on the scope of review undertaken by Salman Partners in rendering the Valuation, is included as Schedule “K” to this Information Circular. The Powertech Shareholders are urged to read the Valuation in its entirety, however, the Valuation was provided to the Special Committee solely for the purpose of its consideration of the Acquisition and does not constitute a recommendation to any Powertech Shareholder as to how such Powertech Shareholder should vote on the Acquisition Resolution or how to act with respect to any matters relating to the Acquisition.

See “Particulars of Matters To Be Acted Upon – Azarga Acquisition – Valuation”.

## Risk Factors

There are risks associated with the completion of the Acquisition. These risks include: (i) that market reaction to the Acquisition and the future trading prices of the Powertech Shares cannot be predicted; (ii) uncertainty as to whether the Acquisition will have a positive impact on the business or share price of Powertech; and (iii) that there is no assurance that required approvals will be received, including without limitation the risk that the TSX determines that the issuer resulting from the Acquisition will not meet the TSX’s original listing requirements. In addition, if the Acquisition is completed, the combined company will continue to face the risks associated with the current business of each of Powertech and Azarga.

Powertech Shareholders should review carefully the risk factors set forth under “Risk Factors” and “Information Concerning Azarga Resources Limited – Risk Factors” in this Information Circular.

## Fully Diluted Share Capital

The following table sets out the fully diluted share capital of Powertech after giving effect to the Acquisition:

	Number of Powertech Shares	Percentage of Total
Held by existing non-Azarga Powertech Shareholders	83,954,562 <sup>(1)</sup>	10.7%
Consideration Shares to be issued to Azarga Shareholders	279,636,213	35.6%
Powertech Shares to be issued on exercise of existing Powertech Options	3,450,000	0.4%
Powertech Shares to be issued on exercise of existing Powertech Warrants	20,849,800	2.7%
Powertech Shares to be issued on exercise of Azarga Options and in accordance with the Steele Employment Agreement	33,233,114 <sup>(2)</sup>	4.2%
Powertech Shares to be issued on conversion of principal and accrued interest in connection with the Powerlite Note Deed	365,183,600 <sup>(3)</sup>	46.4%
<b>Fully-Diluted Total<sup>(4)</sup></b>	<b>786,307,289</b>	<b>100.0%</b>

(1) Does not include the 68,991,571 Powertech Shares held by Azarga as at the date of this Information Circular, which Powertech Shares will be cancelled on completion of the Acquisition.

(2) Consists of 30,705,037 Powertech Shares to be issued on exercise of Azarga Options and 2,528,077 Powertech Shares to be issued pursuant to the Steele Employment Agreement. For more details, see “Particulars of Matters To Be Acted Upon – Azarga Acquisition” and “Information Concerning Azarga – Three Year History – Steele Employment Agreement”.

(3) Powerlite has entered into the Powerlite Note Deed with Azarga, pursuant to which Azarga will borrow up to the maximum amount of \$26,000,000, which is convertible into Powertech Shares at approximate \$0.136986301 per Powertech Share. If the full amount of the loan facility is drawn down and the principal and accrued interest is converted into Powertech Shares on the maturity date, being March 22, 2023, Powerlite would acquire an additional 365,183,600 Powertech Shares resulting in an ownership position, on a fully-diluted basis, of 46.4%. For more details, see “Particulars of Matters To Be Acted Upon – Azarga Acquisition”.

(4) Assumes that the Settlement Shares have not been issued.

## PROXIES AND VOTING RIGHTS

### Management Solicitation

The solicitation of proxies by management of Powertech will be conducted by mail and may be supplemented by telephone or other personal contact and such solicitation will be made without special compensation granted to the directors, regular officers and employees of the Company. Powertech does not reimburse Powertech Shareholders, nominees or agents for costs incurred in obtaining, from the principals of such persons, authorization to execute forms of proxy, except that Powertech has requested brokers and nominees who hold stock in their respective names to furnish this Information Circular and related proxy materials to their customers, and Powertech will reimburse such brokers and nominees for their related out of pocket expenses. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by Powertech.

No person has been authorized to give any information or to make any representation other than as contained in this Information Circular in connection with the solicitation of proxies. If given or made, such information or representations must not be relied upon as having been authorized by Powertech. The delivery of this Information Circular shall not create, under any circumstances, any implication that there has been no change in the information set forth herein since the date of this Information Circular. This Information Circular does not constitute the solicitation of a proxy by anyone in any jurisdiction in which such solicitation is not authorized, or in which the person making such solicitation is not qualified to do so, or to anyone to whom it is unlawful to make such an offer of solicitation.

### Appointment of Proxy

Registered Powertech Shareholders are entitled to vote at the Meeting. Except as otherwise noted herein, a Shareholder is entitled to one vote for each Powertech Share that such Powertech Shareholder holds on May 8, 2014 (the “**Record Date**”) on the resolutions to be voted upon at the Meeting, and any other matter to come before the Meeting.

The persons named as proxyholders (the “**Designated Persons**”) in the enclosed form of proxy are directors and/or officers of Powertech.

**A Powertech Shareholder has the right to appoint a person or corporation (who need not be a Shareholder) to attend and act for or on behalf of that Powertech Shareholder at the Meeting, other than the Designated Persons named in the enclosed form of proxy. A Powertech Shareholder may exercise this right by striking out the printed names of the Designated Persons and inserting the name of such other person the Shareholder wishes to appoint and, if desired, an alternate to such person, in the blank space provided in the form of proxy.**

In order to be voted, the completed form of proxy must be received by Powertech’s registrar and transfer agent, Computershare Investor Services Inc. (the “**Transfer Agent**”) by mail at its offices located at 9th Floor, 100 University Avenue, Toronto, Ontario M5J 2Y1 or by fax at 1-866-249-7775. Powertech Shareholders may also vote by telephone (toll free) at 1-866-732-VOTE (8683) or online at [www.investorvote.com](http://www.investorvote.com). All proxies and votes must be received or completed by 10:00 a.m. (Vancouver time) on Friday, June 27, 2014.

A proxy may not be valid unless it is dated and signed by the Powertech Shareholder who is giving it or by that Powertech Shareholder's attorney-in-fact duly authorized by that Powertech Shareholder in writing or, in the case of a corporation, dated and executed by a duly authorized officer of, or attorney-in-fact for, the corporation. If a form of proxy is executed by an attorney-in-fact for an individual Powertech Shareholder or joint Powertech Shareholders, or by an officer of, or attorney-in-fact for, a corporate Powertech Shareholder, the instrument so empowering the officer or attorney-in-fact, as the case may be, or a notarially certified copy thereof, should accompany the form of proxy.

### **Revocation of Proxies**

A Powertech Shareholder who has given a proxy may revoke it at any time before it is exercised by an instrument in writing: (a) executed by that Powertech Shareholder or by that Powertech Shareholder's attorney-in-fact authorized in writing or, where the Powertech Shareholder is a corporation, by a duly authorized officer of, or attorney-in-fact for, the corporation; and (b) delivered either: (i) to Powertech at the address set forth above, at any time up to and including the last business day preceding the day of the Meeting or, if adjourned or postponed, any reconvening thereof; or (ii) to the Chairman of the Meeting prior to the vote on matters covered by the proxy on the day of the Meeting or, if adjourned or postponed, any reconvening thereof; or (iii) in any other manner provided by law.

Also, a proxy will automatically be revoked by either: (i) attendance at the Meeting and participation in a poll (ballot) by a Shareholder; or (ii) submission of a subsequent proxy in accordance with the foregoing procedures. A revocation of a proxy does not affect any matter on which a vote has been taken prior to any such revocation.

### **Voting of Shares and Proxies and Exercise of Discretion by Designated Persons**

A Powertech Shareholder may indicate the manner in which the Designated Persons are to vote with respect to a matter to be voted upon at the Meeting by marking the appropriate space on the proxy. If the instructions as to voting indicated in the proxy are certain, the Powertech Shares represented by the proxy will be voted or withheld from voting in accordance with the instructions given in the proxy. If the Powertech Shareholder specifies a choice in the proxy with respect to a matter to be acted upon, then the Powertech Shares represented will be voted or withheld from the vote on that matter accordingly. The Powertech Shares represented by a proxy will be voted or withheld from voting in accordance with the instructions of the Powertech Shareholder on any ballot that may be called for and, if the Powertech Shareholder specifies a choice with respect to any matter to be acted upon, the Powertech Shares will be voted accordingly.

**If no choice is specified in the proxy with respect to a matter to be acted upon, the proxy confers discretionary authority with respect to that matter upon the Designated Persons named in the form of proxy. It is intended that the Designated Persons will vote the Powertech Shares represented by the proxy in favour of each matter identified in the proxy.**

The enclosed form of proxy confers discretionary authority upon the Designated Persons with respect to other matters which may properly come before the Meeting, including any amendments or variations to any matters identified in the Notice, and with respect to other matters which may properly come before the Meeting. At the date of this Information Circular, management of Powertech is not aware of any such amendments, variations or other matters to come before the Meeting.

In the case of abstentions from, or withholding of, the voting of the Powertech Shares on any matter, the Powertech Shares that are the subject of the abstention or withholding will be counted for the determination of a quorum, but will not be counted as affirmative or negative on the matter to be voted upon.

## NON-REGISTERED HOLDERS

Only registered Powertech Shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most Powertech Shareholders are “non-registered” Powertech Shareholders because the Powertech Shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the Powertech Shares. More particularly, a person is not a registered Powertech Shareholder in respect of Powertech Shares which are held on behalf of that person (the “**Non-Registered Holder**”) but which are registered either: (a) in the name of an intermediary (an “**Intermediary**”) that the Non-Registered Holder deals with in respect of the Powertech Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers, and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a clearing agency (such as CDS Clearing and Depository Services Inc. (“**CDS**”)) of which the Intermediary is a participant. In accordance with the requirements set out in National Instrument 54-101 of the Canadian Securities Administrators (“**NI 54-101**”), the Company has distributed copies of the Notice, this Information Circular and the form of proxy (collectively, the “**Meeting Materials**”) to the clearing agencies, directly to the Intermediaries and/or directly to non-objecting Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Powertech Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Holder when submitting the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with the Transfer Agent as provided above; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a “proxy authorization form”) which the Intermediary must follow. Typically, the proxy authorization form will consist of a one page pre-printed form. Sometimes, instead of a one page pre-printed form, the proxy authorization will consist of a regular printed proxy form accompanied by a page of instructions, which contains a removable label containing a bar-code and other information. In order for the form of proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and return it to the Intermediary or its

service company in accordance with the instructions of the Intermediary or its service company.

In either case, the purpose of this procedure is to permit a Non-Registered Holder to direct the voting of the Powertech Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the Designated Persons named in the form and insert the Non-Registered Holder's name in the blank space provided. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or proxy authorization form is to be delivered.

There are two kinds of beneficial owners - those who object to their name being made known to the issuers of securities which they own (called OBOs for Objecting Beneficial Owners) and those who do not object to their name being made known to the issuers of the securities which they own (called NOBOs for Non-Objecting Beneficial Owners). Pursuant to NI 54-101, issuers can obtain a list of their NOBOs from Intermediaries for distribution of proxy-related materials directly to NOBOs.

**These Meeting Materials are being sent to both registered Powertech Shareholders and Non-Registered Holders. If you are a Non-Registered Holder, and the Company or its agent has sent these materials directly to you, your name and address and information about your holdings of Powertech Shares have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding Powertech Shares on your behalf.**

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as otherwise disclosed herein, no director or executive officer of Powertech, who was a director or executive officer since January 1, 2013, nominee for election as a director of Powertech or any associate or affiliate of any such directors or officers, has any material interest, direct or indirect, by way of beneficial ownership of Powertech Shares or other securities of Powertech or otherwise, in any matter to be acted upon at the Meeting.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

Powertech is authorized to issue an unlimited number of Powertech Shares without par value and an unlimited number of Class B Preference Shares without par value that are issuable in a series. As of the Record Date, determined by the Board to be the close of business on May 8, 2014, a total of 152,946,133 Powertech Shares were issued and outstanding and no Class B Preference Shares were issued and outstanding. Each Powertech Share carries the right to one vote at the Meeting.

Only registered Powertech Shareholders as of the Record Date are entitled to receive notice of, and to attend and vote at, the Meeting or any adjournment or postponement thereof.

To the knowledge of Powertech's directors and executive officers, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Powertech Shares carrying more than 10% of the voting rights attached to the outstanding Powertech Shares, other than as set forth below:

Name of Shareholder	Number of Powertech Shares Owned <sup>(1)</sup>	Percentage of Outstanding Shares <sup>(2)</sup>
Azarga Resources Limited	68,991,571 <sup>(3)(4)</sup>	45.1 % <sup>(4)</sup>

<sup>(1)</sup> As at May 8, 2014.

<sup>(2)</sup> Based on 152,946,133 Powertech Shares issued and outstanding as of May 8, 2014.

<sup>(3)</sup> These numbers are derived solely from public filings made by this Shareholder on the System for Electronic Disclosure by Insiders (SEDI).

<sup>(4)</sup> Does not include Warrants to acquire an aggregate of 1,500,000 Powertech Shares or a convertible debt facility in the principal amount of \$3,600,000 to acquire up to 50,741,053 Powertech Shares.

Powertech has agreed to nominate two representatives of Azarga to the Board and one representative to Powertech's audit committee for so long as Azarga and/or its affiliates own in the aggregate at least 10% of the issued and outstanding Powertech Shares or any principal amount is outstanding under the Loan Facility (as hereinafter defined). See *"Interests of Informed Persons in Material Transactions"*.

### NUMBER OF DIRECTORS

The Articles of Powertech provide for a board of directors of no fewer than three directors and no greater than a number as fixed or changed from time to time by majority approval of the Powertech Shareholders.

At the Meeting, Powertech Shareholders will be asked to pass an ordinary resolution to set the number of directors of Powertech until the next annual general meeting of Powertech at seven (7). The number of directors will be approved if the affirmative vote of at least a majority of Powertech Shares present or represented by proxy at the Meeting and entitled to vote thereat are voted in favour of setting the number of directors at seven (7).

### Recommendation of Management and the Board

Management recommends the approval of the Director Election Resolution, in the form attached hereto as Schedule "A", by way of ordinary resolution, to set the number of directors of Powertech at seven (7).

### ELECTION OF DIRECTORS

At present, the directors of Powertech are elected at each annual general meeting and hold office until the next annual general meeting, or until their successors are duly elected or appointed in accordance with Powertech's Articles, or until such director's earlier death, resignation or removal. Powertech's current Board consists of Richard F. Clement, Jr., Douglas E. Eacrett, Malcolm Clay, Matthew O'Kane and Apolonius (Paul) Struijk.

Management of Powertech proposes to nominate the current directors of Powertech (other than Malcolm Clay) as directors of Powertech, and Curtis Church, Joseph Havlin and Alexander Molyneux who are new nominees for election to the Board pursuant to the Acquisition Agreement (as defined herein). The election of Richard F. Clement, Jr., Douglas E. Eacrett, Matthew O'Kane and Apolonius (Paul) Struijk will be effective at the conclusion of the Meeting until the next annual general meeting of Powertech, or until their successors are duly elected or appointed in accordance with Powertech's Articles, or until such director's earlier death, resignation or removal and the election of Curtis Church, Joseph Havlin and Alexander

Molyneux will be effective upon the closing of the Acquisition until the next annual general meeting of Powertech, or until their successors are duly elected or appointed in accordance with Powertech's Articles, or until such director's earlier death, resignation or removal. See "Particulars of Matters To Be Acted Upon – Azarga Acquisition". Information concerning the proposed directors, as furnished by the individual nominees, is as follows:

Name Province/State Country of Residence and Position(s) with Powertech <sup>(1)</sup>	Principal Occupation Business or Employment for Last Five Years <sup>(1)</sup>	Periods during which Nominee has Served as a Director	Number of Powertech Shares Owned <sup>(1)</sup>
Richard F. Clement, Jr. New Mexico, USA  <i>President, Chief Executive Officer and Director</i>  <i>Chairman of the Disclosure Committee</i>	Mr. Clement has been the President, Chief Executive Officer and a director of Powertech since May 11, 2006. Mr. Clement is a professional geologist with over 35 years of experience in uranium recovery. Prior to joining Powertech, Mr. Clement was the owner of Lone Mountain Archaeological Services Inc., a contract cultural resources consulting company. This ownership continued until it was divested in 2009. Mr. Clement has a B.Sc. in Geology from Boston College and M.Sc. in Geology from the University of Vermont.	May 11, 2006 to present	3,528,000 <sup>(2)</sup>  2.3%
Douglas E. Eacrett British Columbia, Canada  <i>Director</i>  <i>Audit Committee Member and Compensation Committee Member</i>	Mr. Eacrett has been a director of Powertech since February 27, 2005. He is currently a practicing corporate finance and securities lawyer and a chartered accountant registered with the Institute of Chartered Accountants in British Columbia. Mr. Eacrett has been a director and or officer of a number of public companies in the past five years, all of which have traded on the TSX Venture Exchange. Mr. Eacrett has been a director of Regent Ventures Ltd. since May 2002, the Secretary of Clear Gold Resources Inc. since April 6, 2005, and a director of Baroyeca Gold and Silver Inc. since December 2010.	February 27, 2005 to present	175,000 <sup>(3)</sup>  *
Matthew O'Kane Central, Hong Kong  <i>Director</i>  <i>Audit Committee Member, Compensation Committee Member and Disclosure Committee Member</i>	Mr. O'Kane has been a director of Powertech since September 17, 2013. Mr. O'Kane was the Chief Financial Officer of Azarga, a British Virgin Islands private company, from March 2013 until November 2013, and is currently the Chief Financial Officer of Celsius Coal Limited, an Australian coal exploration company listed on the ASX, a position he has held since May 2013. Prior to joining Celsius Coal Limited, Mr. O'Kane was the Chief Financial Officer of SouthGobi Resources Limited, a coal production and development company listed on the Toronto Stock Exchange and the Hong Kong Stock Exchange, from July 2011 to November 2012 and the VP Commercial Operations and Investor Relations of SouthGobi Resources Limited from January 2011 to June 2011. From 2006 to January 2011, Mr. O'Kane was the Finance Director and Executive Director of Volvo Car Australia Pty Ltd., a fully owned subsidiary of Volvo Cars Sweden.	September 17, 2013 to present	Nil
Apolonius (Paul) Struijk Singapore  <i>Director</i>	Mr. Struijk has been a director of Powertech since October 18, 2013. From April 2010 to March 2013, Mr. Struijk was the Managing Director of Winsway Coking Coal Holdings Limited, one of the leading suppliers of imported coking coal, based in Hong Kong. Previously, Mr. Struijk was self-employed.	October 18, 2013 to present	Nil



Name Province/State Country of Residence and Position(s) with Powertech <sup>(1)</sup>	Principal Occupation Business or Employment for Last Five Years <sup>(1)</sup>	Periods during which Nominee has Served as a Director	Number of Powertech Shares Owned <sup>(1)</sup>
Alexander Molyneux Hong Kong  <i>Director – To Be Elected</i>  <i>Chairman – To Be Appointed</i>	Mr. Molyneux is currently Chairman of Azarga, a British Virgin Islands company, and Executive Chairman of Celsius Coal, an Australian coal exploration company listed on the ASX. Prior to this he was President and CEO of SouthGobi Resources, a coal production and development company listed on the Toronto Stock Exchange and the Hong Kong Stock Exchange, from 2009 to 2012; is currently a Director of Ivanhoe Energy, an oil exploration and oil technology company listed on the Toronto Stock Exchange, from 2010 to present; and Director of Goldrock Mines, a gold exploration and development company listed on the Toronto Stock Exchange, from 2012 to present. Previously, Mr. Molyneux had over ten years' experience as an investment banker specializing in natural resource investments.	N/A	Nil <sup>(4)</sup>
Curtis Church Malaysia  <i>Director – To Be Elected</i>  <i>VP International Operations – To Be Appointed</i>	Mr. Church is currently President and Director of Azarga, a British Virgin Islands company. Mr. Church previously served as the Chief Operating Officer of SouthGobi Resources, a coal production and development company listed on the Toronto Stock Exchange and the Hong Kong Stock Exchange. Mr. Church also served as Vice President of Mining Operations of SouthGobi Resources from October 2010 to March 2011 and prior to that he served as General Manager and Manager of Mining for the Ovoot Tolgoi Mine owned and operated by SouthGobi Resources. Mr. Church has over 20 years' experience in the mineral resources industry. Prior to SouthGobi Resources, Mr. Church was the superintendent of mobile fleet management for the Boroo Gold Mine in Mongolia, a subsidiary of Centerra Gold Inc., a company listed on the Toronto Stock Exchange.	N/A	Nil <sup>(4)</sup>
Joseph Havlin Hong Kong  <i>Director – To Be Elected</i>	Mr. Havlin was Director and CFO of Alpha Prime Investment Limited, a coal exploration, development and mining company, from 2008 to 2010; is currently an independent Director of Azarga from 2012 to present; Independent Director of Black Range Minerals, a uranium exploration and technology company, from March 2014 to present; and Director of eBullion, Inc., a gold and silver trading company, from 2012 to present. Previously, Mr. Havlin had over twenty-five years' experience holding senior operations and financial management positions in both public accounting firms and in private industry.	N/A	Nil <sup>(4)</sup>

\* Less than one percent.

(1) Information has been furnished by the respective nominees individually. Based on 152,946,133 Powertech Shares issued and outstanding as of May 8, 2014.

(2) These Powertech Shares are registered in the name of the Clement Family Limited Partnership. This number does not include (ii) stock options to acquire an aggregate of 700,000 Powertech Shares at a price of C\$0.20 per Share until May 15, 2017.

(3) This number does not include stock options to acquire an aggregate of 300,000 Common Shares at a price of C\$0.20 per Common Share until May 15, 2017.

(4) Mr. Molyneux, Mr. Church and Mr. Havlin are directors of Azarga, and Mr. Molyneux and Mr. Church are the co-founders and principal shareholders of Azarga. As of the date of this Information Circular, Azarga holds approximately 45.1% of the issued and outstanding Powertech Shares on an undiluted basis. See "Voting Securities and Principal Holders of Voting Securities". Azarga is also a party to the Acquisition Agreement with the Company. If the Acquisition is completed, former Azarga Shareholders will hold in the aggregate approximately 77% of the issued and outstanding Powertech Shares on an undiluted basis. See "Particulars of Matters To Be Acted Upon – Azarga Acquisition".

## **Director Election Resolution**

At the Meeting, Powertech Shareholders will be asked to consider and, if deemed appropriate, approve the Director Election Resolution, in the form attached hereto as Schedule "A" hereto, as an ordinary resolution. The Director Election Resolution must be approved by a majority of the Shareholders who are present in person or represented by proxy at the Meeting.

## **Recommendation of Management and the Board**

Management recommends the approval of each of the nominees listed above for election as directors of Powertech. In addition, the Board has approved the Acquisition Agreement pursuant to which the Director Election Resolution is being put to Powertech Shareholders for consideration, and recommends that the Powertech Shareholders approve, by way of ordinary resolution, the Director Election Resolution in substantially the form set forth at Schedule "A" hereto.

## **Corporate Cease Trade Orders**

Other than as set out below, to the best of management's knowledge, no proposed director of Powertech has, within 10 years before the date of this Information Circular, been a director or officer of any company that, while that person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied that person or company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (ii) was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days.

On November 3, 2005, ClearFrame Solution Corp. was made the subject of a cease trade order for failing to file financial statements, which order was revoked on January 24, 2012. Douglas E. Eacrett is the Secretary of that company.

## **Bankruptcies**

To the best of management's knowledge, no proposed director of Powertech: (i) is or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

## **Penalties and Sanctions**

To the best of management's knowledge, no proposed director of Powertech has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with securities

regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

## STATEMENT OF EXECUTIVE COMPENSATION

### General

For the purpose of this Information Circular:

“CEO” means each individual who acted as chief executive officer of Powertech or acted in a similar capacity for any part of the most recently completed financial year;

“CFO” means each individual who acted as chief financial officer of Powertech or acted in a similar capacity for any part of the most recently completed financial year; and

“Named Executive Officer” or “NEO” means:

- (a) the CEO;
- (b) the CFO;
- (c) each of Powertech’s three most highly compensated executive officers, including any of the Powertech’s subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 as determined in accordance with subsection 1.3(6) of Form 51-102F6 *Statement of Executive Compensation*, for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of Powertech, nor acting in a similar capacity, at the end of the most recently completed financial year.

### **Compensation Discussion and Analysis**

Powertech is dependent on individuals with specialized skills and knowledge related to the exploration for, and development of, mineral prospects, corporate finance and management. Therefore, Powertech seeks to attract, retain and motivate highly skilled and experienced executive officers by providing competitive compensation. The compensation of NEOs is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each NEO and varies with the amount of time spent by each NEO in carrying out his functions on behalf of Powertech.

In 2013, compensation earned to NEOs consisted of \$729,446. No stock options were granted during the year ended December 31, 2013. The Compensation Committee approved the salaries for the active NEOs when certain consulting contracts with NEOs were re-negotiated in the second quarter of 2011. The Compensation Committee did not undertake a formal study of compensation paid to executives by companies similar to Powertech that was focused on pre-determined benchmarks. Base salaries were set with the goal of being competitive with corporations of a comparable size and at the same stage of development, thereby enabling Powertech to compete for and retain executives critical to Powertech’s long-term success. In

determining the base salary of each NEO, the Compensation Committee considered: the particular responsibilities related to the position; the experience level of the NEO; and his overall performance. The Compensation Committee used this information, together with budgetary guidelines and other internally generated planning and forecasting tools, to determine the base salaries payable. After reviewing this information, the Compensation Committee determined that the compensation under the existing agreements was reasonable, and no pay increases were warranted in 2013. See *“Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards”* below.

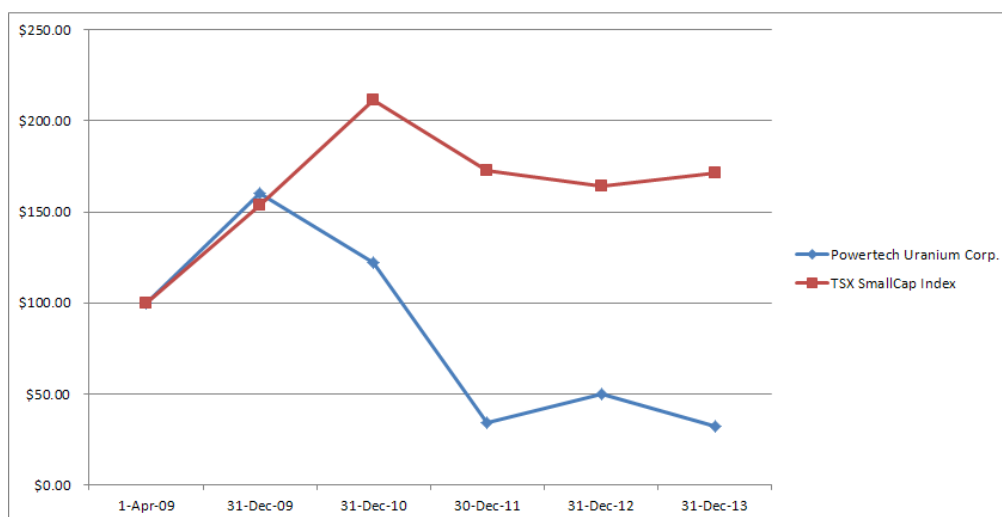
Powertech has not retained a compensation consultant or advisor to assist the Board or the Compensation Committee in determining compensation for any of Powertech’s directors or officers. Given that Powertech does not provide performance based compensation to its NEOs, the compensation of all NEOs is structured on a substantially similar basis, and a majority of the members of the Compensation Committee are independent, Powertech does not believe there are material risks associated with its compensation policies and practices.

No NEO or director is permitted to purchase financial instruments including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly by the NEO or director.

### Performance Graph

The following graph compares the five year cumulative total shareholder return on the Powertech Shares to the cumulative total return (assuming reinvestment of dividends) of the TSX SmallCap Index, assuming an initial investment of \$100 was made on April 1, 2009. In 2009, the Company changed its fiscal year end from March 31 to December 31. Due to the change in fiscal year end, information displayed for December 31, 2009 is for a nine-month fiscal year while information displayed for the years ended December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, are for twelve-month fiscal years. The price performance of the Powertech Shares as shown on the graph does not necessarily indicate future price performance.

	Year					
	April 1, 2009	December 31, 2009	December 31, 2010	December 31, 2011	December 31, 2012	December 31, 2013
<b>Powertech Uranium Corp.</b>	\$100.00	\$160.00	\$122.00	\$34.00	\$50.00	\$32.00
<b>TSX SmallCap Index</b>	\$100.00	\$153.40	\$211.38	\$172.51	\$164.08	\$171.23



As described above, the Compensation Committee considers various factors in determining the compensation of the NEOs. Performance of the Powertech Shares is one performance measure that is reviewed but there is generally no direct correlation between Powertech Share performance and executive compensation.

Powertech operates in a commodities-related business and the Powertech Share price is impacted by the market price of uranium, which has fluctuated widely over the past five years and is affected by numerous factors that are difficult to predict and beyond Powertech's control. The Powertech Share price is also affected by other factors beyond Powertech's control, including general and industry-specific economic and market conditions. The trend shown by the performance graph represents an increase in shareholder value between March 31, 2009 and December 31, 2010, and then a drop in value that coincided with the earthquake and tsunami in Japan and the resultant damaging effect on certain nuclear reactors located there and then the general drop in the equity markets.

Given Powertech's stage of development, the Compensation Committee generally evaluates performance by reference to its long-term business plan rather than by short-term changes in Share price, based on its view that its long-term performance will be reflected by Powertech Share performance over the long-term. In November 2011, in part because of the negative market impact on uranium companies that resulted from the March 2011 events in Japan, certain NEOs and employees of Powertech agreed to enter into deferred compensation arrangements, pursuant to which they agreed to defer receipt of a portion of their individual salaries. In the year ended December 31, 2012, salaries paid to NEOs remained consistent with salaries paid to NEOs in 2011 and the NEOs continued to defer receipt of a portion of their salaries. In the year ended December 31, 2013, salaries paid to NEOs remained consistent with salaries paid to NEOs in 2012 and the NEOs continued to defer receipt of a portion of their salaries.

At the Meeting, Powertech Shareholders will be asked to consider, and if appropriate, approve the settlement of deferred compensation owing to certain NEOs. See "*Particulars of Matters To Be Acted Upon – Settlement of Deferred Compensation*".

## **Option-Based Awards**

Powertech currently has one security based compensation arrangement which is its 2011 Plan. Under the 2011 Plan, the total number of Powertech Shares reserved and available for issuance (together with those Powertech Shares issuable pursuant to any other security based compensation arrangement of Powertech or options for services granted by Powertech) cannot exceed 10% of the issued and outstanding Powertech Shares from time to time. The 2011 Plan is currently administered by the Board. Subject to the provisions of the 2011 Plan, the Board, in its sole discretion, determines all options to be granted pursuant to the 2011 Plan, the exercise price for such options and any special terms or vesting provisions applicable thereto. For a summary of the material provisions of the 2011 Plan, please see below under the heading "*Terms of 2011 Stock Option Plan*".

At the Meeting, Shareholders will be asked to consider, and if appropriate, approve the adoption of the 2014 Plan. See "*Particulars of Matters To Be Acted Upon - Adoption of 2014 Stock Option Plan*".

## **Compensation Governance**

Powertech's executive compensation program during the most recently completed financial year was administered by Powertech's Compensation Committee, which was formed in August, 2007. The Compensation Committee is primarily responsible for determining the compensation to be paid to Powertech's executive officers and evaluating their performance. The Compensation Committee reviews and approves annual salaries, bonuses and other forms and items of compensation for the executive officers and employees of Powertech. A copy of the Powertech's Compensation Committee Charter is attached as Schedule "B" to this Information Circular.

The Compensation Committee currently consists of Douglas E. Eacrett, Malcolm F. Clay and Matthew O'Kane. Messrs. Eacrett, Clay and O'Kane are non-employee directors of the Company and are independent. Messrs. Eacrett, Clay and O'Kane are all professional accountants with years of experience working with public companies and serving as directors of such companies, including serving on audit committees and compensation committees. The combined skills and experience of Messrs. Eacrett, Clay and O'Kane enable the Compensation Committee to make decisions on the suitability of Powertech's compensation policies and practices.

Powertech has not retained a compensation consultant or advisor to assist the Board or the Compensation Committee in determining compensation for any of the directors or NEOs.

## Summary Compensation Table

Particulars of compensation earned by each Named Executive Officer (including deferred compensation) in the most recently completed financial years ended December 31, 2013, December 31, 2012 and December 31, 2011 are set out in the summary compensation table below. All amounts shown in the table are in United States dollars, Powertech's reporting currency, unless otherwise indicated.

Name and Principal Position	Year	Salary (\$)	Share-based Awards <sup>(2)</sup> (\$)	Option-based Awards <sup>(3)</sup> (\$)	Non-equity Incentive Plan Compensation <sup>(1)</sup> (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Richard F. Clement, Jr. President, CEO and Director <sup>(4)</sup>	2013	240,000	Nil	Nil	Nil	Nil	Nil	Nil	240,000
	2012	240,000	Nil	57,976 <sup>(5)</sup>	Nil	Nil	Nil	Nil	297,976
	2011	240,000	Nil	Nil	Nil	Nil	9,500	Nil	249,500
Adria Hutchison CFO <sup>(6)</sup>	2013	60,000 <sup>(6)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	60,000
Thomas A. Doyle Former CFO, Former Vice President - Finance, Former Treasurer and Former Director <sup>(7)</sup>	2013	238,723 <sup>(8)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	238,723
	2012	179,763 <sup>(8)</sup>	Nil	57,976 <sup>(9)</sup>	Nil	Nil	Nil	Nil	237,739
	2011	182,070 <sup>(8)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	182,070
Greg Burnett Former Vice President - Administration, Former Secretary and Former Director <sup>(10)</sup>	2013	190,723	Nil	Nil	Nil	Nil	Nil	Nil	190,723
	2012	143,811 <sup>(11)</sup>	Nil	49,693 <sup>(12)</sup>	Nil	Nil	Nil	Nil	193,504
	2011	145,656 <sup>(11)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	145,656

(1) "Non-equity Incentive Plan Compensation" includes all compensation under an incentive plan or portion of an incentive plan that is not an equity incentive plan.

(2) "Share-based Award" means an award under an equity incentive plan of equity-based instruments that do not have option-like features, including, for greater certainty, common shares, restricted shares, restricted share units, deferred share units, phantom shares, phantom share units, common share equivalent units and stock.

(3) "Option-based Award" means an award under an equity incentive plan of options, including, for greater certainty, share options, share appreciation rights and similar instruments that have option-like features.

(4) Richard F. Clement, Jr. was appointed President and Chief Executive Officer of the Company on May 11, 2006.

(5) Mr. Clement was granted 700,000 stock options to purchase 700,000 Shares of the Company at an exercise price of C\$0.20 per Share until May 15, 2017. Mr. Clement did not receive additional compensation for his role as a director of Powertech.

(6) Ms. Hutchison was appointed interim Chief Financial Officer on October 22, 2013. For the financial period ending December 31, 2013, Ms. Hutchison earned an annual salary of \$60,000.

(7) Thomas A. Doyle was appointed Chief Financial Officer, Secretary, Vice President - Finance and Director of Powertech on May 11, 2006. He resigned as Secretary effective July 15, 2008 and was appointed Treasurer on the same date. Mr. Doyle resigned from all positions with Powertech effective October 21, 2013. Mr. Doyle received these amounts as a consultant of Powertech pursuant to the terms of a management services contract, as more fully described below under the heading "Narrative Discussion".

(8) Mr. Doyle earned C\$245,625 for the year ended December 31, 2013. This amount was converted into US dollars at an average exchange rate of \$0.97. For the financial period ended December 2012, Mr. Doyle earned an annual

salary of C\$180,000. This amount was converted into US dollars at an average exchange rate of 0.9987. For the financial period ended December 2011, Mr. Doyle earned an annual salary of C\$180,000. This amount was converted into US dollars at an average exchange rate of 1.0115.

- (9) Mr. Doyle was granted 700,000 stock options to purchase 700,000 Shares of Powertech at an exercise price of C\$0.20 per Share until May 15, 2017. These options expired on November 22, 2013 due to Mr. Doyle's resignation on October 22, 2013.
- (10) Greg Burnett was appointed Vice President - Administration of Powertech on May 11, 2006 and Director on June 30, 2006. He was appointed as Secretary effective July 15, 2008. Mr. Burnett resigned from all positions with Powertech effective October 21, 2013. Mr. Burnett received these amounts as a consultant of Powertech pursuant to the terms of a management services contract, as more fully described below under the heading "Narrative Discussion".
- (11) Mr. Burnett earned C\$196,500 in the year ended December 31, 2013, which was converted to US dollars at an average exchange rate of \$0.97. For the financial period ended December 2012, Mr. Burnett earned an annual salary of C\$144,000. This amount was converted into US dollars at an average exchange rate of 0.9987. For the financial period ended December 2011, Mr. Burnett earned an annual salary of C\$144,000. This amount was converted into US dollars at an average exchange rate of 1.0115.
- (12) Mr. Burnett was granted 600,000 stock options to purchase 600,000 Shares of Powertech at an exercise price of CAD \$0.20 per Share until May 15, 2017. These options expired on November 22, 2013 due to Mr. Burnett's resignation on October 21, 2013.

### *Narrative Discussion*

Prior to 2011, Powertech had entered into employment or consulting agreements with Mr. Clement, Mr. Doyle and Carob Management Ltd. (the consulting company through which Mr. Burnett provided services to the Company) pursuant to which the NEOs had agreed to provide services to Powertech. On March 25, 2011, Powertech gave notice to these NEOs that, upon expiration of the terms of their then existing agreements on April 30, 2011, Powertech did not wish to further extend the terms of such agreements. As such, all of the existing agreements were terminated effective April 30, 2011. However, compensation was provided to these NEOs under these agreements until April 30, 2011, so the terms of the agreements are described below. The following paragraphs also describe consulting agreements that were entered into with the NEOs upon termination of the existing agreements on April 30, 2011.

Richard F. Clement, Jr. entered into an employment agreement with Powertech in May 2006, pursuant to which Mr. Clement agreed to serve as President and CEO of Powertech. In consideration of the services to be rendered by Mr. Clement, Powertech agreed to, among other things, pay Mr. Clement a fixed remuneration of \$15,000 per month for the first year, which remuneration was to be reviewed annually. As described above, when this agreement was terminated effective April 30, 2011, Powertech entered into a new employment agreement dated April 30, 2011 (the "**Clement Agreement**") with Mr. Clement pursuant to which Mr. Clement agreed to serve as President and CEO. In consideration for the services rendered by Mr. Clement, Powertech agreed to: (i) pay Mr. Clement an annual salary of \$240,000, payable semi-monthly (the "**Clement Fee**"); (ii) allow Mr. Clement to participate in any employee benefit plans of Powertech; (iii) provide Mr. Clement, in his discretion, a vehicle allowance of \$700 per month; (iv) reimburse Mr. Clement for expenses incurred in the course of his duties, and (v) pay Mr. Clement certain compensation in the event of a change of control of Powertech as described below under the heading "*Termination and Change of Control Benefits*". The Clement Agreement was for an initial term of one year and will be automatically extended by one additional year unless either party gives thirty (30) days' written notice to the other of its intention not to renew the Clement Agreement.



Pursuant to the terms of the Clement Deferred Compensation Agreement, Mr. Clement agreed to defer 25% of the Clement Fee until the earliest of: (i) November 14, 2014; (ii) the termination of the Clement Agreement by either the Company or Mr. Clement; and (iii) a change of control of the Company (with the earliest of such dates being, a “**Clement Payment Date**”). The Company has agreed to pay all deferred amounts within 30 days of the Clement Payment Date in a single lump sum. As at May 12, 2014, the monthly fixed remuneration payable to Mr. Clement was set at the rate of \$20,000, and the total deferred compensation payable to Mr. Clement through June 30, 2014 is estimated to be \$157,500 (the “**Clement Deferred Compensation**”).

On May 12, 2014, Powertech entered into the Clement Debt Settlement Agreement, whereby, subject to approval of the TSX and the Powertech Shareholders, Powertech will issue such number of Powertech Shares as is equal to \$101,429, expressed in Canadian dollars based on an exchange rate of C\$1.0955 per \$1 divided by the five day VWAP for the five trading days immediately before the completion of the Settlement, subject to a floor price of C\$0.065 per Powertech Share, in full and final settlement of the Clement Deferred Compensation. At the Meeting, Powertech Shareholders will be asked to consider and, if appropriate, approve the settlement of the Clement Deferred Compensation. See “*Particulars of Matters To Be Acted Upon – Settlement of Deferred Compensation*”.

In May 2006, Powertech entered into a management services contract with Thomas A. Doyle pursuant to which Mr. Doyle agreed to provide expertise in management services to Powertech. In consideration for the services rendered by Mr. Doyle, Powertech agreed to, among other things, pay a fixed remuneration of C\$10,000 per month for the first year, which remuneration was reviewed annually. As described above, this agreement was terminated effective April 30, 2011 and Powertech entered into a new consulting agreement with TAD Financial Corp. (“**TAD**”), a company controlled by Mr. Doyle, effective May 1, 2011 (the “**TAD Agreement**”) pursuant to which Mr. Doyle provided expertise in management services including: (i) organizing and managing Powertech’s corporate finance initiatives and relationships; (ii) organizing and supervising Powertech’s investor relations and public relations activities; and (iii) providing strategic support to Powertech’s operating management team in the United States. In consideration for the services rendered by Mr. Doyle, Powertech agreed to: (i) pay TAD a fixed remuneration of C\$15,000 per month (the “**TAD Fee**”) for the first year; (ii) reimburse Mr. Doyle for expenses incurred in the course of his duties, and (iii) pay TAD certain compensation in the event of a change of control of Powertech as described below under the heading “*Termination and Change of Control Benefits*”. The TAD Agreement was for an initial term of one year and was automatically extended for additional one year terms thereafter, until termination on October 21, 2013.

Pursuant to the terms of a deferred compensation agreement dated November 15, 2011, TAD agreed to defer 25% of the TAD Fee until the earliest of: (i) October 31, 2013; (ii) the termination of the TAD Agreement by either Powertech or TAD; and (iii) a change of control of Powertech (with the earliest of such dates being, a “**TAD Payment Date**”). Powertech has agreed to pay all deferred amounts within 30 days of the TAD Payment Date in a single lump sum in Canadian dollars. As at December 31, 2012, the monthly fixed remuneration payable to TAD was set at the rate of C\$15,000.

On October 21, 2013, Powertech entered into a Termination and Debt Settlement Agreement with TAD (the “**TAD Termination Agreement**”), whereby: (a) the TAD Agreement and deferred compensation agreement between Powertech and TAD were terminated, (b) the TAD

Fees, deferred compensation and other amounts owed by Powertech to TAD in the aggregate amount of C\$195,000 were fully settled in consideration for the issuance of 2,052,631 Powertech Shares to TAD at a deemed price of C\$0.095 per Powertech Share, and (c) Mr. Doyle resigned as a director and officer of Powertech.

In May 2006, Powertech entered into a management services contract with Carob Management Ltd. ("**Carob**"), the consulting company through which Mr. Burnett provided services to the Company, pursuant to which Mr. Burnett agreed to provide Powertech with expertise in certain management services. In consideration for the services rendered by Mr. Burnett, Powertech agreed to, among other things, pay a fixed remuneration of C\$10,000 per month for the first year, which remuneration was reviewed annually. As described above, this agreement was terminated effective April 30, 2011 and Powertech entered into a new consulting agreement with Carob effective May 1, 2011 (the "**Carob Agreement**"). In consideration for the services rendered by Mr. Burnett, Powertech agreed to: (i) pay Carob a fixed remuneration of C\$12,000 per month (the "**Carob Fee**") for the first year; (ii) reimburse Mr. Burnett for expenses incurred in the course of his duties; and (iii) pay Carob certain compensation in the event of a change of control of Powertech as described below under the heading "*Termination and Change of Control Benefits*". The Carob Agreement was for an initial term of one year and was automatically extended for additional one year terms until termination on October 21, 2013.

Pursuant to the terms of a deferred compensation agreement dated November 15, 2011, Carob agreed to defer 25% of the Carob Fee until the earliest of: (i) October 31, 2013; (ii) the termination of the Carob Agreement by either the Company or Carob; and (iii) a change of control of Powertech (with the earliest of such dates being, a "**Carob Payment Date**"). Powertech has agreed to pay all deferred amounts within 30 days of the Carob Payment Date in a single lump sum in Canadian dollars. As at December 31, 2012, the monthly fixed remuneration payable to Mr. Burnett was set at the rate of C\$12,000.

On October 21, 2013, Powertech entered into a Termination and Debt Settlement Agreement with Carob (the "**Carob Termination Agreement**"), whereby: (a) the Carob Agreement and deferred compensation agreement between Powertech and Carob were terminated, (b) the Carob Fees, deferred compensation and other amounts owed by Powertech to Carob in the aggregate amount of C\$156,000 were fully settled in consideration for the issuance of 1,642,105 Shares to Carob at a deemed price of C\$0.095 per Share, and (c) Mr. Burnett resigned as a director and officer of Powertech.

The Compensation Committee is currently in the process of reviewing the terms of compensation of each of the NEOs, pursuant to which it will consider each element of compensation to be paid to the NEOs and how each element fits into Powertech's overall compensation objectives and affects decisions about other compensation elements.

### **Incentive Plan Awards**

An "incentive plan" is any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period. An "incentive plan award" means compensation awarded, earned, paid, or payable under an incentive plan.

## *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth all option-based awards granted to NEOs that were outstanding as of December 31, 2013 under the 2011 Plan, including awards granted before the year-ended December 31, 2013. Powertech has not granted any share-based awards.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price C(\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Richard F. Clement Jr. <sup>(1)</sup>	700,000	0.20	May 15, 2017	N/A <sup>(3)</sup>
Adria Hutchison <sup>(2)</sup>	Nil	N/A	N/A	N/A

(1) Richard F. Clement Jr. was appointed President, Chief Executive Officer and Director of Powertech on May 11, 2006.

(2) Adria Hutchison was appointed as interim Chief Financial Officer as of October 22, 2013.

(3) The closing price of the Shares on the TSX on December 31, 2013 was C\$0.08 per Share. Accordingly, none of the options held by the NEOs were in-the-money as at December 31, 2013.

### *Incentive plan awards – value vested or earned during the year*

As none of the options held by any of the Named Executive Officers were in-the-money at any point in the most recently completed financial year, none of the Named Executive Officers would have realized any value if the options underlying their respective option-based awards had been exercised.

### *Narrative Discussion*

For a summary of the material provisions of the 2011 Plan, pursuant to which all current option-based awards have been granted to NEOs, please see below under the heading “*Terms of 2011 Stock Option Plan*”. There was no re-pricing of stock options under the 2011 Plan or otherwise during the Company’s most recently completed financial period ended December 31, 2013.

At the Meeting, Shareholders will be asked to consider, and if appropriate, approve the 2014 Plan which would replace the 2011 Plan. If approved, all new grants of option-based awards would be governed by the terms of the 2014 Plan. See “*Particulars of Matters To Be Acted Upon – Approval of 2014 Plan*”.

### **Pension Plan Benefits**

Powertech does not currently have a defined benefit plan or a deferred compensation plan, however its subsidiary, Powertech USA, has a 401(k) P/S Plan (the “**401(k) Plan**”).

### *Narrative Discussion*

Powertech’s 401(k) Plan is a qualified retirement, safe harbour 401(k) plan. It allows eligible employees to defer up to the dollar amount set by law (2013: \$17,500 or \$23,000 if over age 50) of their compensation as a contribution to the 401(k) Plan and are immediately vested in their contributions. Powertech does not match employee contributions.

Only employees of Powertech USA who have worked more than 1,000 hours in a calendar year are eligible to participate in the 401(k) Plan. If an eligible employee is terminated and then rehired, participation in the 401(k) Plan continues in the same manner as if the termination had not occurred. Participation begins on the first day of the month once an employee is eligible.

If an employee dies while still employed, the vested account balance will be provided to the employee's beneficiary with a death benefit.

### **Termination and Change of Control Benefits**

Except as described below, none of the agreements between Powertech and any of the NEOs provide for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, change in control of Powertech or a change in a NEO's responsibilities.

Pursuant to the terms of the Clement Agreement, in the event that, within 120 days of the occurrence of a Change of Control Event (as defined in the Clement Agreement), Mr. Clement resigns from Powertech or, if at any time, Powertech terminates the Clement Agreement for any reason other than Just Cause (as defined in the Clement Agreement), then Powertech shall pay Mr. Clement severance in an amount equal to the following twelve months' salary, and any stock options granted to Mr. Clement which have not vested shall vest immediately and be immediately exercisable. In the event of Mr. Clement's death or Mr. Clement's inability to perform his duties under the Clement Agreement for a period of eight consecutive months or a cumulative period of twelve months in any consecutive twenty-four month period because of a mental or physical disability, any stock options or other equity awards granted to Mr. Clement which have not vested will vest immediately and be immediately exercisable, and Powertech will pay to Mr. Clement or his estate any unpaid salary and outstanding and accrued vacation pay, reimbursement for any unreimbursed expenses and proceeds from any insurance policies as may be provided by Powertech to Mr. Clement.

Pursuant to the terms of the TAD Agreement, in the event of a Change of Control (as defined in the TAD Agreement), Powertech was required, within 10 days of the termination of the TAD Agreement, pay to TAD a lump sum equal to the product of twelve multiplied by the TAD Fee. The TAD Agreement was terminated on October 21, 2013 and all amounts owed to TAD by Powertech as at that date were settled pursuant to the TAD Termination Agreement. See "*Statement of Executive Compensation – Summary Compensation Table – Narrative Discussion*".

Pursuant to the terms of the Carob Agreement, in the event of a Change of Control (as defined in the Carob Agreement), Powertech was required, within 10 days of the termination of the Carob Agreement, pay to Carob a lump sum equal to the product of twelve multiplied by the Carob Fee. The Carob Agreement was terminated on October 21, 2013 and all amounts owed to Carob by Powertech as at that date were settled pursuant to the Carob Termination Agreement. See "*Statement of Executive Compensation – Summary Compensation Table – Narrative Discussion*".

### **Director Compensation**

The following table sets forth the details of all compensation provided to Powertech's directors, other than the Named Executive Officers, during Powertech's most recently completed financial year ended December 31, 2013. All amounts shown in the table are in United States dollars.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Douglas E. Eacrett <sup>(1)</sup>	17,460 <sup>(6)</sup>	Nil	Nil	Nil	Nil	Nil	17,460
Malcolm Clay <sup>(2)</sup>	17,460 <sup>(6)</sup>	Nil	Nil	Nil	Nil	Nil	17,460
John Dustan <sup>(3)</sup>	12,368 <sup>(7)</sup>	Nil	Nil	Nil	Nil	Nil	12,368
Matthew O’Kane <sup>(4)</sup>	5,090 <sup>(8)</sup>	Nil	Nil	Nil	Nil	Nil	5,090
Apolonius (Paul) Struijk <sup>(5)</sup>	3,638	Nil	Nil	Nil	Nil	Nil	3,638

- (1) Douglas E. Eacrett has been a director of Powertech since February 27, 2005.
- (2) Malcolm Clay has been a director of Powertech since January 14, 2008.
- (3) John Dustan was a director of Powertech from May 31, 2011 to September 17, 2013.
- (4) Matthew O’Kane has been a director of Powertech since September 17, 2013.
- (5) Apolonius Struijk has been a director of Powertech since October 18, 2013.
- (6) Messrs. Eacrett and Clay were each paid aggregate fees of C\$18,000 for the year ended December 31, 2013. These amounts were converted into US dollars at an average exchange rate of \$0.97.
- (7) Mr. Dustan earned fees of C\$12,750 for the year ended December 31, 2013. These amounts were converted into US dollars at an average exchange rate of \$0.97.
- (8) Mr. O’Kane earned fees of C\$5,250 for the year ended December 31, 2013. These amounts were converted into US dollars at an average exchange rate of \$0.97.
- (9) Apolonius (Paul) Struijk earned fees of C\$3,750 for the year ended December 31, 2013. These amounts were converted into US dollars at an average exchange rate of \$0.97.

#### *Narrative Discussion*

A total of \$56,016 was paid to directors of Powertech for services rendered as directors, or for committee participation or assignments, during the Company’s most recently completed financial year. During Powertech’s most recently completed financial year, the following were the standard compensation arrangements, or other arrangements in addition to or in lieu of standard arrangements, under which the directors of Powertech were compensated for services in their capacity as directors (including any additional amounts payable for committee participation or special assignments).

Powertech pays each of Douglas E. Eacrett, Malcolm Clay and Apolonius (Paul) Struijk (and previously paid John Dustan) C\$1,500 per month for their respective services as directors and as members of the Audit Committee and/or the Compensation Committee, as applicable. Mr. Dustan did not stand for re-election as a director at Powertech’s last annual general meeting held on September 17, 2013.

#### **Incentive Plan Compensation for Directors**

##### *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth all option-based awards granted to Powertech’s directors, other than the NEOs, that were outstanding as of December 31, 2013. Powertech did not grant any share-based awards during the year ended December 31, 2013.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price C(\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Douglas E. Eacrett <sup>(1)</sup>	300,000	0.20	May 15, 2017	N/A <sup>(5)</sup>
Malcolm Clay <sup>(2)</sup>	300,000	0.20	May 15, 2017	N/A <sup>(5)</sup>
John Dustan <sup>(3)</sup>	N/A	N/A	N/A	N/A
Matthew O’Kane <sup>(4)</sup>	N/A	N/A	N/A	N/A
Apolonius (Paul) Struijk <sup>(6)</sup>	N/A	N/A	N/A	N/A

(1) Douglas E. Eacrett has been a director of Powertech since February 27, 2005.

(2) Malcolm Clay has been a director of Powertech since January 14, 2008.

(3) John Dustan was a director of Powertech from May 31, 2011 to September 17, 2013.

(4) Matthew O’Kane has been a director of Powertech since September 17, 2013.

(5) The closing price of the Powertech Shares on the TSX on December 31, 2013 was C\$0.08 per Share. Accordingly, none of the options held by the directors were in-the-money as at December 31, 2013.

(6) Apolonius (Paul) Struijk has been a director of Powertech since October 18, 2013.

#### *Incentive Plan Awards – Value Vested or Earned During the Year*

As none of the options held by any of Powertech’s directors were in-the-money at any point in the most recently completed financial year, none of the directors would have realized any value if the options underlying their respective option-based awards had been exercised.

#### *Narrative Discussion*

For a summary of the material provisions of the 2011 Plan, pursuant to which all current option-based awards have been granted to Powertech’s directors, please see below under the heading “*Terms of 2011 Stock Option Plan*”. There was no re-pricing of stock options under the 2011 Plan or otherwise during Powertech’s most recently completed financial period ended December 31, 2013.

At the Meeting, Powertech Shareholders will be asked to consider, and if appropriate, approve the 2014 Plan which would replace the 2011 Plan. If approved, all new grants of option-based awards would be governed by the terms of the 2014 Plan. See “*Particulars of Matters To Be Acted Upon – Approval of 2014 Plan*”.

### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

Powertech has adopted, and Powertech Shareholders have approved, the 2011 Plan. As at December 31, 2013, the following securities had been authorized for issuance under the 2011 Plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	3,450,000	C\$0.20 per Share	11,844,613

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	3,450,000	C\$0.20 per Share	11,844,613

At the Meeting, Powertech Shareholders will be asked to consider and, if deemed appropriate, approve the 2014 Plan, which would replace the 2011 Plan. See *“Particulars of Matters To Be Acted Upon – Approval of 2014 Stock Option Plan”*.

### TERMS OF 2011 STOCK OPTION PLAN

The rules of the TSX provide that listed issuers must disclose on an annual basis, in their information circulars or other annual disclosure document distributed to all security holders, the terms of their security based compensation arrangements.

Powertech currently has one security based compensation arrangement which is its 2011 Plan, which was approved by Powertech’s shareholders at Powertech’s 2011 annual general meeting. At the Meeting, Powertech Shareholders will be asked to consider and, if appropriate, approve the 2014 Plan which is a 20% fixed stock option plan. If the 2014 Plan is approved, it will replace the 2011 Plan and all outstanding options will be governed by, and any new options will be granted under, the 2014 Plan. See *“Particulars of Matters To Be Acted Upon – Approval of the 2014 Stock Option Plan”*.

Under the 2011 Plan, the total number of Powertech Shares reserved and available for issuance (together with those Powertech Shares issuable pursuant to any other security based compensation arrangement of Powertech or options for services granted by Powertech) cannot exceed 10% of the issued and outstanding Powertech Shares from time to time. The 2011 Plan is currently administered by the Board. Subject to the provisions of the 2011 Plan, the Board, in its sole discretion, determines all options to be granted pursuant to the 2011 Plan, the exercise price of such options and any special terms or vesting provisions applicable thereto. The following is a summary of some of the material provisions of the 2011 Plan:

- (a) Options may be granted from time to time to directors, officers, employees and consultants of Powertech or a subsidiary of Powertech, in such numbers as are determined by the Board at the time of the granting of the options.
- (b) The 2011 Plan provides that in the circumstance where the end of the term of an option falls within, or within ten business days after the end of, a “black out” or similar period imposed under any insider trading policy or similar policy of Powertech (but not, for greater certainty, a restrictive period resulting from Powertech or its insiders being the subject of a cease trade order of a securities regulatory authority), then the end of the term of such option shall be the tenth business day after the earlier of the end of such black out period or, provided the black out period has ended, the expiry date.
- (c) The number of Powertech Shares reserved for issuance pursuant to the 2011 Plan (or any other security based compensation arrangement or options for services) to any one

person may not exceed 5% of the Powertech Shares issued and outstanding on a non-diluted basis from time to time.

- (d) The number of Powertech Shares issuable pursuant to the 2011 Plan (or any other security based compensation arrangement or options for services) to all insiders may not exceed 10% of the issued and outstanding Powertech Shares on a non-diluted basis from time to time.
- (e) The number of Powertech Shares which may be issued pursuant to the 2011 Plan (or any other security based compensation arrangement or options for services) to all insiders of Powertech within a one-year period may not exceed 10% of the issued and outstanding Powertech Shares on a non-diluted basis from time to time.
- (f) The exercise price of any options granted under the 2011 Plan shall be determined by the Board or the Compensation Committee, but in any event will be in compliance with the rules and policies of the TSX and shall not be less than the closing price of the Powertech Shares on the TSX for the last market trading day prior to the effective date of the grant of the option.
- (g) Subject to the automatic extension of the expiration date during a “black out” period as described in the 2011 Plan, the expiration date of each option and the extent to which each option is exercisable from time to time during the term of the option and other terms and conditions relating to each option shall be determined by the Board or the Compensation Committee; provided that, the term shall not exceed five years.
- (h) If desired by the Board or the Compensation Committee, options granted under the 2011 Plan may be subject to vesting provisions.
- (i) Subject to any amendments approved by the Board or the Committee and provided that in no event will the expiry date of an option be extended beyond the original expiry date thereof, if (i) an option holder ceases to provide services to Powertech, options granted to such option holder under the 2011 Plan will expire 30 days later, and (ii) an option holder dies or becomes disabled, options granted to such option holder under the 2011 Plan will expire one year from the death or disability of the option holder.
- (j) An option is personal to an optionee and non-assignable, subject to limited exceptions as set out in the 2011 Plan, such as in the event of the death of an optionee.
- (k) Powertech is authorized, in its sole discretion, to provide financial assistance to optionees to purchase Shares under the 2011 Plan, subject to applicable laws and the rules and policies of any securities regulatory authority, stock exchange or quotation system with jurisdiction over Powertech or a trade in securities of Powertech. Any financial assistance so provided will be repayable with full recourse and the term of any such financing shall not exceed the term of the option to which the financing applies.
- (l) The Board may at any time terminate or amend the 2011 Plan in certain respects without shareholder approval:
  - for the purposes of making formal minor or technical modifications to any of the provisions of the 2011 Plan;



- to correct any ambiguity, defective provisions, error or omissions;
- to reduce the exercise price of an option granted to a non-insider;
- to change the vesting provisions of an option;
- to change the termination provisions of an option or the 2011 Plan that does not entail an extension beyond the original expiry date of the option;
- to add a cashless exercise feature to the 2011 Plan, providing for the payment in cash or securities on the exercise of options; and
- to add or change provisions relating to any form of financial assistance provided by Powertech to participants that would facilitate the purchase of securities under the 2011 Plan;

provided, however, that (i) no amendment of the 2011 Plan may be made without the consent of the affected optionee if such amendment would adversely affect the rights of such optionee; and (ii) shareholder approval must be obtained in accordance with the requirements of the TSX for any amendment that results in:

- an increase in the number of Powertech Shares issuable under options granted pursuant to the 2011 Plan;
- a change in the persons who qualify as eligible optionees under the 2011 Plan;
- the cancellation and reissue of any option;
- a change to the participation limits set out in the 2011 Plan;
- a reduction in the exercise price of an option granted to an insider;
- an extension of the term of an option granted to an insider; or
- subject to certain limited exceptions, options becoming transferable or assignable.

The 2011 Plan is intended to provide Powertech with the ability to issue options to provide the employees, officers, directors and service providers of Powertech and its affiliates with long-term, equity based performance incentives, which are a key component of Powertech's compensation strategy. Powertech believes that, in certain circumstances, it may be important to align the interests of management and employees with Powertech Shareholder interests and to link performance compensation to enhancement of Powertech Shareholder value. This may be accomplished through the use of options whose value over time is dependent on the market value of the Powertech Shares.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, no: (a) director, proposed director or executive officer of Powertech; (b) person or company who beneficially owns, directly or indirectly, Powertech Shares or who exercises control or direction of Powertech Shares, or a combination of both

carrying more than ten per cent of the voting rights attached to the Shares outstanding (an “Insider”); (c) director or executive officer of an Insider; or (d) associate or affiliate of any of the directors, executive officers or Insiders, has had any material interest, direct or indirect, in any transaction since the commencement of Powertech’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect Powertech, except with an interest arising from the ownership of Powertech Shares where such person or company will receive no extra or special benefit or advantage not shared on a pro rata basis by all holders of the same class of Powertech Shares.

Matthew O’Kane, a director of Powertech, is the former Chief Financial Officer of Azarga, is currently a consultant to Azarga and a shareholder in Azarga, and is therefore interested in the approval of the Acquisition.

As of the date of this Information Circular, Azarga, located at 99 Queen's Road, The Center, Suite 4607 - 11, Central, Hong Kong, holds 68,991,571, or 45.1%, of the issued and outstanding Shares, warrants that are exercisable into up to 1,500,000 Powertech Shares and a convertible loan facility in the principal amount of \$3,600,000 that is convertible into up to 50,741,053 Powertech Shares. As such, Azarga is an Insider.

On July 22, 2013, Azarga entered into a share sale and purchase agreement with The K2 Principal Fund L.P. (“K2”) pursuant to which Azarga purchased from K2: (i) 24,650,000 Powertech Shares; (ii) 750,000 Warrants, each of which is exercisable into one Powertech Share at a price of C\$0.20 per Share until November 6, 2013 (extended to November 6, 2014); and (iii) 750,000 Warrants, each of which is exercisable into one Powertech Share at a price of C\$0.20 per Share until February 27, 2016, for aggregate consideration of C\$1,725,500, implying a price of C\$0.07 per Powertech Share. The term of the warrants which originally expired November 6, 2013 has since been extended to November 6, 2014 with the approval of the TSX and the Powertech Shareholders at the special meeting held on September 17, 2013.

On July 31, 2013, Powertech entered into a private placement agreement with Azarga (the “**Private Placement Agreement**”), whereby Powertech agreed to issue a convertible debenture in the principal amount of C\$514,350 (the “**Debenture**”) to Azarga. At Powertech’s annual general and special meeting held on September 17, 2013, disinterested Powertech Shareholders voted in favor of the conversion terms of the Debenture and payment premiums thereunder. Also at the September 17, 2013 meeting, Matthew O’Kane, an Azarga nominee pursuant to the Private Placement Agreement, was elected as a director of Powertech.

Also on July 31, 2013, Powertech entered into a letter agreement with Azarga, pursuant to which Azarga has agreed to purchase (the “**Centennial Purchase Transaction**”) a 60% interest in Powertech’s Centennial Project, located in Weld County, Colorado, for a total purchase price of \$1,500,000, \$250,000 which was paid on July 31, 2013, \$750,000 which was paid on August 31, 2013, and \$500,000 which was paid on December 20, 2013, payable by way of a non-interest bearing promissory note, with \$250,000 payable on or before December 20, 2014 and \$250,000 payable on or before December 20, 2015. Powertech has retained a 40% interest in the Centennial Project. The Centennial Purchase Transaction also provides for a put option whereby Powertech can sell its remaining 40% interest in the Centennial Project to Azarga at any time on or after January 1, 2017 for \$250,000, and for a call option whereby Azarga can purchase Powertech’s remaining 40% interest in the Centennial Project either: (i) at any time on or after January 1, 2017 for \$7,000,000, or (ii) within ten days of the occurrence of a change of control of Powertech for \$1,000,000. Upon payment of the full purchase price, a joint venture

will be formed between Powertech and Azarga for the exploration and development of the Centennial Project and Azarga will act as operator of the joint venture. Azarga has no current plans to develop the Centennial Project and intends to focus on reviewing the Centennial Project for exploration and development potential. At Powertech's annual general meeting held on September 17, 2013, disinterested Powertech Shareholders approved the Centennial Purchase Transaction and consideration thereunder. Subsequently, Powertech and Azarga and their respective subsidiaries entered into a property purchase agreement dated December 20, 2013 which set out the terms and conditions on which the Centennial Purchase Transaction would be completed. The Centennial Purchase Transaction has received final TSX approval and closed on December 24, 2013.

For more information regarding the Debenture and the Centennial Purchase Transaction, see Powertech's press releases dated August 1, 2013 and December 24, 2013, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

On October 18, 2013, Powertech entered into a loan facility agreement dated October 18, 2013 (the "**Loan Agreement**") with Azarga, whereby Azarga made available to Powertech a loan facility in the principal amount of \$3.6 million (the "**Loan Facility**"). On October 21, 2013, Azarga made an initial advance of \$400,000 to the Powertech (the "**Initial Advance**"). The Loan Facility provides for Azarga to make one or more advances of the Loan Facility to Powertech (each, an "**Advance**") provided that: (a) there shall be only one Advance in any calendar month and (b) if Azarga and Powertech cannot agree on the applicable amount of the Advance, the amount of the Advance will be US\$300,000. The Loan Facility matures on October 21, 2015 (two years after the date of the Initial Advance) (the "**Maturity Date**") or on such earlier date as the principal amount of all Advances owing from time to time and all other amounts (collectively, the "**Principal Amount**") may become payable under the Loan Agreement, and may be repaid by Powertech, in whole or in part, during the first 12 months following the Initial Advance, for an amount equal to 115% of the Principal Amount being repaid, and during the second 12 months, but on or before the Maturity Date, for an amount equal to 130% of the Principal Amount being repaid. The Principal Amount may be converted into Powertech Shares as follows (each, a "**Conversion**"):

- (a) by Azarga, at its option and any time after the earlier of (i) the Board approving a transaction (other than the Loan Facility) which would result in a change of control of Powertech or Powertech (USA), Inc. ("**Powertech USA**"), (ii) a change of control of Powertech or Powertech USA, and (iii) the occurrence of an event of default under the Loan Agreement that is not cured within any applicable grace periods;
- (b) by Azarga, at its option in whole or in part, at any time after the date that is nine months following the date of the Initial Advance;
- (c) by Powertech, in whole or in part, at any time on or before the Maturity Date; and
- (d) automatically on the Maturity Date,

at a conversion price of C\$0.095 per Powertech Share (the "**Conversion Price**"), subject to adjustment as provided for in the Loan Facility, or at such higher price per Share as is provided in the Loan Facility. The amount of Powertech Shares to be issued if the Conversion is in the

first 12 months after the Initial Advance will be equal to the number of Powertech Shares as determined by dividing the amount which is 115% of the outstanding Principal Amount by the Conversion Price, and if the conversion is in the second 12 months after the Initial Advance, will be equal to the number of Powertech Shares as determined by dividing the amount which is 130% of the outstanding Principal Amount by the Conversion Price. For the purposes of the Conversion, the Principal Amount shall be converted into Canadian dollars at the time of Conversion at an exchange rate of CAD\$1.03 per US\$1.00 of Principal Amount.

As part of the Loan Agreement, Powertech agreed to nominate two representatives of Azarga to the Board and one representative to the Powertech's audit committee for so long as Azarga and/or its affiliates own in the aggregate at least 10% of the issued and outstanding Powertech Shares. Matthew O'Kane and Apolonius (Paul) Struijk are Azarga's representatives on the Board, and Mr. O'Kane also sits on Powertech's audit committee.

On October 21, 2013, concurrent with the closing of the Loan Facility and payment of the Initial Advance, Powertech converted the Debenture into 8,450,035 Powertech Shares at a deemed conversion price of C\$0.07 per Powertech Share, for a total value of approximately C\$591,502. For more information regarding the Loan Facility, see Powertech's press releases dated October 21, 2013 and October 22, 2013, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

On October 31, 2013, Powertech announced that it had applied to the TSX to extend the term of an aggregate of 5,000,000 warrants by one year from November 6, 2013 to November 6, 2014, including 750,000 Warrants held by Azarga and 125,000 warrants held by Malcolm Clay, a director of Powertech. The extension of the term of the Warrants held by Azarga and Malcolm Clay was approved by the shareholders of Powertech and the TSX. For more information regarding the Warrant Extension, see Powertech's press release dated October 31, 2013 and Powertech's information circular dated November 19, 2013, copies of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

On November 7, 2013, Azarga acquired an aggregate of 12,501,536 Powertech Shares at a price of C\$0.0966 per Powertech Share pursuant to private agreements and on November 12, 2013, Azarga acquired an aggregate of 23,390,000 Powertech Shares at a price of C\$0.0966 per Powertech Share pursuant to private agreements, thereby increasing Azarga's position in Powertech to 68,991,571 Powertech Shares and 1,500,000 Warrants, representing approximately 45.1% of the issued and outstanding Powertech Shares on an undiluted basis, and 45.6% of the issued and outstanding Powertech Shares on a partially diluted basis, assuming exercise of all of the 1,500,000 warrants held by Azarga.

On February 25, 2014, Powertech and Azarga entered into the Acquisition Agreement, whereby Powertech has agreed to acquire all of the issued and outstanding securities of Azarga in consideration Powertech Shares on the basis of 3.65 Shares for each Azarga Share, subject to approval of the TSX and approval of the Powertech Shareholders at the Meeting. See "*Particulars of Matters to be Acted Upon - Azarga Acquisition*".

#### **APPOINTMENT OF AUDITOR**

At the Powertech Meeting, Powertech Shareholders will be asked to vote for the appointment of BDO Canada LLP to serve as auditor of Powertech for the fiscal year ending December 31, 2014, at a remuneration to be fixed by the Board. BDO Canada LLP (formerly Amisano Hanson) was first appointed as auditor of Powertech on March 31, 1994.

The Board recommends the appointment of BDO Canada LLP to serve as auditor of Powertech for the fiscal year ending December 31, 2014 at remuneration to be fixed by the Board.

#### **AUDIT COMMITTEE DISCLOSURE**

Disclosure regarding Powertech's Audit Committee is contained in Powertech's Annual Information Form, which was filed on the SEDAR website at [www.sedar.com](http://www.sedar.com) on March 31, 2014 and is incorporated by reference herein.

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

Other than as disclosed herein, no proposed director, current or former director, executive officer or employee is, or at any time since January 1, 2013 has been, indebted to Powertech. None of the directors' or executive officers' indebtedness to another entity is, or at any time since January 1, 2013, has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Powertech.

#### **MANAGEMENT CONTRACTS**

There are no management functions of Powertech which are, to any substantial degree, performed other than by the directors or executive officers of Powertech.

#### **CORPORATE GOVERNANCE**

Pursuant to National Policy 58-101 *Disclosure of Corporate Governance Practices*, Powertech is required to disclose certain corporate governance information as set out in Form 58-101F1 *Corporate Governance Disclosure* ("**Form 58-101F1**"). A description of Powertech's approach to corporate governance, together with a completed Form 58-101F1, is set out in Schedule "I" to this Information Circular.

#### **PARTICULARS OF MATTERS TO BE ACTED UPON**

##### **1. Azarga Acquisition**

###### **Summary**

On February 25, 2014, Powertech entered into the Acquisition Agreement with Azarga, whereby Powertech agreed to acquire all of the issued and outstanding Azarga Shares in exchange for Powertech Shares on the basis of the Exchange Ratio.

Upon completion of the Acquisition:

- (a) Azarga will become a wholly-owned subsidiary of Powertech, and the current Azarga Shareholders would become shareholders of Powertech and hold approximately 77% of the issued and outstanding Powertech Shares;
- (b) Powertech is expected to continue to carry on its business and Azarga's business and change its name to "Azarga Uranium Corp.";

- (c) Richard F. Clement, Jr., Powertech's President and Chief Executive Officer, and John Mays, Powertech's Chief Operating Officer, will each remain in their respective roles, and Curtis Church and Blake Steele, currently members of Azarga's senior management team, will be added to Powertech's senior management team as VP International Operations and Chief Financial Officer, respectively; and
- (d) the Board will be reconstituted to include the members of the existing Board with the addition of certain representatives of the existing Azarga board, with the Board expected to consist of Alexander Molyneux (Chairman), Richard F. Clement, Jr., Curtis Church, Douglas E. Eacrett, Apolonius (Paul) Struijk, Matthew O'Kane and Joseph Havlin.

After completion of the Acquisition, Powertech intends to complete a consolidation of the issued and outstanding Powertech Shares on a basis to be decided by the Board at that time.

Pursuant to the Acquisition Agreement, 279,636,213 Consideration Shares will be issued to the former Azarga Shareholders on closing of the Acquisition, representing approximately 77% of the issued and outstanding Powertech Shares on closing of the Acquisition. In addition, 30,705,037 Powertech Shares will be reserved for issuance to former holders of Azarga Options, 2,528,077 in accordance with the Steele Employment Agreement and 365,183,600 Powertech Shares will be reserved for issuance to Powerlite in connection with the conversion of principal and interest under the Powerlite Note Deed. The aggregate number of 678,052,927 Powertech Shares to be issued and issuable in connection with the Acquisition represents approximately 443% of the current issued and outstanding Powertech Shares.

On a pro forma basis, Powertech expects to have approximately 364 million issued and outstanding Powertech Shares on an undiluted basis, of which approximately 23% would be held by current Powertech Shareholders and approximately 77% would be held by former Azarga Shareholders. In addition, Powertech expects to reserve and aggregate of 422,716,514 Powertech Shares, consisting of 3,450,000 Powertech Shares which would be issuable on exercise of currently outstanding Powertech Options, 30,705,037 Powertech Shares which would be would be issuable on exercise of Replacement Options (as hereinafter defined) to be held by former holders of Azarga Options, 2,528,077 which would be issuable in accordance with certain employment contracts, 20,849,800 Powertech Shares which would be issuable on exercise of currently outstanding warrants of Powertech and 365,183,600 Powertech Shares which would be issuable on the conversion of principal and interest under the Powerlite Note Deed. See "*Particulars of Matters to be Acted Upon – Azarga Acquisition – Powertech Shares to be Issued on Conversion of the Powerlite Note Deed*" for details regarding the Powerlite Note Deed.

Completion of the Transaction is conditional upon, among other things, receipt of all required approvals, including approvals of the TSX, including satisfaction of the TSX's original listing requirements, approval of the Powertech Shareholders other than Azarga (the "**Disinterested Shareholders**"), and approval of the Azarga Shareholders.

In addition, as Azarga also owns approximately 20.2% of the shares of an ASX listed company, Black Range Minerals Limited ("**Black Range**"), in order to permit the 'downstream acquisition' of more than 20% of the voting shares of Black Range by Powertech, the Transaction will also require either receipt of approval of the shareholders of Black Range or a modification of the terms of the Australian Corporations Act from the Australian Securities and Investments Commission.

As of the date of this Information Circular, Azarga holds 68,991,571 Shares, representing 45.1% of the issued and outstanding Powertech Shares on an undiluted basis. See “*Voting Securities and Principal Holders of Voting Securities*” and “*Interest of Certain Persons in Material Transaction*”. Accordingly, Azarga is a “related party” as defined in MI 61-101 and the entry into the Acquisition Agreement and acquisition of the Azarga Shares in exchange for Powertech Shares thereunder are “related party transactions” under MI 61-101. Under MI 61-101, a formal valuation and minority shareholder approval is required for all related party transactions, unless an exemption from these requirements is available. As an exemption from these requirements is not available under MI 61-101 for the acquisition of the Azarga Shares, a formal valuation and minority shareholder approval are required. Azarga is considered an interested Powertech Shareholder with respect to these matters and, as such, the 68,991,571 Powertech Shares held by Azarga will be excluded from voting on the Acquisition Resolution.

At the Meeting, the Disinterested Shareholders will be asked to consider and, if deemed appropriate, pass the Acquisition Resolution being an ordinary resolution approving the Acquisition under the Acquisition Agreement, in the form attached as Schedule “C” to this Information Circular.

This Information Circular is being delivered to provide, among other things, the disclosure necessary to allow Disinterested Shareholders to make an informed decision on the approval of the Acquisition Resolution.

### **Background to Acquisition Agreement**

Since July 2013, Azarga has made certain strategic investments in Powertech and has agreed to form strategic alliances with Powertech pursuant to the Private Placement Agreement, the Centennial Purchase Transaction and the Loan Agreement. See “*Interests of Informed Persons in Material Transactions*” above. The Acquisition is expected to make additional financing facilities and financial resources available to Powertech which it requires to progress through the completion of the permitting process for its Dewey-Burdock project and provide working capital.

The principal purposes of the Acquisition are: to provide Powertech with access to additional financing it requires to complete the permitting process for its Dewey-Burdock project and to provide working capital; to increase the scale and diversity of Powertech’s assets by adding Azarga’s assets to Powertech’s portfolio; to provide Powertech with increased access to strategic investors and financial stability; and to provide Powertech with additional expertise and experience by enhancing Powertech’s management team and board of directors with the addition of new members.

### **Acquisition Agreement**

The following summary of the material terms of the Acquisition Agreement below is qualified in its entirety by reference to the full text of the Acquisition Agreement, a copy of which has been filed on SEDAR and is incorporated by reference in this Information Circular. See “*Additional Information*” below.

Pursuant to the Acquisition Agreement, Powertech has agreed to acquire all of the issued and outstanding Azarga Shares in exchange for Powertech Shares. Each Azarga Shareholder shall receive for each Azarga Share held immediately prior to Closing, 3.65 Consideration Shares,

rounded down to the next whole number of Consideration Shares. A total of 279,636,213 Consideration Shares are expected to be issued to Azarga Shareholders in exchange for the 76,612,661 Azarga Shares currently outstanding. Upon issuance of the Consideration Shares and completion of the Acquisition, the former Azarga Shareholders will own approximately 77% of the issued and outstanding Shares on an undiluted basis, and the 68,991,571 Powertech Shares currently held by Azarga will be cancelled.

The Acquisition Agreement also provides that all of the Azarga Options outstanding immediately before Closing, whether or not vested, shall be exchanged for an option (each, a "**Replacement Option**") to acquire from Powertech the number of Powertech Shares (the "**Replacement Option Shares**") equal to the product of: (i) the number of Azarga Shares subject to such Azarga Options immediately prior to Closing and (ii) 3.65, provided that if the foregoing would result in the issuance of a fraction of a Replacement Option Share on any particular exercise of Replacement Options, then the number of Replacement Option Shares otherwise issued shall be rounded down to the nearest whole number of Replacement Option Shares. The exercise price per Replacement Option Share subject to a Replacement Option shall be C\$0.12 per Powertech Share for 31,923,787 Replacement Options and C\$0.15 per Powertech Share for 150,000 Replacement Options.

Pursuant to the Acquisition Agreement, the executive officers and directors of Powertech have agreed to enter into voting agreements (the "**Voting Agreements**") with Azarga in connection with the Acquisition Resolution and have agreed to vote any Powertech Shares owned by them in favour of the Acquisition Resolution. A total of 3,993,000 Powertech Shares will be subject to the Voting Agreements.

The completion of the Acquisition is subject to a number of conditions including, among other things, receiving the requisite approvals from: the Powertech Shareholders for the Acquisition Resolution; the securityholders of Azarga for the Acquisition; the TSX for the Acquisition, including satisfaction of the TSX's original listing requirements; and any key regulatory body and third party consents that are necessary for approval of the Acquisition. Completion of the Acquisition is also subject to each of Powertech and Azarga conducting and being satisfied with the due diligence in connection with the proposed Acquisition.

Each of Powertech and Azarga agreed to certain covenants prior to completion of the Acquisition, including conducting their business in the ordinary course.

In conjunction with the closing of the Acquisition, Powertech is expected to change its name to "Azarga Uranium Corp."

Powertech and Azarga have agreed not to solicit any offers, proposals, expressions of interest or inquiries (other than from each other and their respective representatives) relating to: an acquisition proposal for 20% or more of the fair value of the assets of Powertech or Azarga or 20% or more of the voting securities of Powertech or Azarga; any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Powertech or Azarga; or a business combination transaction involving Powertech or Azarga or any of their subsidiaries whose assets, individually or in the aggregate, constitute 20% or more of the fair market value of the consolidated assets of such party and its subsidiaries, taken as a whole. The non-solicitation obligations apply from the date of the Acquisition Agreement until approval is obtained for the Acquisition Resolution (the "**Non-Solicitation Period**"). If a bona fide offer is received during the Non-Solicitation Period without any breach of the non-solicitation obligations of either



party, and such offer is considered a superior proposal, the receiving party (the “**Terminating Party**”) shall notify the other party (the “**Matching Party**”) of such offer or proposal and provide them with the details thereof, and the Matching Party will have the right, but not the obligation, to match the superior proposal within five business days of being provided notice of the superior proposal. If the board of directors of the Receiving Party determines that the amended proposal of the Matching Party is a superior proposal, then the Receiving Party shall accept such amended proposal and reaffirm its recommendation of such amended proposal to its shareholders. If the board of directors of the Receiving Party determines that the amended proposal of the Matching Party is not a superior proposal, then it may recommend that its shareholders approve the third party’s acquisition proposal or offer.

The Acquisition Agreement also provides that Azarga will be required to reimburse Powertech for its expenses incurred in connection with the Acquisition Agreement if Azarga is in breach of its obligations or covenants under the Acquisition Agreement; or Azarga enters into, or is authorized to enter into, a superior proposal; or Azarga enters into, or the board of Azarga approves, an acquisition proposal within six months of the termination of the Acquisition Agreement (where the related thresholds as set out above are 50% instead of 20%). Conversely, the Acquisition Agreement also provides that Powertech will be required to reimburse Azarga for its expenses incurred in connection with the Acquisition Agreement if Powertech is in breach of its obligations or covenants under the Acquisition Agreement; the Board fails to recommend, or withdraws, amends, modifies or qualifies, its recommendation to the Powertech Shareholders to approve the Acquisition with Azarga (other than as a result of a material adverse effect on Azarga); or the Board authorizes Powertech to enter into an agreement for a superior proposal; or Powertech enters into, or the Board approves, an acquisition proposal within six months of the termination of the Acquisition Agreement (where the related thresholds as set out above are 50% instead of 20%).

### **Powertech Shares to be Issued on Conversion of the Powerlite Note Deed**

Powerlite has made a \$26,000,000 facility available to Azarga pursuant to the Powerlite Note Deed. The funds drawn down by Azarga pursuant to the Powerlite Note Deed bear interest at a rate of 10% per annum, which interest will be calculated from the date of each drawdown, as applicable, to the earlier of the date of conversion and May 22, 2023 being the maturity date. Azarga is not required to repay any portion of the principal or accrued interest under the Powerlite Note Deed in cash and may convert all amounts owing into Azarga Shares. The principal and accrued interest under the Powerlite Note Deed are convertible into Azarga Shares at the option of either Azarga or Powerlite on 10 days prior notice to the other party at a conversion price of \$0.50 per Azarga Share. See “*Information Concerning Azarga Resources Limited – Powerlite Note Deed*” for additional details regarding the terms of the Powerlite Note Deed.

On closing of the Acquisition, Powertech will have the ability to draw down funds under the Powerlite Note Deed and will assume Azarga’s obligations thereunder. The adjusted conversion price for the principal and accrued interest owed under the Powerlite Note Deed will be \$0.136986301 after giving effect to the Exchange Ratio. Accordingly, a maximum of 365,183,600 Powertech Shares may be issued to Powerlite on conversion of the principal and accrued interest under the Powerlite Note Deed assuming that: (i) the drawdowns of principal and accrued interest on such drawdowns are as set forth in the table below and (ii) that the total principal and accrued interest owed under the Powerlite Note Deed are converted into Powertech Shares on the maturity date of the facility being May 22, 2023:

	<b>Date of Drawdown</b>	<b>Amount (\$)</b>	<b>Interest Amount (\$)</b>	<b>Total Amount (\$)</b>
1 Tranche	7/26/2013	3,000,000.00	2,949,041.10	5,949,041.10
2 Tranche	8/29/2013	3,000,000.00	2,921,095.89	5,921,095.89
3 Tranche	10/23/2013	3,000,000.00	2,875,890.41	5,875,890.41
4 Tranche	10/23/2013	3,000,000.00	2,875,890.41	5,875,890.41
5 Tranche	1/3/2014	200,000.00	187,780.82	387,780.82
6 Tranche	1/15/2014	800,000.00	748,493.15	1,548,493.15
7 Tranche	2/24/2014	2,000,000.00	1,849,315.07	3,849,315.07
8 Tranche	4/2/2014	200,000.00	182,904.11	382,904.11
9 Tranche	5/14/2014	5,800,000.00	5,237,479.45	11,037,479.45
10 Tranche	1/1/2015	5,000,000.00	4,197,260.27	9,197,260.27
<b>Total Drawdown</b>		<b>26,000,000.00</b>	<b>24,025,150.68</b>	<b>50,025,150.68</b>

Of the maximum 365,183,600 Powertech Shares (representing approximately 239% of the current issued and outstanding Powertech Shares) which may be issued to Powerlite on conversion of the Powerlite Note Deed based on the assumptions set forth above, a maximum of 189,800,000 Powertech Shares (representing approximately 124% of the current issued and outstanding Powertech Shares) may be issued on conversion of the total principal amount of \$26,000,000 and a maximum of 175,383,600 Powertech Shares (representing approximately 115% of the current issued and outstanding Powertech Shares) may be issued on conversion of the total accrued interest amount of \$24,025,150.68. See “*Pro Forma Information Concerning Powertech Upon Completion of Acquisition – Fully Diluted Share Capital*”.

The actual drawdown dates under the Powerlite Note Deed may vary from the assumed dates set forth in the table above and the repayment or conversion of the amounts owed under the Powerlite Note Deed may occur earlier than the maturity date. Accordingly, the amount of interest payable on the principal and the total number of Powertech Shares to be issued on conversion of the Powerlite Note Deed may vary as well.

### **Powertech Shares to be Issued under Steele Employment Agreement**

On November 3, 2013, Azarga and Blake Steele entered into the Steele Employment Agreement whereby Mr. Steele agreed to act as CFO for Azarga on the terms and conditions of the Steele Employment Agreement. Under the Steele Employment Agreement, Azarga agreed that for each Azarga Share purchased by Mr. Steele from Azarga, up to a maximum of \$200,000 of Azarga Shares, Azarga would issue one additional Azarga Share to Mr. Steele for no additional consideration such that Mr. Steele is entitled to purchase \$400,000 of Azarga Shares for \$200,000 (the “**Share Match Right**”). As of the date of this Information Circular, Mr. Steele has purchased \$50,000 of Azarga Shares and Azarga has issued Mr. Steele an additional \$50,000 of Azarga Shares under the Steele Employment Agreement. A balance of \$150,000 of Azarga Shares remains available for purchase by Mr. Steele under the Share Match Right.

On closing of the Acquisition, Powertech will assume the Steele Employment Agreement, and thereby Azarga’s obligations under the Share Match Right, and will appoint Mr. Steele as the CFO of Powertech. Mr. Steele and Powertech have agreed that, notwithstanding the purchase price to be paid by Mr. Steele for the remaining \$150,000 of Powertech Shares to be acquired pursuant to the Share Match Right, the additional Powertech Shares to be issued by Powertech to Mr. Steele will be subject to a floor price of C\$0.065. On this basis, and assuming that the exchange rate of C\$1.0955 to \$1 is applied to the remaining \$150,000 under the Share Match

Right, the maximum number of Powertech Shares that may be issued to Mr. Steele pursuant to the Share Match Right is 2,528,077 Powertech Shares, which represents approximately 1.65% of the current issued and outstanding Powertech Shares. See *“Information Concerning Azarga Resources Limited – Three Year History – Steele Employment Agreement”*.

### **Information on Azarga Resources Limited**

Information in this Information Circular concerning Azarga has been provided to the Company by Azarga.

Azarga, a private company, was incorporated under the legislation of the British Virgin Islands on May 30, 2012. Azarga, together with its subsidiaries, is an integrated uranium, exploration and development company. Azarga owns an 80% interest in UrAsia in Kyrgyzstan Limited Liability Company, which owns uranium properties in the Kyrgyz Republic. The Company also holds investments in the following uranium exploration and development companies: Powertech Uranium Corporation, Black Range and Anatolia Energy Limited.

See *“Information Concerning Azarga Resources Limited”* for additional information.

### **Pro Forma Information on the Resulting Issuer**

See *“Pro Forma Information Concerning Powertech Upon Completion of the Acquisition”* for information.

### **Minority Shareholder Approval Under MI 61-101 and the TSX Company Manual**

The Powertech Shares are listed on the TSX, and Powertech is therefore subject to the requirements of MI 61-101 and the policies of the TSX. MI 61-101 is intended to regulate certain transactions to ensure the protection and fair treatment of minority securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties and independent valuations. Pursuant to MI 61-101, when an issuer enters into a “related party transaction” as such term is defined in MI 61-101 (which includes a transaction with a person that has beneficial ownership of, or control or direction over, directly or indirectly, securities of an issuer carrying more than 10% of the voting rights attached to all the issuer’s outstanding voting securities) (a **“Related Party Transaction”**), the approval of a majority of shareholders who are not interested parties with respect to the Related Party Transaction is required where either the fair market value of the object of the transaction or the fair market value of the consideration of the transaction exceeds 25% of an issuer’s market capitalization.

The entry into the Acquisition Agreement, and the transactions contemplated thereby, are considered Related Party Transactions as Azarga is a party to the Acquisition Agreement and Azarga holds more than 10% of the outstanding Powertech Shares. Under MI 61-101, Powertech is not exempt from the requirements of having to perform a formal valuation and obtain minority shareholder approval in connection with the Acquisition.

Certain sections of the TSX Company Manual (the **“Manual”**) also require Powertech to obtain the approval of Disinterested Shareholders for the Acquisition as follows:

- Section 604 of the Manual requires Powertech Shareholder approval as the Acquisition will materially affect control of Powertech;
- Section 611 of the Manual requires Powertech Shareholder approval as the number of Powertech Shares to be issued as consideration for the Acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis;
- Section 626 of the Manual requires Powertech Shareholder approval as the Acquisition constitutes a “backdoor listing” under TSX polices, because Powertech is acquiring Azarga, an unlisted issuer, with an accompanying change in effective control of Powertech which requires that Powertech meet the original listing requirements of the TSX; and
- Section 610 of the Manual requires Powertech Shareholder approval as the conversion price of the accrued interest payable under the Powerlite Note Deed which may be converted into Powertech Shares has not been determined in accordance with the provisions of Section 610.

Pursuant to the Acquisition Agreement, Powertech has agreed to acquire all of the issued and outstanding Azarga Shares in exchange for the issuance of 279,636,213 Consideration Shares representing approximately 77% of the issued and outstanding Powertech Shares on closing of the Acquisition. As a result, Powertech will be issuing more than 25% of the number of the Powertech Shares which are issued and outstanding, on a non-diluted basis, prior to the completion of the Acquisition. In addition, upon closing of the Acquisition, the Powertech Shareholders owing Powertech Shares prior to the Acquisition will own less than 50% of the Powertech Shares upon completion of the Acquisition and there will be an accompanying change in effective control of Powertech.

After giving effect to the Acquisition, to the knowledge of the directors and officers of Powertech and Azarga, the following table lists the names of the persons or companies that, will own, directly or indirectly, or exercise control or direction over Powertech Shares carrying more than 10% of the votes attached to all of the issued and outstanding Powertech Shares:

Name	Number held as at the closing of the Acquisition <sup>(1)</sup>	Percentage held as at the closing of the Acquisition <sup>(2)</sup>
Alexander Molyneux	71,678,302	19.7%
Curtis Church	70,262,500	19.3%
Pacific Advisers Pte Ltd.	36,691,275	10.1%
Powerlite Ventures Limited <sup>(3)</sup>	41,062,500	11.3%

<sup>(1)</sup> This information was supplied to Powertech and Azarga by the shareholders and from the insider reports available on SEDI at [www.sedi.ca](http://www.sedi.ca). Does not include any stock options or other convertible securities.

<sup>(2)</sup> Based on 363,590,775 Powertech Shares outstanding after giving effect to the Acquisition, on a non-diluted basis.

<sup>(3)</sup> Does not include Powertech Shares that may be issued to Powerlite upon conversion of the Powerlite Note Deed. Powerlite has entered into the Powerlite Note Deed with Azarga, pursuant to which Azarga will borrow up to the maximum amount of \$26,000,000, which is convertible into Powertech Shares at approximate C\$0.136986301 per Powertech Share. If the full amount of the loan facility is drawn down and the principal and accrued interest is converted into Powertech Shares on the maturity date, being March 22, 2023, Powerlite would acquire an additional 365,183,600 Powertech Shares resulting in an ownership position, on a fully-diluted basis, of 46.4%. For more details, see “Particulars of Matters to be Acted Upon – Azarga Acquisition – Powertech Shares to be Issued on Conversion of the Powerlite Note Deed”.

To the knowledge of the directors and executive officers of Powertech, after reasonable inquiry, no votes attached to the Powertech Shares other than those owned by Azarga will be excluded in determining whether approval for the Acquisition Resolution has been received by the Disinterested Shareholders. As of the Record Date, the 68,991,571 Powertech Shares held by Azarga (representing approximately 45.1% of the issued and outstanding Powertech Shares) will be excluded from voting on the approval of the Acquisition Resolution. The Acquisition remains subject to Disinterested Shareholder approval being obtained, and the completion thereof remains subject to TSX approval being obtained, including satisfaction of the TSX's original listing requirements.

As it is a covenant of Powertech under the Acquisition Agreement to seek to obtain Powertech Shareholder approval of the Acquisition Resolution, at the Meeting, the Disinterested Shareholders will be asked to consider, and if deemed appropriate, approve the Acquisition Resolution. If the Disinterested Shareholders do not approve the Acquisition Resolution, then Powertech and Azarga will be unable to complete the Acquisition.

## Valuation

### *Requirement for Formal Valuation*

Pursuant to MI 61-101, where an issuer issues securities to a related party in connection with a Related Party Transaction, a formal valuation of the Related Party Transaction must be obtained. The Acquisition is not exempt from the formal valuation requirement under MI 61-101 and as such, Powertech has obtained the Valuation with respect to the Acquisition.

### *Valuation Summary*

The Special Committee engaged Salman Partners on January 21, 2014 to consider the Acquisition and provide its opinion as to the value of the Azarga Shares. On February 20, 2014, Salman Partners delivered the written Valuation to the Special Committee.

The Valuation presents a summary of the implied fair market value ranges for the Azarga Shares as generated by various valuation methodologies as further described in the Valuation, subject to the assumptions, qualifications and limitations contained therein. The table below presents a summary thereof:

	\$/Azarga Share	
	Low	High
NAV Approach	\$0.20	\$0.26
Market Comparable Approach	\$0.36	\$0.50
Precedent Transaction	\$0.25	\$0.35
Weighted Range	\$0.27	\$0.36

In arriving at an opinion of fair market value of the Azarga Shares, Salman Partners did not attribute any particular weight to any specific factor but made qualitative judgments based on experience in rendering such opinions and on circumstances prevailing as to the significance and relevance of each factor. Salman Partners did, however, weight each valuation approach differently and ascribed the greatest amount of importance to the NAV approach.

Based upon and subject to the foregoing and such other factors as Salman Partners considered relevant, Salman Partners was of the opinion that, as of the date the Valuation, the fair market value of the Azarga Shares was in the range of \$0.27 to \$0.36 per Azarga Share.

The summary of the Valuation in this Information Circular is qualified in its entirety by reference to the full text of the Valuation, which sets forth, among other things, the assumptions, qualifications, considerations and limitations on the scope of review undertaken by Salman Partners in rendering the Valuation. The full text of the Valuation is included as Schedule "K" to this Information Circular.

The Company has agreed to pay Salman Partners a fee of \$215,000 for the provision of the Valuation. The Company has also agreed to indemnify Salman Partners against certain liabilities that might arise out of its engagement and to reimburse Salman Partners for its reasonable expenses.

Powertech urges Powertech Shareholders to read the Valuation carefully and in its entirety. However, the Valuation was provided to the Special Committee solely for the purpose of its consideration of the Acquisition, and is not a recommendation to any Powertech Shareholder as to how to vote or act on any matter relating to the Acquisition or the Acquisition Resolution.

See "*Particulars of Matters To Be Acted Upon – Acquisition of Azarga – Valuation*".

#### *Credentials of Valuator*

Salman Partners is an independent Canadian investment dealer whose business includes corporate finance, mergers and acquisitions, equity sales and trading and investment research. Salman Partners has participated in a significant number of transactions, including valuations, in the mining industry generally and in the uranium industry in particular. The Valuation is the opinion of Salman Partners and the form and content hereof has been reviewed and approved for release by a group of senior officers of Salman Partners, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

#### *Independence of Valuator*

Neither Salman Partners nor any of its affiliated entities (as defined in MI 61-101): (i) is an "issuer insider", "associated entity" or "affiliated entity" (as those terms are defined in MI 61-101) of Powertech; (ii) is an advisor to any "Interested Party" (within the meaning of MI 61-101) in connection with the Acquisition; (iii) is manager or co-manager of a soliciting dealer group for the Acquisition or a member of a soliciting dealer group for the Acquisition; or (iv) has a material financial interest in the completion of the Acquisition. There are no commitments, agreements or understandings involving Powertech or any of its associated entities or affiliated entities under which Salman Partners or any of its affiliates has a material financial interest in future business. Salman Partners or its affiliates may, in the future, in the ordinary course of their respective businesses, perform financial advisory or investment banking or other services to Powertech or any of its respective associated entities or affiliated entities.

Salman Partners and its directors and officers collectively own approximately 1% of the outstanding Powertech Shares. Salman Partners acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of Powertech and, from time to time, may have executed or may

execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, Salman Partners conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to Powertech or the Acquisition.

There is no past or present relationship between Salman Partners and either the Company or Azarga, nor is any future relationship anticipated, that could be relevant to a perception of lack of independence.

Having reviewed all such circumstances, the Board has determined that Salman Partners is qualified and independent within the meaning of MI 61-101 in connection with the preparation of the Valuation.

### Trading in Powertech Shares

The principal market on which the Powertech Shares are traded is the TSX. Although no change in principal market is planned following the closing of the Acquisition, if Powertech does not meet the TSX's original listing requirements on completion of the Acquisition, it will seek a listing on an alternative Canadian marketplace. The following table sets forth the volume of trading and price range of the Powertech Shares in the six month period prior to the date Powertech entered into the Acquisition Agreement:

Month	Average Daily Volume	Price Range (C\$)	
		High	Low
August 2013	76,178	0.10	0.08
September 2013	67,270	0.10	0.08
October 2013	106,169	0.095	0.07
November 2013	33,391	0.095	0.075
December 2013	71,045	0.08	0.055
January 2014	160,193	0.09	0.075
February 2014 <sup>(1)</sup>	247,169	0.08	0.065

<sup>(1)</sup> Trading data for the period from February 1, 2014 up to and including February 25, 2014.

The Acquisition Agreement was announced by news release on February 26, 2014. The market price of the Powertech Shares at the close of business on February 25, 2014, the last trading day prior to the public announcement of the Acquisition Agreement, was C\$0.08 per Share.

### Ownership of Securities of the Company

The following table sets forth the number, designation and the percentage of outstanding securities beneficially owned or over which control or direction is exercised (a) by each director and officer of Powertech, and (b) if known after reasonable enquiry, by (i) each associate or affiliate of an insider of Powertech, (ii) each associate or affiliate of Powertech, (iii) an insider of Powertech, other than a director or officer of Powertech, and (iv) each person acting jointly or in concert with Powertech:



Name of Shareholder and Relationship with the Company	Number of Common Shares Owned <sup>(1)</sup>	Percentage of Outstanding Common Shares <sup>(2)</sup>
Richard F. Clement, Jr. <i>President, Chief Executive Officer, Corporate Secretary and Director</i>	3,528,000 <sup>(3)</sup>	2.3%
Douglas E. Eacrett <i>Director</i>	175,000 <sup>(4)</sup>	0.1%
Malcolm F. Clay <i>Director</i>	290,000 <sup>(5)</sup>	0.2%
Matthew J.G. O’Kane <i>Director</i>	Nil	Nil
Apolonius (Paul) Struijk <i>Director</i>	Nil	Nil
Adria Hutchison <i>Chief Financial Officer</i>	Nil	Nil
Richard Blubaugh <i>Vice President, Health, Safety and Environmental Resources</i>	Nil <sup>(6)</sup>	Nil
John Mays <i>Vice President, Engineering</i>	Nil <sup>(7)</sup>	Nil
Azarga Resources Limited <i>Insider</i>	68,991,571 <sup>(8)</sup>	45.1%

(1) These numbers are derived solely from public filings made by these Shareholders on the System for Electronic Disclosure by Insiders (SEDI).

(2) Based on 152,946,133 Shares issued and outstanding as of November 12, 2013. Powertech believes that all persons hold legal title and Powertech has no knowledge of actual Powertech Share ownership.

(3) These Powertech Shares are held by the Clement Family Limited Partnership. This number does not include stock options to acquire an aggregate of 700,000 Powertech Shares, exercisable at C\$0.20 per Powertech Share until May 15, 2017. This number does not include any Powertech Shares to be issued to Mr. Clement pursuant to the Clement Settlement Agreement if the Settlement Resolution is approved at the Meeting and the TSX accepts such issuance.

(4) This number does not include stock options to acquire an aggregate of 350,000 Powertech Shares, exercisable at C\$0.20 per Powertech Share until May 14, 2017.

(5) This number does not include stock options to acquire an aggregate of 100,000 Powertech Shares, exercisable at C\$0.20 per Powertech Share until May 15, 2017. This number also does not include 125,000 Warrants, which will be exercisable at C\$0.20 per Powertech Share until November 6, 2014.

(6) This number does not include stock options to acquire an aggregate of 600,000 Powertech Shares, exercisable at C\$0.20 per Powertech Share until May 15, 2017. This number does not include any Powertech Shares to be issued to Mr. Blubaugh pursuant to the Blubaugh Settlement Agreement if the Settlement Resolution is approved at the Meeting and the TSX accepts such issuance.

(7) This number does not include stock options to acquire an aggregate of 500,000 Powertech Shares, exercisable at C\$0.20 per Powertech Share until May 15, 2017. This number does not include any Powertech Shares to be issued to Mr. Mays pursuant to the Mays Settlement Agreement if the Settlement Resolution is approved at the Meeting and the TSX accepts such issuance.

(8) This number does not include Warrants to acquire an aggregate of 1,500,000 Shares, of which 750,000 Warrants will be exercisable at C\$0.20 per Powertech Share until November 6, 2014, and 750,000 Warrants will be exercisable at C\$0.20 per Powertech Share until February 2016. If all of the Warrants were exercised and the entire Loan Facility was converted at a deemed conversion price of C\$0.095 per Share during the second 12 month period after the Initial Advance in accordance with its terms into 50,741,053 Powertech Shares, Azarga would hold approximately 59.0% of issued and outstanding Powertech Shares on a partially diluted basis



## Commitments to Acquire Securities of the Company

Except as disclosed herein, to Powertech's knowledge, there are no agreements, commitments or understandings to acquire securities of Powertech by any of the persons referred to in the table above under the heading "Ownership of Securities of the Company" except as disclosed in the footnotes to that table with respect to Powertech Shares that may be acquired upon the exercise of outstanding stock options or warrants or the conversion of the Loan Facility.

## Previous Purchases and Sales of Powertech Shares

Powertech has not purchased any of its securities in the twelve months preceding the date of this Information Circular. Other than as disclosed in the table below, the Company has not sold any securities in the twelve months preceding the date of this Information Circular, excluding securities sold pursuant to the exercise of employee stock options, warrants and conversion rights:

Description of the Transaction	Number of Shares Issued	Sale Price of the Shares	Date of Transaction	Purpose of Transaction
Private Placement	15,000,000	C\$1,500,000	February 27, 2013	Working capital and to advance the Company's mineral properties
Conversion of the Debenture <sup>(1)</sup>	8,450,035	C\$591,502	October 21, 2013	Working capital and to advance the Company's mineral properties

<sup>(1)</sup> As more fully described above under the heading "*Interest of Informed Persons in Material Transactions*".

On October 18, 2013, Powertech entered into the Loan Agreement with Azarga, whereby Azarga made available to Powertech the Loan Facility, which is convertible into Powertech Shares. For complete details of the Loan Facility, see the heading "*Interest of Informed Persons in Material Transactions*".

## Benefits from the Acquisition

To the best of Powertech's knowledge after reasonable inquiry, other than Azarga, none of the directors or officers of the Company, and none of the associates or affiliates of any insider of Powertech, or any person acting jointly or in concert with such persons, will derive any direct or indirect benefits by approving or rejecting the Acquisition Resolution, except those that may arise from their ownership of Powertech Shares or Azarga Shares where such persons will receive no extra or special benefit or advantage not shared by all Powertech Shareholders or Azarga Shareholders.

## Material Changes in the Affairs of Powertech

Other than as publicly disclosed, there are no plans or proposals for material changes in the affairs of Powertech expected to arise as a result of the entry into Acquisition Agreement and approval of the Acquisition Resolution.

## **Arrangements between Powertech and Powertech Shareholders**

Other than with Azarga and certain Shareholders, there are no agreements, commitments or understandings between Powertech and any Powertech Shareholders relating to the entering into of the Acquisition Agreement or the Acquisition Resolution.

## **Financial Statements**

Powertech's consolidated financial statements for the year ended December 31, 2013 are available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may also request a copy of the consolidated financial statements for the year ended December 31, 2013, at no charge, by contacting Adria Hutchison, Chief Financial Officer, at Suite #140 - 5575 DTC Parkway, Greenwood Village, Colorado, USA 80111, Telephone: 303.790.7528, Facsimile: 303.790.3885. See "Additional Information".

## **Expenses of Entry Into Acquisition Agreement**

The Company expects to incur expenses of approximately \$200,000 in connection with the entry into the Acquisition Agreement and completion of the Acquisition.

## **Acquisition Resolution**

At the Meeting, Disinterested Shareholders will be asked to consider and, if deemed appropriate, approve the Acquisition Resolution, in the form attached hereto as Schedule "C", as an ordinary resolution. The Acquisition Resolution must be approved by a majority of the Disinterested Shareholders who are present in person or represented by proxy at the Meeting.

## **Recommendation of the Board**

**The Board, with Matthew O'Kane abstaining, has approved the Acquisition and recommends that the Disinterested Shareholders approve, by way of ordinary resolution, the Acquisition Resolution, in substantially the form set forth at Schedule "C" hereto.**

## **2. Settlement of Deferred Compensation**

### **Summary**

In connection with closing of the Acquisition, the Company seeks to settle the Outstanding Debt (in the aggregate net amount of \$176,404) estimated to be owed to the Outstanding Debtholders for deferred compensation estimated to be owing as at June 30, 2014.

Subject to the receipt of the approval of the Settlement Resolution by disinterested Powertech Shareholders, the Outstanding Debt will be settled by the issuance of Powertech Shares. The number of Powertech Shares to be issued in settlement of the Outstanding Debt will be based on the five day VWAP of the Powertech Shares in the five trading days prior to the date of the Settlement, subject to a minimum settlement price of C\$0.065 per Powertech Share. As such, the maximum number of Powertech Shares that may be issued in settlement of the Outstanding Debt is 2,977,971 Powertech Shares, assuming the minimum settlement price of C\$0.065 per Powertech Share is applicable. The following table sets out examples of the number of Powertech Shares that may be issued to the Outstanding Debtholders in settlement of the Outstanding Debt depending on the VWAP of the Powertech Shares:

Name	Portion of Outstanding Debt (\$)	Powertech Shares Issuable if VWAP is C\$0.065 <sup>(1)(2)</sup> (#) / %	Powertech Shares Issuable if VWAP is C\$0.10 <sup>(1)(2)</sup> (#) / %	Powertech Shares Issuable if VWAP is C\$0.15 <sup>(1)(2)</sup> (#) / %
Richard Blubaugh	54,105	913,381 / 0.6%	593,697 / 0.4%	395,798 / 0.3%
Richard F. Clement, Jr.	101,429	1,712,275 / 1.1%	1,112,979 / 0.7%	741,986 / 0.5%
John Mays	20,870	352,315 / 0.2%	229,005 / 0.1%	152,670 / 0.1%
<b>Total</b>	<b>176,404</b>	<b>2,977,971 / 1.9%</b>	<b>1,935,681 / 1.2%</b>	<b>1,290,454 / 0.8%</b>

(1) Converted at an exchange rate of C\$1.0955 per \$1.

(2) Based on 152,946,133 Shares issued and outstanding as of November 12, 2013.

The Outstanding Debt is owed to the Outstanding Debtholders pursuant to the Deferred Compensation Agreements. Pursuant to the Deferred Compensation Agreements, each of the Outstanding Debtholders agreed to defer 25% of their respective consulting or employment fees until the date that is the earliest of: (a) November 15, 2014; (b) the termination of their respective consulting or employment agreement; and (c) the occurrence of a Change of Control (as defined in the Deferred Compensation Agreements) (in each case, the “**Payment Date**”), and the Company agreed to pay all deferred compensation within 30 days of the Payment Date. See “*Statement of Executive Compensation – Summary Compensation Table – Narrative Discussion*”.

On May 12, 2014, Powertech entered into settlement agreement with each of the Outstanding Debtholders, whereby the Company agreed to issue the Outstanding Debtholders Powertech Shares in full and final settlement of the Outstanding Debt.

#### *Minority Shareholder Approval of the Settlement*

The entry into the Settlement Agreements, and the Settlement contemplated thereby, are considered Related Party Transactions as Richard F. Clement, Jr., John Mays and Richard Blubaugh are senior officers of Powertech. Under MI 61-101, Powertech is exempt from the requirement of having to perform a formal valuation in connection with the Settlement; however, Powertech is not exempt from the requirement to obtain minority shareholder approval in connection with the Settlement. In addition, Section 613 of the Manual requires disinterested shareholder approval for any security based compensation arrangement, which would include the issuance of the Powertech Shares pursuant to the Settlement.

To the knowledge of the directors and executive officers of Powertech, after reasonable inquiry, no votes attached to the Powertech Shares other than those owned by Mr. Clement will be excluded in determining whether approval for the Settlement Resolution has been received by non-interested Powertech Shareholders. Mr. Mays and Mr. Blubaugh did not own any Powertech Shares as of the Record Date. As of the Record Date, the 3,528,000 Powertech Shares held by Mr. Clement (representing approximately 2.3% of the issued and outstanding Powertech Shares) will be excluded from voting on the approval of the Settlement Resolution. The Settlement remains subject to disinterested Powertech Shareholder approval being obtained, and the completion thereof remains subject to TSX approval being obtained.

## Settlement Resolution

At the Meeting, the Powertech Shareholders, except Mr. Clement, will be asked to consider and, if deemed appropriate, approve the Settlement Resolution, in the form attached hereto as Schedule "D", as an ordinary resolution. The Settlement Resolution must be approved by a majority of the disinterested Powertech Shareholders who are present in person or represented by proxy at the Meeting.

## Recommendation of the Board

**The Board, with Mr. Clement abstaining, has approved the settlement of the Outstanding Debt as set out in this Information Circular and recommends that the disinterested Powertech Shareholders approve, by way of ordinary resolution, the Settlement Resolution, in substantially the form set forth at Schedule "D".**

### 3. Approval of 20% Fixed Stock Option Plan

#### Summary

In connection with the Acquisition, Powertech seeks to adopt the 2014 Plan, which is a 20% fixed stock option plan, whereby the total number of Powertech Shares reserved and available for issuance (together with those Powertech Shares issuable pursuant to any other security based compensation arrangement of Powertech, including stock options granted under the 2011 Plan) cannot exceed 72,718,155 Powertech Shares, being 20% of the outstanding Powertech Shares assuming completion of the Acquisition.

Currently, Powertech has a 10% rolling stock option Plan, the 2011 Plan, whereby stock options to acquire up to a maximum of 10% of the issued and outstanding Shares may be granted. There are currently outstanding stock options to acquire up to 3,450,000 Powertech Shares under the 2011 Plan, representing approximately 2.3% of the current issued and outstanding Powertech Shares. Under the 2011 Plan, only 835,290 Powertech Options would remain available for grant, assuming completion of the Acquisition.

To accommodate the Powertech Options to be granted to holders of Azarga Options upon closing of the Acquisition and leave room available for additional Powertech Options to be granted as part of Powertech's compensation strategy to directors, officers, employees and consultants, Powertech seeks to adopt the 2014 Plan and thereby increase the number of stock options which are available for grant.

Under the Acquisition Agreement, it is estimated that Powertech Options to acquire approximately 30,705,037 Powertech Shares will need to be granted in exchange for outstanding Azarga Options on closing of the Acquisition, representing approximately 8.1% of the issued and outstanding Powertech Shares on a partially diluted basis and 44.1% of the total number of Powertech Shares available for grant pursuant to the 2014 Plan.

If the 2014 Plan is approved and the Acquisition is completed, 36,035,041 Powertech Shares (not including such number of Powertech Shares to be issued pursuant to the Settlement) would remain available for grant pursuant to the 2014 Plan, representing approximately 9.0% of the issued and outstanding Powertech Shares on a partially diluted basis and 49.6% of the total number of Powertech Shares available for grant pursuant to the 2014 Plan.

On May 12, 2014, the Board approved the 2014 Plan for Powertech. The 2014 Plan is subject to such approvals of the Powertech Shareholders and the TSX or other applicable stock exchanges as may be required from time to time by the terms of the 2014 Plan and the rules of the TSX or other applicable stock exchanges. At the Meeting, Powertech Shareholders will be asked to approve the 2014 Plan. A copy of the 2014 Plan is attached to this Information Circular as Schedule "F" hereto.

Under the 2014 Plan, the total number of Powertech Shares reserved and available for issuance (together with those Powertech Shares issuable pursuant to any other security based compensation arrangement of Powertech, including options granted under the 2011 Plan) cannot exceed 72,718,155 Powertech Shares. As of the date of this Information Circular, no options have been granted under the 2014 Plan. If the 2014 Plan is adopted at the Meeting, no further options will be granted under the 2011 Plan. If the 2014 Plan is not adopted at the meeting, Powertech will continue to grant options under the 2011 Plan.

### **Terms of the 2014 Plan**

The key provisions of the 2014 Plan are as follows:

- (a) Options may be granted from time to time to directors, officers, employees and consultants of the Company or a subsidiary of the Company, in such numbers as are determined by the Board at the time of the granting of the options.
- (b) The 2014 Plan provides that in the circumstance where the end of the term of an option falls within, or within ten business days after the end of, a "black out" or similar period imposed under any insider trading policy or similar policy of the Company (but not, for greater certainty, a restrictive period resulting from the Company or its insiders being the subject of a cease trade order of a securities regulatory authority), then the end of the term of such option shall be the tenth business day after the earlier of the end of such black out period or, provided the black out period has ended, the expiry date.
- (c) The number of Shares issuable pursuant to the 2014 Plan (when combined with all of Powertech's other security based compensation arrangements or options for services) to all insiders may not exceed 10% of the issued and outstanding Shares on a non-diluted basis from time to time.
- (d) The number of Shares which may be issued pursuant to the 2014 Plan (when combined with all of Powertech's other security based compensation arrangements or options for services) to all insiders of the Company within a one-year period may not exceed 10% of the issued and outstanding Shares on a non-diluted basis from time to time.
- (e) The exercise price of any options granted under the 2014 Plan shall be determined by the Board or the Compensation Committee, but in any event will be in compliance with the rules and policies of the TSX and shall not be less than the closing price of the Powertech Shares on the TSX for the last market trading day prior to the effective date of the grant of the option.
- (f) Subject to the automatic extension of the expiration date during a "black out" period as described in the 2014 Plan, the expiration date of each option and the extent to which each option is exercisable from time to time during the term of the option and other

terms and conditions relating to each option shall be determined by the Board or the Compensation Committee; provided that, the term shall not exceed five years.

- (g) If desired by the Board or the Compensation Committee, options granted under the 2014 Plan may be subject to vesting provisions.
- (h) Subject to any amendments approved by the Board or the Compensation Committee and provided that in no event will the expiry date of an option be extended beyond the original expiry date thereof, if (i) an option holder ceases to provide services to the Company, options granted to such option holder under the 2014 Plan will expire 30 days later, and (ii) an option holder dies or becomes disabled, options granted to such option holder under the 2014 Plan will expire one year from the death or disability of the option holder.
- (i) An option is personal to an optionee and non-assignable, subject to limited exceptions as set out in the 2014 Plan, such as in the event of the death of an optionee.
- (j) Powertech is authorized, in its sole discretion, to provide financial assistance to optionees to purchase Powertech Shares under the 2014 Plan, subject to applicable laws and the rules and policies of any securities regulatory authority, stock exchange or quotation system with jurisdiction over Powertech or a trade in securities of Powertech. Any financial assistance so provided will be repayable with full recourse and the term of any such financing shall not exceed the term of the option to which the financing applies.
- (k) The Board may at any time terminate or amend the 2014 Plan in certain respects without shareholder approval:
  - for the purposes of making formal minor or technical modifications to any of the provisions of the 2014 Plan;
  - to correct any ambiguity, defective provisions, error or omissions;
  - to reduce the exercise price of an option granted to a non-insider;
  - to change the vesting provisions of an option;
  - to change the termination provisions of an option or the 2014 Plan that does not entail an extension beyond the original expiry date of the option;
  - to add a cashless exercise feature to the 2014 Plan, providing for the payment in cash or securities on the exercise of options; and
  - to add or change provisions relating to any form of financial assistance provided by Powertech to participants that would facilitate the purchase of securities under the 2014 Plan;

provided, however, that (i) no amendment of the 2014 Plan may be made without the consent of the affected optionee if such amendment would adversely affect the rights of such optionee; and (ii) shareholder approval must be obtained in accordance with the requirements of the TSX for any amendment that results in:

- an increase in the number of Powertech Shares issuable under options granted pursuant to the 2014 Plan;
- a change in the persons who qualify as eligible optionees under the 2014 Plan;
- the cancellation and reissue of any option;
- a change to the participation limits set out in the 2014 Plan;
- a reduction in the exercise price of an option granted to an insider;
- an extension of the term of an option granted to an insider; or
- subject to certain limited exceptions, options becoming transferable or assignable.

Stock options granted pursuant to the 2011 Plan that are outstanding and unexercised will continue to be governed exclusively by the terms of the 2011 Plan and are included in the calculation of the maximum number of Powertech Shares issuable pursuant to the 2014 Plan. Assuming the 2014 Plan is approved at the Meeting, any future options granted will be granted under, and exclusively subject to the terms of, the 2014 Plan, until the 2014 Plan is amended or a new stock option plan is adopted by the Company.

The 2014 Plan is intended to provide Powertech with the ability to issue options to provide the employees, officers, directors and service providers of Powertech and its affiliates with long-term, equity based performance incentives, which are a key component of Powertech's compensation strategy. Powertech believes it is important to align the interests of management and employees with Powertech Shareholder interests and to link performance compensation to enhancement of Powertech Shareholder value. This is accomplished through the use of options whose value over time is dependent on the market value of the Powertech Shares.

A copy of the 2014 Plan is attached as Schedule "F" to this Information Circular.

### **2014 Plan Resolution**

At the Meeting, Powertech Shareholders will be asked to approve the 2014 Plan Resolution, in the form attached hereto as Schedule "E", as an ordinary resolution. The 2014 Plan Resolution must be approved by at least a majority of the votes cast by Powertech Shareholders represented in person or by proxy at the Meeting. The adoption of the 2014 Plan is subject to completion of the Acquisition.

### **Recommendation of the Board**

**The Board has unanimously approved the adoption of the 2014 Plan and recommends that the Powertech Shareholders approve, by way of ordinary resolution, the 2014 Plan Resolution, in substantially the form set forth at Schedule "E".**

## RISK FACTORS

### Risks Relating to the Acquisition

The completion of the Acquisition, and the Company's operations and financial performance following the Acquisition, are subject to transaction risks, the normal risks of mining and various factors which are beyond the control of the Company and Azarga. Certain of these risk factors are described below. The risks described below are not the only ones facing the Company and Azarga. Additional risks not currently known to the Company and Azarga, or that they currently consider immaterial, may also adversely impact the current or post-Acquisition business, operations, financial results or prospects of the Company, should any such other risks occur.

Powertech Shareholders should carefully consider the following risk factors in evaluating whether to approve the Acquisition. These risk factors should be considered in conjunction with the other information included in this Information Circular.

#### *Risks Relating to the Acquisition*

There are risks associated with the Acquisition including: (i) that market reaction to the Acquisition and the future trading prices of the Powertech Shares cannot be predicted, (ii) uncertainty as to whether the Acquisition will have a positive impact on the entities involved in the transaction, and (iii) that there is no assurance that required approvals will be received, including without limitation the risk that the TSX may not approve the Acquisition or that the TSX may determine that the issuer resulting from the Acquisition will not meet the TSX's original listing requirements.

Each of Powertech and Azarga has the right to terminate the Acquisition Agreement and Acquisition in certain circumstances. Accordingly, there is no certainty, and Powertech cannot provide any assurance, that the Acquisition Agreement will not be terminated by either Powertech or Azarga before the completion of the Acquisition. For example, Azarga has the right, in certain circumstances, to terminate the Acquisition Agreement if changes occur that, in the aggregate, have a material adverse effect on Powertech. Although a material adverse effect excludes certain events that are beyond the control of Powertech or Azarga (such as changes to the natural resource industry generally or in the capital markets generally), there is no assurance that a change having a material adverse effect on Powertech will not occur before the closing of the Acquisition, in which case Azarga could elect to terminate the Acquisition Agreement and the Acquisition would not proceed.

The completion of the Acquisition is subject to a number of conditions precedent, certain of which are outside the control of Powertech, including approval of the Acquisition Resolution by the Powertech Shareholders and acceptance of the Acquisition by the TSX. There can be no certainty, and Powertech cannot provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Acquisition is not completed, the market price of the Powertech Shares may decline to the extent that the market price reflects the assumption that the Acquisition will be completed. If the Acquisition is not completed, and the Powertech Board decides to seek another transaction, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the total consideration to be paid pursuant to the Acquisition.



Certain costs related to the Acquisition, such as legal, accounting and certain advisory fees, must be paid by Powertech and Azarga even if the Acquisition is not completed. Each of Powertech and Azarga is liable for its own costs incurred in connection with the Acquisition. See “*Particulars of Matters to be Acted Upon – Azarga Acquisition – Acquisition Agreement*”.

#### *Risks Associated with the Fixed Consideration*

Azarga Shareholders will have the right to receive a fixed number of Consideration Shares under the Acquisition, rather than Consideration Shares with a fixed market value. Because the exchange ratio will not be adjusted to reflect any change in the market price of the Powertech Shares, the market value of Consideration Shares received under the Acquisition may vary significantly from the market value at the dates referenced in this Information Circular. If the market price of the Powertech Shares increases or decreases, the value of the Consideration Shares that an Azarga Shareholder receives pursuant to the Acquisition will correspondingly increase or decrease. There can be no assurance that the market price of the Powertech Shares on the closing date of the Acquisition will not be lower than the market price of such shares on February 24, 2014 (the last trading day prior to the date on which the Acquisition Agreement was entered into) or the date of the Powertech Meeting. In addition, the number of Consideration Shares to be issued in connection with the Acquisition will not change despite decreases or increases in the market price of Powertech Shares. Many of the factors that affect the market price of the Powertech Shares are beyond the control of Powertech and Azarga, respectively. These factors include: fluctuations in commodity prices, fluctuations in currency exchange rates, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets and interest rate fluctuations.

#### *Possible Failure to Realize Anticipated Benefits of the Acquisition*

The success of Powertech upon completion of the Acquisition will depend in large part on Powerlite continuing to provide advances under the facility with Azarga, successfully consolidating Azarga’s functions and integrating operations, projects, procedures and personnel in a timely and efficient manner, as well as its ability to realize the anticipated growth opportunities from the business and operations of Azarga. If Powerlite does not provide further advances under such facility, then anticipated benefits of the Acquisition, including access to such facility to provide required working capital for Powertech, would not be realized and could negatively affect the operations and financial results of Powertech. The inability to achieve such growth could result in the failure of Powertech to realize the anticipated benefits of the Acquisition and could impair the results of operations and financial results of Powertech. The business combination of Powertech and Azarga will require the dedication of management effort, time and resources and this could divert management’s focus and resources from other strategic opportunities and from operational matters during this process.

#### *Risks Relating to Powertech*

Whether or not the Acquisition is completed, Powertech will continue to face many risk factors that it currently faces with respect to its business and affairs. Certain of these risk factors are described below under “*Risk Factors – Risks Relating to the Business of Powertech*”.

## *Risks Relating to Azarga*

See the risk factors described under the section “*Information Concerning Azarga Resources Ltd.. – Risk Factors Relating to Azarga*”.

### **Risks Relating to the Business of Powertech**

The Company’s operations and financial performance are subject to the normal risks of mining and are subject to various factors which are beyond the control of the Company. Certain of these risk factors are described below. The risks described below are not the only ones facing the Company. Additional risks not currently known to the Company, or that it currently considers immaterial, may also adversely impact the Company’s business, operations, financial results or prospects, should any such other risks occur.

#### *Events In Japan May Affect Public Acceptance of Nuclear Energy and the Company’s Permitting Timelines*

Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. In recent years, the nuclear industry had seen increased capacity at existing nuclear plants, extensions of plant licenses and new plant planning and construction. Public opinion in many countries had moved in favor of nuclear power, and recent increases in oil prices had made nuclear energy the lowest cost energy option in some countries. The recent natural disaster in Japan, with the resultant effect of same on certain of the country’s nuclear reactors, has caused concern internationally as to the safety of nuclear energy as a viable source of power.

Further, a number of heads of government and their legislative bodies have announced reviews and/or delays of plans to develop new nuclear power facilities. In the United States, the Chairman of the United States Nuclear Regulatory Commission (the “**NRC**”) has publicly stated that a more stringent review of design risks will be undertaken for both existing facilities and future applications for new nuclear power facilities. The additional scrutiny by the NRC could affect all parts of the organization including the licensing of new uranium production facilities. The recently elected government in Japan has announced a revised energy plan which embraces nuclear power and calls for restarts of reactors deemed safe by Japan’s Nuclear Regulation Authority. The Nuclear Regulation Authority recently placed two reactors by Kyushu Electric Power Company on a list for priority screening at a meeting of officials reviewing restart applications. Further the government also refused to rule out the construction of new reactors. Other relevant regulatory bodies could also react to these recent events, resulting in additional delays or barriers in permitting and licensing new uranium production operations. It is too soon for the Company to determine the long-term impact such events will have on the Company’s financial condition, results of operations and permitting plans, particularly as pertains to the Company’s Dewey-Burdock Project, which is at an advanced stage in the permitting process.

#### *The Company’s Financial Condition and Results of Operations May Be Adversely Affected by Changes in the Market Price of Uranium*

Substantially all of the Company’s potential revenues are anticipated to be derived from the sale of uranium products. The Company’s financial condition, results of operations, earnings and operating cash flow will be closely related and sensitive to fluctuations in the long- and short-

term market price of uranium. Historically, these prices have fluctuated widely. Between 1970 and 2013, the spot price of uranium has fluctuated between approximately \$7 per pound and approximately \$138 per pound. The current spot price of uranium is approximately \$29 per pound and the most recently reported long-term contract price is approximately \$45 per pound. The price of uranium has been and will continue to be affected by numerous factors beyond the Company's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; and production levels and costs of production. Recent events in Japan have resulted in downward pressure on the spot price of uranium and many uranium exploration and development companies have experienced a corresponding reduction in the trading value of their shares. It is too early to evaluate the long term effects of the events in Japan on the Company and the uranium industry generally.

If, after the commencement of uranium production, the price of uranium falls below the cost of production at the Company's planned mines, it may not be economically feasible to continue production at such sites. This would materially and adversely affect production, profitability and the Company's financial position. A continued decline in the market price of uranium may also require a write-down of the Company's mineral reserves and resources which would have a material and adverse effect on its financial condition, results of operations and profitability. Should any significant write-down in reserves and resources be required, material write-downs of the Company's investment in the affected mining properties and increased amortization, reclamation and closure charges may be required.

#### *Nuclear Energy Competes With Other Viable Energy Sources*

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrates and uranium conversion services, which in turn may result in lower market prices for uranium, which would materially and adversely affect the Company's business, financial condition and results of operations.

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

The Company has limited financial resources. The Company will continue to make substantial capital expenditures related to exploration, development and production. In particular the Company will have further capital requirements as it expands its present exploration activities at its uranium projects or if it takes advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it.

Volatile demand for uranium and the volatile price of uranium or the incurrence of unanticipated major liabilities or expenses may make it difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms or at all. Failure to obtain such additional financing, including further advances from Powerlite under the facility with Azarga, could result in delay or indefinite postponement of further exploration and development of its uranium projects with the possible loss of the rights to such properties. If the exploration or development of any mine is delayed, such delay would have a material and adverse effect on the Company's business, financial condition and results of operation.

### *The Company Faces Competition from Other Mining Companies for the Acquisition of New Properties*

There is a limited supply of desirable mineral lands available for acquisition, claim staking or leasing in the areas where the Company is currently active. Many participants are engaged in the mining business, including large, established mining companies with substantial technical and financial capabilities and long earnings records and which have access to more capital, in some cases have state support, have access to more efficient technology, and have access to reserves of uranium that are cheaper to extract and process. The Company may be at a competitive disadvantage in acquiring mining properties as many of its competitors have greater financial resources and larger technical staffs. Accordingly, there can be no assurance that the Company will be able to compete successfully with its industry competitors.

### *Sale of Uranium is Restricted by International Trade Regulations*

The supply of uranium is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of the Company and may affect the supply of uranium available in the United States and Europe, which are the largest markets for uranium in the world. If the Company is unable to supply uranium to important markets in the United States or Europe, its business, financial condition and results of operations may be materially and adversely affected.

### *Deregulation of the Electrical Utility Industry May Affect the Demand for Uranium*

The Company's future prospects are tied directly to the electrical utility industry worldwide. Deregulation of the utility industry, particularly in the United States and Europe, is expected to impact the market for nuclear and other fuels for years to come, and may result in the premature shutdown of some nuclear reactors. Experience to date with deregulation indicates that utilities are improving the performance of their reactors, achieving record capacity factors. There can be no assurance that this trend will continue.

### *Possible Loss of Interests in Exploration Properties*

If the Company fails to make any property payments or expenditures required to maintain its properties in good standing in a timely fashion, the Company may lose some or all of its interest in those properties. This is particularly significant with respect to its two projects, Dewey-Burdock and Centennial. A loss of an interest in either of these properties could have a material adverse effect on the Company's reported indicated and inferred resources.

### *The Company's Operations are Subject to Operational Risks and Hazards Inherent in the Mining Industry*

The Company's business is subject to a number of inherent risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents, which may involve radioactive or hazardous materials; labor disputes; power disruptions, catastrophic accidents; failure of plant and equipment to function correctly, the inability to obtain suitable or adequate equipment, fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, earthquakes, pit wall failures, ground movements, tailings, pipeline and dam failures and cave-ins; and encountering unusual or unexpected geological

conditions and technical failure of mining methods. The Company may also contract for the transport of its uranium and uranium products to refining, conversion and enrichment facilities in North America, which will expose the Company to risks inherent in transportation including loss or damage of transportation equipment and spills of cargo.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's uranium properties, personal injury or death, environmental damage, delays in the Company's exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

*Mineral Resource Estimates are Only Estimates and May Not Reflect the Actual Deposits or the Economic Viability of Uranium Extraction*

Resource figures included for uranium are estimates only and no assurances can be given that the estimated levels of uranium will actually be produced or that the Company will receive the uranium price assumed in determining its resources. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. While the Company believes that the resource estimates included herein and in its technical reports are well established and reflect management's best estimates, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in uranium, as well as increased capital or production costs or reduced recovery rates, may render ore resources containing lower grades of mineralization uneconomic and may ultimately result in a restatement of resources. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of resources is always influenced by economic and technological factors, which may change over time.

*Exploration, Development and Operating Risk*

The exploration for and development of uranium properties involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical, drilling and other related costs which appear to be rising; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

## *Currency*

Exchange rate fluctuations may affect the costs that the Company incurs in its exploration activities. Uranium is generally sold in United States dollars. Since the Company principally raises equity funds in Canadian dollars, but the Company's costs are primarily incurred in United States dollars, the appreciation/depreciation of the United States dollar against the Canadian dollar can impact the Company's operating costs and debt obligations.

## *Environmental Risks and Hazards*

All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general handling, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

The Company's Activities are Subject to Extensive Legislation in respect of Environment, Health and Safety

The Company's activities are subject to extensive federal, provincial, state and local laws and regulations governing environmental protection and employee health and safety. In addition, the uranium industry is subject not only to the worker health and safety and environmental risks associated with all mining businesses, but also to additional risks uniquely associated with uranium mining and milling. The Company is required to obtain governmental permits and provide associated financial assurance to carry on certain activities. The Company is also subject to various reclamation and other bonding requirements under federal, provincial, state or local air, water quality and mine reclamation rules and permits. Although the Company makes provision for reclamation costs, where appropriate, there is no assurance that these provisions will be adequate to discharge its obligations for these costs. Environmental and employee health and safety laws and regulations have tended to become more stringent over time. Any changes in such laws or in the environmental conditions at the Company's properties could have a material adverse effect on the Company's financial condition, cash flow or results of operations.

Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of licenses or permits and the imposition of penalties. There can be no assurance that the Company has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not adversely affect the Company's business, results of operations, financial condition or prospects.

### *Government Regulation*

The Company's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. Although the Company believes its exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of the Company are subject to government approvals, licenses and permits. Such approvals, licenses and permits are subject to various federal, state and local statutory requirements. No assurance can be given that the Company will be successful in obtaining or maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions hereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations or applicable laws or regulations.

Amendments to current laws and regulation governing operations or more stringent implementation thereof could have a substantial impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

Specific to the Company's Centennial Project, originating from opposition to the Centennial Project by numerous interested parties in Colorado, a new bill was signed (House Bill 1161) creating a specialized regulatory regime for in-situ uranium recovery in the State of Colorado. This new law could, upon implementation, establish standards for in-situ recovery mining and restoration that may ultimately affect the profitability of the Centennial Project.

### *Public Involvement in the Permitting Process*

The process of obtaining radioactive materials licenses ("RML") from the US Nuclear Regulatory Commission and those required in the states that the Company is operating in allow for public participation. If a third party chooses to object to the issuance of any RML or permit required by the Company, significant delays may occur before the Company is able to secure an RML or permit. Generally, the public objections can be overcome with the passage of time and through the procedures set forth in the applicable permitting legislation. However, the regulatory agencies must also allow and fully consider public comment according to such

procedures and there can be no assurance that the Company will be successful in obtaining any RML or permit.

#### *Native American Involvement in the Permitting Process*

None of the Company's properties are located within the boundaries of "Indian Country." This term means several types of property interests that are controlled or owned by Native Americans under the jurisdiction of the U.S. Federal Government. However, under Federal legislation, "historic cultural properties of religious significance that can be identified are to be avoided or activities are to be mitigated such that the essential nature of the properties is not lost to a culture. Throughout the western United States, Indian tribes have had historical relationship with properties that are now owned by private parties, the Federal Government or State Government. In any Federal permitting action on these properties, the agency involved is required to make an effort to communicate with Native American Tribes to determine any areas of "Traditional Cultural Significance." Because this process involves "Government to Government" discussions with potentially affected tribes, some delays in review of these issues can occur and in the event that "Traditional Cultural Properties" are determined to exist within a project area, the company and agency must determine the best manner of development with minimum disturbance or determine how to mitigate that disturbance. This process could affect the timing for final licensing of the Company's Dewey-Burdock Project.

#### *Political Risk*

The Company's future prospects may be affected by political decisions about the uranium market. There can be no assurance that the United States or other government or quasi-governmental authority will not enact legislation or other rules restricting uranium extraction and processing activities, or restricting to whom the Company can sell uranium. In addition the price of uranium may be affected by decisions of national governments to decommission nuclear weapons, thereby increasing the supply of uranium.

#### *The Company has no History of Mineral Production or Mining Operations*

The Company has never had uranium producing properties. There is no assurance that commercial quantities of uranium will be discovered at its properties or other future properties nor is there any assurance that the Company's exploration program thereon will yield positive results. Even if commercial quantities of uranium are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where uranium resources can profitably be produced therefrom. Factors which may limit the ability of the Company to produce uranium resources from its properties include, but are not limited to, the spot price of uranium, availability of additional capital and financing and the nature of any mineral deposits.

The Company does not have a history of mining operations and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

#### *Future Sales of Common Shares by Existing Shareholders*

Sales of a large number of the Powertech Shares in the public markets, or the potential for such sales, could decrease the trading price of the Powertech Shares and could impair the Company's ability to raise capital through future sales of the Powertech Shares. Substantially all of the Powertech Shares can be resold without material restriction in Canada.



### *No Assurance of Titles or Borders*

The acquisition of the right to exploit mineral properties is a very detailed and time consuming process. There can be no guarantee that the Company will be able to acquire title to surface and mineral rights in the future. Titles to the Company's current and/or future surface or mineral properties may be challenged or impugned and title insurance is generally not available. The Company's surface or mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on the Company's operations. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

### *Availability of Qualified Personnel*

The mining industry generally is experiencing a significant shortage of qualified personnel particularly in the availability of professionals such as mining engineers, metallurgists and geologists. There is also a shortage of staff and skilled workers and, as a result, training to fill the positions may be necessary in order to achieve the Company's planned production activities. The uranium industry is further impacted based on the need for professionals and skilled workers because the downturn of the uranium market in the 1980's resulted in a loss of skills and considerably fewer people entering the market in this area of mineral industry. The current demand for people has also resulted in a significant escalation of salaries and wages.

### *Need for Additional Mineral Reserves and Delineation of Mineral Reserves*

Because mines have limited lives based on proven and probable mineral reserves, the Company will be required to continually replace and expand its mineral reserves if, and when its mines produce uranium. The Company's ability to maintain or increase its annual production of uranium in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral reserves at existing mines.

The Company may be unable to acquire rights to explore additional attractive mining properties on acceptable terms due to competition for mineral acquisition opportunities with larger, better established mining companies with greater financial and technical resources. There can be no assurance that the Company will be able to bring any of its properties into production or achieve mineral reserves on its properties.

### *The Company's Insurance Coverage Does Not Cover All of its Potential Losses, Liabilities and Damage Related to its Business, and Certain Risks are Uninsured or Uninsurable*

While the Company may obtain insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance, or in excess of insurance coverage, or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and potentially its financial condition and results of operations.

No assurance can be given that the Company's insurance will be available at economically feasible premiums or at all, or that it will provide sufficient coverage for losses related to these or other risks and hazards.

*Proposed Amendments to the United States General Mining Law of 1872 May Have an Adverse Effect on the Company's Business*

Some of the Company's mineral properties comprise unpatented mining claims in the United States. There is a risk that a portion of the Company's unpatented mining claims could be determined to be invalid, in which case the Company could lose the right to mine mineral reserves contained within those mining claims. Unpatented mining claims are created and maintained in accordance with the General Mining Law of 1872. Unpatented mining claims are unique to United States property interests, and are generally considered to be subject to greater title risk than other real property interests due to the validity of unpatented mining claims often being uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the General Mining Law of 1872. Unpatented mining claims are always subject to possible challenges of third parties or contests by the federal government. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law.

In recent years, the United States Congress has considered a number of proposed amendments to the General Mining Law of 1872. If adopted, such legislation, among other things, could impose royalties on mineral production from unpatented mining claims located on United States federal lands, result in the denial of permits to mine after the expenditure of significant funds for exploration and development, reduce estimates of mineral reserves and reduce the amount of future exploration and development activity on United States federal lands, all of which could have a material and adverse effect on the Company's cash flow, results of operations and financial condition.

*Shareholders' Interest in the Company May Be Diluted in the Future*

The Company may require additional funds to fund the Company's exploration and development programs and potential acquisitions. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders.

*The Company May Issue Additional Common Shares in the Future to Raise Capital or on the Exercise of Outstanding Stock Options and Warrants*

Sales of substantial amounts of Powertech Shares, or the availability of such Powertech Shares for sale, could adversely affect the prevailing market prices for the Powertech Shares. A decline in the market prices of the Powertech Shares could impair its ability to raise additional capital through the sale of new Powertech Shares should the Company desire to do so.

*The Market Price for Powertech Shares Cannot be Assured*

Securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not

necessarily been related to the operating performance, underlying asset values or prospects of such companies.

In the past, following periods of volatility in the market price of a company's securities, shareholders have instituted class action securities litigation against those companies. Such litigation, if instituted, could result in substantial costs and diversion of management attention and resources, which could significantly harm the Company's profitability and reputation.

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

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

## **INFORMATION CONCERNING AZARGA RESOURCES LIMITED**

The following information about Azarga is presented on a pre-Acquisition basis and reflects the current business, financial and share capital position of Azarga. See "*Pro Forma Information Concerning Powertech Upon Completion Of The Acquisition*" for pro forma business and share capital information relating to Powertech upon completion of the Acquisition.

The information contained in this section has been prepared by management of Azarga and contains information in respect of the business and affairs of Azarga. Information provided by Azarga is the sole responsibility of Azarga and Powertech does not assume any responsibility for the accuracy or completeness of such information.

### **About Azarga**

Azarga, a private company, was incorporated under the legislation of the British Virgin Islands on May 30, 2012. Azarga, together with its subsidiaries, is an integrated uranium, exploration and development company. Azarga owns an 80% interest in UrAsia in Kyrgyzstan Limited Liability Company, which owns uranium properties in the Kyrgyz Republic. The Company also holds investments in the following uranium exploration and development companies: Powertech Uranium Corporation, Black Range and Anatolia Energy Limited ("**Anatolia**").

For more information regarding Azarga, see Azarga's Management Discussion and Analysis for the years ended December 31, 2013 and 2012 which is included as Schedule "G" to this Information Circular.

### **Corporate Structure**

#### *Name and Incorporation*

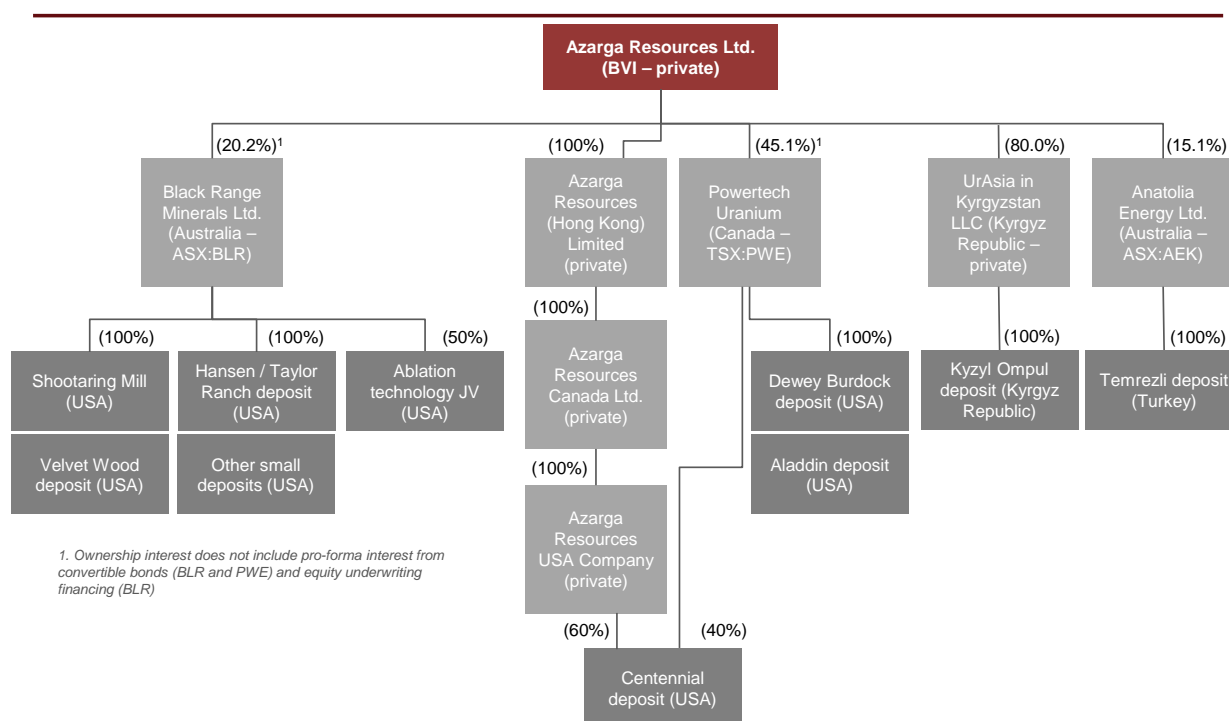
Azarga's full corporate name is "Azarga Resources Limited". Azarga was incorporated, and exists, pursuant to the laws of the British Virgin Islands. Its head office address is Suite 4607-11, The Center, 99 Queen's Road, Central, Hong Kong and its registered and records office is located at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

## Intercorporate Relationships

Azarga has one wholly-owned subsidiary, being Azarga Resources (Hong Kong) Limited (“**Azarga Hong Kong**”), a Hong Kong company. Azarga Hong Kong is the sole shareholder of Azarga Resources Canada Ltd. (“**Azarga Canada**”), a British Columbia company, which in turn is the sole shareholder of Azarga Resources USA Company (“**Azarga USA**”), a Colorado company. Azarga holds its 60% interest in the Centennial Project indirectly through Azarga USA.

In addition, as at the date of this Information Circular, Azarga holds interests as a significant shareholder in the following companies: a 20.2% Black Range, an Australian company listed on the ASX under the trading symbol “ASX:BLR”; a 45.1% interest in Powertech; a 80% interest in UrAsia in Kyrgyzstan LLC, a Kyrgyz Republic company; and a 15.1% interest in Anatolia Energy Ltd., an Australian company listed on the ASX under the trading symbol “ASX:AEK”.

The following organizational chart summarizes Azarga’s inter-corporate relationships:



## Description of the Business

### History

Azarga was incorporated under the laws of the British Virgin Islands on May 30, 2012 under the name of “Azarga Resources Limited”. Azarga Hong Kong was incorporated under the laws of Hong Kong on March 15, 2013; Azarga Canada was incorporated under the laws of British Columbia on December 5, 2013; and Azarga USA was incorporated under the laws of Colorado on December 4, 2013.

As described in the organizational chart above, Azarga is a significant shareholder of: Black Range, an Australian company listed on the ASX, and holds approximately 20.2% of the issued and outstanding shares of Black Range; UrAsia, a private company existing under the laws of the Kyrgyz Republic, and holds approximately 80% of the issued and outstanding shares of UrAsia; and Anatolia, an Australian company listed on the ASX, and holds approximately 15.1% of the issued and outstanding shares of Anatolia.

#### *Competitive Conditions*

Azarga competes with other uranium investment companies, some of which have greater financial resources, for, among other things: (i) financing; (ii) the recruitment and retention of engineers, other employees and consultants; and (iii) identifying properties and companies for investment.

#### *Environmental Protection*

The financial and operational effects of environmental protection requirements on capital expenditures, earnings and the competitive position of Azarga are not expected to be material during the current financial year. However, environmental protection requirements may cause additional capital expenditures and reductions in earnings, and affect the competitive position of Azarga in the future.

#### *Specialized Skills and Knowledge*

Azarga relies on the specialized skills of management and consultants in the uranium exploration and development sector. The loss of any of these individuals could have an adverse effect on Azarga.

#### *Bankruptcies*

No bankruptcy, receivership or similar proceedings have been brought against Azarga or any of its subsidiaries within the three most recently completed financial years and no voluntary bankruptcy, receivership or similar proceedings by any of such entities have been completed within the three most recently completed financial years.

#### *Employees*

As at December 31, 2013, and the date of this Information Circular, Azarga and UrAsia had 26 employees. Management and consultants provide their services primarily through consulting agreements.

### **Three Year History**

#### *Seed Financings*

On July 31, 2012, Azarga completed its seed round of financing by issuing a total of 50,000,000 Azarga Shares for gross proceeds of \$200,000. On closing of this financing, Alexander Molyneux and Curtis Church each held 37.5% of the issued and outstanding Azarga Shares and Pacific Advisers Limited Pte. ("**Pacific Advisers**") held 25% of the issued and outstanding Azarga Shares.

From August 1, 2012 to the date of this Information Circular, Azarga completed a private placement in several tranches of a total of 26,612,661 Azarga Shares for gross proceeds of \$10,595,064 (\$2,500,000 of which was offset against amounts owing under the agreement with UrAsia). On closing of this financing, the significant shareholders of Azarga were as follows: Alexander Molyneux and Curtis Church held 25.6% and 25.1%, respectively, of the issued and outstanding Azarga Shares, Pacific Advisers held 13.1% of the issued and outstanding Azarga Shares, and Powerlite held 14.7% of the issued and outstanding Azarga Shares. Azarga entered into an investment agreement with each of the subscribers pursuant to this financing.

#### *Azarga Stock Option Plan*

On April 29, 2012, Azarga adopted an employee and director share option plan, whereby options to acquire Azarga Shares may be granted to eligible participants. As of May 13, 2014, a total of 8,787,339 Azarga Shares have been reserved for issuance under this plan and certain employment agreements, of which: 957,500 are exercisable at \$0.40 per share until May 1, 2018; 42,500 are exercisable at \$0.40 per share until November 4, 2018; 150,000 are exercisable at \$0.50 per share until November 4, 2018; 7,262,339 are exercisable at \$0.40 until a period of five years after the Closing of the Acquisition; and 375,000 are to be issued in accordance with employment agreements. See “*Particulars of Matters to be Acted Upon – Azarga Acquisition*” and “*Information Concerning Azarga Resources Limited – Prior Sales*”.

#### *Azarga Loan Agreement*

On July 31, 2012, Azarga entered into a loan agreement (the “**Azarga Loan Agreement**”) with the founders of Azarga, namely Alexander Molyneux, Curtis Church and Pacific Advisers, whereby Mr. Molyneux, Mr. Church and Pacific Advisers (collectively, the “**Lenders**”) made a loan facility in the principal amount of \$1,800,000 available to Azarga in order to fund the working capital requirements of UrAsia. Azarga is a majority shareholder in UrAsia. All unpaid principal and interest under the Azarga Loan Agreement are due and payable on July 31, 2015. The principal amounts advanced are subject to interest at a rate of 10% per annum.

The unpaid balance of principal and interest may be, in part or in total, converted at any time, at the option of the Lender, into Azarga Shares. The conversion rate will be based on the valuation of Azarga in its most recent sale of Azarga Shares to any outside third party. As permitted by law or agreement, the conversion price will be equal to the issue price of Azarga’s share upon listing on a stock exchange. The Lenders will give Azarga 30 days’ notice of their intention to convert any unpaid principal and interest into Azarga Shares. On July 31, 2015, the initial term of the loan will end and Azarga will have the option to extend the due date for payment of the principal amount of the loan advanced under the Azarga Loan Agreement for an additional three years, provided that if Azarga exercises this option, it will be required to pay interest at a rate of 15% per annum on the amounts outstanding under the loan. Azarga is required to give the Lenders 30 days’ notice of its intention to extend the due date for repayment of the loan. Azarga has the right to repay the principal and interest under the loan before the maturity date from the proceeds of a capital raise or if the loan is refinanced or replaced by a new note.

If any amounts owing under the Azarga Loan Agreement are not paid within 30 days of the deadline for payment, then Azarga will be subject to a late fee equal to 2% of the total amount to be paid. Azarga will be in default of the Azarga Loan Agreement if it fails to make any

payment on time for any reason, and in such circumstances the Lenders may demand immediate payment of the entire unpaid balance of the loan without notice.

On February 12, 2014, Azarga and the Lenders amended the Azarga Loan Agreement to extend the maturity date of the loan to July 31, 2017. The conversion features were also amended to provide that if, prior to conversion, Azarga is a party to any merger, business combination, tender offer, exchange offer, take-over bid, arrangement or other transaction (each, a “**Reorganization**”) whereby the Azarga Shares are replaced by or reconstituted into shares of a new entity (the “**New Entity**”) formed upon completion of the Reorganization, the Lenders shall be issued the lower of (i) as permitted by law or agreement, shares of the New Entity calculated using a conversion price equal to the prevailing 20 day volume weighted average share price of the New Entity’s shares preceding the conversion by the Lenders, or (ii) the number of New Entity shares using a valuation of \$0.40 per share, adjusted by the conversion ratio of Azarga Shares to the new Entity shares applicable in the Reorganization.

As of May 13, 2014, a total of \$1,776,000 in principal and \$139,161 in interest is owing under the Azarga Loan Agreement.

#### *Powerlite Note Deed*

On May 22, 2013, Azarga entered into the Powerlite Note Deed, whereby Powerlite agreed to loan funds to Azarga of up to \$15,000,000, which amount would bear interest at a rate of 10% per annum. Azarga may only make drawings under the deed from May 22, 2013 to May 22, 2023. For each draw, Azarga shall give Powerlite not less than 14 days prior to requiring the drawing, a notice of drawing. Each notice of drawing shall be for an amount equal to \$3,000,000. Within 2 business days after each date upon which Azarga draws down the facility, Azarga must issue to Powerlite such number of notes as is commensurate with the amount of the facility drawn down. The notes and the facility are unsecured and will rank equally with all other unsecured creditors of Azarga. Interest on each note will accrue from day to day until the conversion date, being the earlier of the date at which the conversion into Azarga Shares takes place and May 22, 2023.

Powerlite will be entitled to convert each of the notes together with any accrued interest held by Powerlite into Azarga Shares by delivering a noteholder conversion notice, together with the noteholder’s note certificate to Azarga at any time after the issue date. The note may only be converted in full and not part. Within 10 business days of receipt of the noteholder conversion notice, Azarga will allot and issue to Powerlite that number of Azarga Shares calculated as follows: each note and any accrued interest will convert into Azarga Shares at the price of \$0.50 per Azarga Share. The Azarga Shares allotted and issued upon the conversion will rank equally in all respects with all issued fully paid Azarga Shares at the conversion date. Azarga will be entitled to convert each of the notes together with any accrued interest held by Powerlite into Azarga Shares by delivering a company conversion notice at any time after the earlier of 6 months from the issue date or a BLR conversion (defined herein). A “BLR conversion” refers to an event causing conversion of any convertible notes, converting loan or debenture held by Azarga in Black Range to ordinary shares of Black Range. The note may only be converted in full and not part.

Within 10 business days of dispatch of the company conversion notice, Azarga will allot and issue to Powerlite that number of Azarga Shares calculated as follows: each note and any accrued interest will convert into Azarga Shares at the price of \$0.50 per Azarga Share. The

Azarga Shares allotted and issued upon the conversion will rank equally in all respects with all issued fully paid ordinary shares in the capital of Azarga at the conversion date. All outstanding notes together with any accrued interest will automatically convert to Azarga Shares within 10 business days of May 22, 2023. The note may only be converted in full and not part.

Azarga will allot and issue to Powerlite that number of Azarga Shares calculated as follows: each note and any accrued interest will convert into Azarga Shares at the price of \$0.50 per Azarga Share. The Azarga Shares allotted and issued upon the conversion will rank equally in all respects with all issued fully paid Azarga Shares at the conversion date. Each note and, where applicable, any accrued interest will convert into Azarga Shares at the conversion price of \$0.50 per Azarga Share. Upon the conversion of all amounts owing to Powerlite into Azarga Shares, the obligations of Azarga in respect of the notes (including the facility) will be extinguished. The entire facility is subject to the condition that Azarga has entered into an agreement to provide Black Range financing through equity, equity underwriting, debt and convertible notes exceeding \$10,000,000. As at the date of this Information Circular Azarga has satisfied this condition.

Subject to the deed, with the consent of Azarga, which consent shall not be unreasonably withheld, the notes may be freely transferred by an instrument in writing in common form or in such other form as Azarga may approve. Among other things, it is an event of default for there to be a change in control of Azarga or a subsidiary of Azarga without the prior written approval of Powerlite. If an event of default occurs, Powerlite may then, or at any subsequent time by notice to Azarga, require Azarga to convert all of the notes together with any accrued interest held by Powerlite into Azarga Shares, and Powerlite may cancel its obligations (if any) under the deed or the notes.

The Powerlite Note Deed was amended by the parties on August 28, 2013 and February 12, 2014. In connection with the amended Powerlite Note Deed, the total amount that can be drawn down under the facility was increased to \$26,000,000, with each draw to be in an amount to be mutually agreed to by Azarga and Powerlite. The final \$5,000,000 under the deed may be drawn-down during 2015 on a schedule to be agreed to by Azarga and Powerlite in writing prior to the end of 2014.

#### *Black Range Loan Agreement*

On July 2, 2013, Azarga entered into a convertible loan agreement (the “**First Black Range Convertible Loan Agreement**”) with Black Range which was amended on October 26, 2013 and February 25, 2014, whereby Azarga agreed to make advances to Black Range in an amount of up to A\$2,000,000. Black Range may draw down under the loan by giving written notice to Azarga specifying the amount required and a date for the advance to be provided in cleared funds, being a date not less than 5 business days after the date notice is given to Azarga. Only one draw down is permitted per month. The maximum draw down amount per month is A\$750,000 for the first month and A\$500,000 per month thereafter.

Subject to satisfaction of the conversion condition (defined herein), the loan shall automatically be converted 24 months from the date of the first advance if not previously redeemed. The “conversion condition” provides that Black Range must obtain all necessary regulatory and shareholder approvals pursuant to the ASX listing rules, the Corporations Act 2001 (Cth) or any other law to allow Black Range to issue shares in satisfaction of the repayment of the



outstanding amount under the convertible loan agreement. Subject to its compliance with any relevant law or regulation, Black Range shall procure the directors to recommend to shareholders to vote in favour of any such approval.

Upon conversion, Black Range shall on the issue date, issue that number of fully paid ordinary shares in the capital of Black Range ranking *pari passu* with the existing issued ordinary share capital of Black Range that is equal to the redemption amount divided by A\$0.01. The redemption amount is: (i) 110% of the amount being redeemed where the date of the advance was up to but not including 6 months before the redemption date; (ii) 115% of the amount being redeemed where the date of the advance was not less than 6 months before the redemption date and not more than 12 months before the redemption date; or (iii) 130% of the amount being redeemed where the date of the advance was more than 12 months before the redemption date. The redemption date means 7 days after the date of delivery of a redemption notice or within 30 days of the occurrence of the redemption event (defined herein). A “redemption event” is the first to occur of (i) Black Range shareholder approval for the conversion condition not being obtained, and (ii) a shareholder meeting of the Black Range shareholders seeking the approval of the conversion condition not being held by June 27, 2014.

The issue of shares in accordance with conversion operates in satisfaction of Black Range’s obligation to Azarga in respect of the loan. At any time before 24 months from the date of the first advance, Black Range is entitled, at its sole election, to deliver to Azarga a redemption notice following which the loan (or part thereof as specified in the redemption notice) shall be redeemed. Upon occurrence of a redemption event, Black Range will be deemed to have elected to redeem the loan in full. Upon redemption in accordance with the company’s right, Black Range shall on the redemption date deliver to Azarga, in cleared funds, the redemption amount. The payment in accordance with automatic redemption operates in satisfaction of Black Range’s obligation to Azarga in respect of the portion of the loan so redeemed. Azarga shall only be permitted to transfer the loan with the prior written consent of Black Range, which shall not be unreasonably withheld.

On October 26, 2013, Azarga and Black Range amended the First Black Range Convertible Loan Agreement, whereby Azarga agreed to convert A\$638,000 of the loan into ordinary shares of Black Range, subject to execution of a second convertible loan agreement with Black Range. Azarga and Black Range entered into a convertible loan agreement dated October 26, 2013, as amended February 25, 2014 (the “**Second Black Range Convertible Loan Agreement**”). The amendment to the First Black Range Convertible Loan Agreement also provided that for the avoidance of doubt, the redemption amount excludes the conversion amount of A\$638,000 where shares have been issued upon conversion in accordance with the First Black Range Convertible Loan Agreement. Azarga agrees to make advances to Black Range of up to A\$1,500,000 pursuant to the Second Black Range Convertible Loan Agreement.

The Second Black Range Convertible Loan Agreement provides that Black Range may draw down under the loan by giving written notice to Azarga specifying the amount required and a date for the advance to be provided in cleared funds, being a date not less than 5 business days after the date notice is given to Azarga. Only one draw down is permitted per month in the maximum amount of A\$500,000 per month. Subject to satisfaction of the conversion condition (defined herein), on the date that is 24 months from the date of the first advance, Azarga will be deemed to have elected to convert the portion of the loan that remains payable to Azarga. The “conversion condition” provides that Black Range must obtain all necessary regulatory and shareholder approvals pursuant to the ASX listing rules, the Corporations Act 2001 (Cth) or any

other law to allow Black Range to issue shares in satisfaction of the repayment of the outstanding amount under the convertible loan agreement. Subject to its compliance with any relevant law or regulation, Black Range shall procure the directors to recommend to shareholders to vote in favour of any such approval. Upon conversion, Black Range shall within 7 days of satisfaction of the conversion condition, issue that number of fully paid ordinary shares in the capital of Black Range ranking pari passu with the existing issued ordinary share capital of Black Range that is equal to the redemption amount divided by A\$0.012. The redemption amount is: (i) 110% of the amount being redeemed where the date of the advance was up to but not including 6 months before the redemption date; (ii) 115% of the amount being redeemed where the date of the advance was not less than 6 months before the redemption date and not more than 12 months before the redemption date; or (iii) 130% of the amount being redeemed where the date of the advance was more than 12 months before the redemption date. The redemption date means 7 days after the date of delivery of a redemption notice or within 30 days of the occurrence of the redemption event. The redemption event is the first to occur of Black Range shareholder approval for the conversion condition not being obtained and a shareholder meeting of the Black Range shareholders seeking the approval of the conversion condition is not held by June 27, 2014. The issue of shares in accordance with conversion operates in satisfaction of Black Range's obligation to Azarga in respect of the loan. At any time before 24 months from the date of the first advance, Black Range is entitled, at its sole election, to deliver to Azarga a redemption notice following which the loan (or part thereof as specified in the redemption notice) shall be redeemed. Upon occurrence of the redemption event, , or where the conversion condition is not satisfied before the date that is 24 months from the date of the first advance, Black Range will be deemed to have elected to redeem the loan in full. Upon redemption in accordance with the company's right, Black Range shall on the redemption date deliver to Azarga, in cleared funds, the redemption amount. . The payment in accordance with automatic redemption operates in satisfaction of Black Range's obligation to Azarga in respect of the portion of the loan so redeemed. Azarga shall only be permitted to transfer the loan with the prior written consent of Black Range which shall not be unreasonably withheld.

On February 25, 2014, Azarga and Black Range entered into a third convertible loan agreement with Black Range (the "**Third Black Range Convertible Loan Agreement**"). Pursuant to the Third Black Range Convertible Loan Agreement, Azarga agreed to make advances to Black Range of up to A\$2,000,000. Black Range may draw down under the loan by giving written notice to Azarga specifying the amount required and a date for the advance to be provided in cleared funds, being a date not less than 5 business days after the date notice is given to Azarga. Only one draw down is permitted in any rolling 30 day period and individual draw down amounts must be A\$250,000 for the first and second draw downs and up to \$167,000 for each subsequent drawdown unless otherwise agreed, for a minimum amount of drawdowns of A\$1,000,000. The maturity date is 12 months from the date of the first advance.

Subject to satisfaction of the conversion condition (defined herein), (i) at any time from the date which is 3 months after the date of the first advance until the maturity date, Azarga is entitled to deliver a conversion notice in respect of any portion of the principal outstanding to which a redemption notice has not previously been given, and (ii) on the maturity date, Azarga will be deemed to have elected to convert the portion of the loan that remains payable to Azarga. The "conversion condition" provides that Black Range must obtain all necessary regulatory and shareholder approvals pursuant to the ASX listing rules, the Corporations Act 2001 (Cth) or any other law to allow Black Range to issue shares in satisfaction of the repayment of the

outstanding amount under the convertible loan agreement. Subject to its compliance with any relevant law or regulation, Black Range shall procure the directors to recommend to shareholders to vote in favour of any such approval. Upon conversion, Black Range shall within 7 days of satisfaction of the conversion condition, issue that number of fully paid ordinary shares in the capital of Black Range ranking pari passu with the existing issued ordinary share capital of Black Range that is equal to the redemption amount divided by the higher of the volume weighted average price of the Black Range shares trading on the ASX during the 3 month period immediately following the date of the first advance or A\$0.007. The redemption amount is: (i) 115% of the amount being redeemed where the date of the advance was up to but not including 6 months before the redemption date; or (ii) 130% of the amount being redeemed where the date of the advance was more than 6 months before the redemption date. The redemption date means 7 days after the date of delivery of a redemption notice or within 30 days of the occurrence of the redemption event. A redemption event is the first to occur of (i) Black Range shareholder approval for the conversion condition not being obtained, and (ii) a shareholder meeting of the Black Range shareholders seeking the approval of the conversion condition is not held by June 27, 2014.

The issue of shares in accordance with conversion operates in satisfaction of Black Range's obligation to Azarga in respect of the loan. At any time before the maturity date, Black Range is entitled, at its sole election, to deliver to Azarga a redemption notice following which the loan (or part thereof as specified in the redemption notice) shall be redeemed. Upon occurrence of the redemption event, or where the conversion condition is not satisfied before the maturity date, Black Range will be deemed to have elected to redeem the loan in full. Upon redemption in accordance with the company's right, Black Range shall on the redemption date deliver to Azarga, in cleared funds, the redemption amount. The payment in accordance with redemption operates in satisfaction of Black Range's obligation to Azarga in respect of the portion of the loan so redeemed.

Azarga shall only be permitted to transfer the loan with the prior written consent of Black Range which shall not be unreasonably withheld.

Azarga will have the right to nominate two persons to be appointed as directors of Black Range at any one time, provided that (i) Azarga maintains voting power in at least 35% of Black Range on a pro forma diluted basis including all unconverted loans, and (ii) Azarga's nominee's do not represent 50% or more of the members of the board of directors of Black Range unless Azarga maintains voting power in more than 50% of Black Range.

#### *Anatolia Subscription Agreement*

On October 1, 2013, Azarga entered into a subscription agreement with Anatolia (the "**Anatolia Subscription Agreement**"), whereby Azarga agreed, subject to the Put Election (hereinafter defined) to subscribe for 8,333,333 shares of Anatolia for A\$0.12 per share ("**Tranche 1**"), and for an additional 8,333,334 shares of Anatolia for A\$0.12 per share ("**Tranche 2**"), on the terms and conditions of the Anatolia Subscription Agreement. Anatolia may, by written notice to Azarga, require that Azarga complete the Tranche 1 subscription at any time between January 31, 2014 and December 31, 2014 (inclusive), and Anatolia may, by written notice to Azarga, require that Azarga complete the Tranche 2 subscription at any time between March 31, 2014 and December 31, 2014 (inclusive) (collectively, the "**Put Option**"). The Anatolia Subscription Agreement and the obligations of the parties under the agreement are subject to and conditional upon Anatolia: (i) completing the two previously planned hydrological pump tests scheduled for the fourth

quarter, 2013, on the Temrezli Uranium Deposit; (ii) appointing a suitable entity (at Anatolia's sole discretion) to conduct a pre-feasibility study on the Temrezli Uranium Deposit; (iii) appointing a suitable entity (at Anatolia's sole discretion) to conduct an environmental impact assessment on the Temrezli Uranium Deposit; (iv) completing a drilling program of at least 6,000m on the Anatolia Uranium Project; (v) obtaining all necessary shareholder and regulatory approvals required by the *Corporations Act 2001* (Cth) and the listing rules of ASX in relation to the subscription; and (vi) if required, obtaining a waiver of the listing rules of ASX to allow Anatolia to issue the subscription shares outside of the 3 month period after shareholder approval which would otherwise be required by the listing rules of ASX. Any party may, by not less than 2 business days' notice to the other, terminate the Anatolia Subscription Agreement if any of the conditions precedent are not satisfied, or waived, by December 31, 2014, or any of the conditions precedent become incapable of satisfaction or the parties agree that any of the conditions precedent cannot be satisfied. If any of the requirements under the Anatolia Subscription Agreement regarding subscription are not completed or satisfied on or before the relevant subscription date, being the date which is 5 business days after Anatolia makes the Tranche 1 put election or Tranche 2 put election, or are not capable of being satisfied on or before the relevant subscription date, then the Anatolia Subscription Agreement may be terminated at any time by Anatolia or Azarga by notice to the other party. As of December 31, 2013, Anatolia had satisfied all of the conditions precedent, and in February, 2014 Anatolia elected to exercise the Tranche 1 subscription.

*First Loan Agreement with UrAsia in Kyrgyzstan Limited Liability Company*

On July 27, 2012, Azarga entered into a loan agreement with UrAsia, whereby Azarga agreed to advance to UrAsia an aggregate amount of not less than \$1,800,000. UrAsia may draw the loan in one or more drawdowns during a 48 month period commencing the date of the agreement, by giving Azarga at least 5 business days' prior written notice. Azarga shall give UrAsia prompt confirmation of its acceptance of UrAsia's notice of drawdown. Such notice, once accepted by Azarga, shall be irrevocable and binding on UrAsia. UrAsia agreed to pay Azarga interest on the loan outstanding from time to time on the last day of each interest period, meaning the period commencing on the date of the initial drawdown of the loan and having a duration of 25 years and each succeeding annual period commencing on the last day of the precedent interest period. The interest rate is 0% per annum of the cumulated drawdowns with respect to each interest period. If UrAsia fails to make payment when due of any sum under the loan agreement, UrAsia shall pay interest on the unpaid amount, to the extent permitted by law, from and including such due date until the payment of said sum in full, after as well as before judgment, at the rate of 5% per annum above the aforementioned interest rate of 0% per annum, payable on demand. The loan shall be repaid in 36 equal installments every month. The first installment shall be paid on the 25th anniversary after the date of the initial drawdown. UrAsia has the right, but not the obligation, to repay the whole principal balance of the loan plus unpaid interest at any time out of the proceeds of a capital raising or if the loan is refinanced or replaced by a new note. Any payments made by UrAsia to Azarga shall be applied first against costs, expenses and indemnities due under the loan agreement; then against default interest, if any, then against interest due on the loan, and thereafter against the loan. Among other things, UrAsia covenants to Azarga that during the validity of the loan agreement and while any amount is owing by UrAsia to Azarga under the loan agreement, it shall not, without the prior written consent of Azarga, merge or consolidate with any other corporation, partnership or sole proprietorship.

The obligation of Azarga to make available any part of the loan is subject to the fulfillment, as determined solely by Azarga, of the following conditions precedent 30 business days prior to the date of the first drawdown, or as otherwise agreed by the parties: (i) Azarga shall have received, in form and substance satisfactory to it a duly authenticated copy of the Minutes of the General Meeting of Shareholders of UrAsia authorizing the execution and performance of the loan agreement; and (ii) no event of default (described herein) has occurred and is continuing as of the date of drawdown, and the representations and warranties made by UrAsia in the loan agreement shall have remained and then be true and correct.

Among other things, it is an “event of default” if UrAsia fails to pay in full any sum due under the loan agreement on the due date thereof, or UrAsia fails to perform or observe any term, covenant or agreement contained in the loan agreement or any term, covenant or agreement contained in any document executed pursuant to the loan agreement. If an event of default occurs, then at the option of Azarga, the obligation of Azarga to advance the loan under the loan agreement shall immediately cease and Azarga may declare, by notice to UrAsia, the loan principal, accrued interest and all other amounts then owed by UrAsia to Azarga immediately due and payable, and interest shall begin to accrue on all such sums at the default interest rate and Azarga may take all such other actions as are permitted by law.

The term of the loan agreement shall end on the later of: (i) the 25th anniversary of the date of the first drawdown; (ii) the date of termination of all of Azarga’s obligations to make the loan under the loan agreement; and (iii) upon payment in full of all principal, interest and other sums payable by UrAsia under the loan agreement.

#### *Assignment Agreement with UrAsia in Kyrgyzstan Limited Liability Company*

On July 27, 2012, Azarga entered into an assignment agreement with UrAsia and Diuishenaly Rakhimovich Kasenov (“**Kasenov**”) whereby certain debts owed by UrAsia to Kasenov were assigned by Kasenov to Azarga.

UrAsia’s total indebtedness payable to Kasenov as of July 27, 2012 was \$11,883,734.61. This debt arose under a loan agreement between Urasia Energy Ltd. and UrAsia dated May 26, 2005 and all additional agreements thereto, and an agreement on assignment of rights and obligations dated November 30, 2010 among Urasia Energy Ltd., Kasenov and UrAsia. Kasenov assigned all of its rights existing as of July 27, 2012 in respect of the indebtedness to Azarga for a fee of \$100. As a result of the assignment, the indebtedness shall be due and payable by UrAsia to Azarga.

#### *Agreement on Debt Forgiveness with UrAsia in Kyrgyzstan Limited Liability Company*

On July 27, 2012, Azarga and UrAsia entered into a debt forgiveness agreement whereby the parties agreed to the partial termination of UrAsia’s obligations in the amount of \$5,077,513.

#### *Second Loan Agreement with UrAsia in Kyrgyzstan Limited Liability Company*

On July 27, 2012, Azarga entered into a loan agreement with UrAsia whereby the parties agreed that the debt assigned by Kasenov to Azarga under the assignment agreement dated July 27, 2012 and debt forgiveness agreement dated July 27, 2012, would be serviced in accordance with the terms of this loan agreement. The total outstanding balance of the indebtedness by UrAsia to Azarga as at July 27, 2012 was \$6,806,222.

UrAsia agreed to pay Azarga interest on the loan outstanding on the last day of each interest period, being the period commencing on the date of signing the loan agreement and having a duration of 25 years. The interest rate is 0% per annum of the cumulated outstanding balance of debt with respect to each interest period.

If UrAsia fails to make payment when due of any sum under the loan agreement, UrAsia shall pay interest on the unpaid amount, to the extent permitted by law, from and including such due date until the payment of said sum in full, after as well as before judgment, at the rate of 5% per annum above the aforementioned interest rate of 0% per annum, payable on demand.

The loan shall be repaid in 36 equal installments every month. The first installment shall be paid on the 25th anniversary after the date of signing the loan agreement. UrAsia has the right, but not the obligation, to repay the whole principal balance of the loan plus unpaid interest at any time out of the proceeds of a capital raising or if the loan is refinanced or replaced by a new note. Any payments made by UrAsia to Azarga shall be applied first against costs, expenses and indemnities due under the loan agreement; then against default interest, if any, then against interest due on the loan, and thereafter against the loan.

Among other things, UrAsia covenants to Azarga that during the validity of the loan agreement and while any amount is owing by UrAsia to Azarga under the loan agreement, it shall not, without the prior written consent of Azarga, merge or consolidate with any other corporation, partnership or sole proprietorship.

Among other things, it is an "event of default" if UrAsia fails to pay in full any sum due under the loan agreement on the due date thereof, or UrAsia fails to perform or observe any term, covenant or agreement contained in the loan agreement or any term, covenant or agreement contained in any document executed pursuant to the loan agreement. If an event of default occurs, then at the option of Azarga, the obligation of Azarga to advance the loan under the loan agreement shall immediately cease and Azarga may declare, by notice to UrAsia, the loan principal, accrued interest and all other amounts then owed by UrAsia to Azarga immediately due and payable, and interest shall begin to accrue on all such sums at the default interest rate and Azarga may take all such other actions as are permitted by law.

The term of the loan agreement shall end on the later of: (i) the 25th anniversary of the date of signing the loan agreement; (ii) the date of termination of all of Azarga's obligations to make the loan under the loan agreement; and (iii) upon payment in full of all principal, interest and other sums payable by UrAsia under the loan agreement.

*Agreement on Transfer of Participation Interests in the Charter Capital of UrAsia in Kyrgyzstan Limited Liability Company*

On July 27, 2012, Azarga and UrAsia entered into an Agreement on Transfer of Participation Interests in the Charter Capital of UrAsia in Kyrgyzstan Limited Liability Company with UrAsia Mining Company LLC, Kasenov, Erkinbek Abdykairovich Kazakbaev, Svetlana Vladimirovna Meng, and Elvira Askerovna Ashiralieva (collectively, the "sellers").

The sellers were participants of UrAsia holding the following participation interests in the property and charter capital of UrAsia and wished to sell the following shares of their participation interests in UrAsia: UrAsia Mining Company LLC - holds 64%; wishes to sell - 51.2%; Kasenov - holds 13%; wishes to sell - 10.4%; Kazakbaev - holds 8.5%; wishes to sell -

6.8%; Meng - holds 8.5%; wishes to sell - 6.8%; and Ashiralieva - holds 6%; wishes to sell - 4.8%.

The sellers agreed to sell the shares to Azarga, free from any and all liens, charges, claims, third party rights and encumbrances and Azarga accepts the shares from the sellers. Sellers agreed to transfer to Azarga all their property and non-property rights related to the shares respectively as well as the rights arising under obligations due to their participation in UrAsia in accordance with UrAsia's charter and the laws of the Kyrgyz Republic. The parties agreed that performance of Azarga's obligations under the transfer of participation interests in the charter capital of the UrAsia agreement shall be subject to fulfillment of the conditions precedent specified below.

Entry into force of the transfer of participation interests in the charter capital of the UrAsia agreement and performance of Azarga's obligations was subject to fulfillment of the following conditions by the sellers with respect to their respective shares: (i) share is fully paid; (ii) seller is the legal owner of the respective share; (iii) UrAsia is an existing entity; (iv) license #2852 MP of UrAsia for the right to explore the Kyzyl-Omplul area issued by the Ministry of Natural Resources on November 18, 2010, associated permits and other approvals of UrAsia required for conduct of its operation under the license shall be valid and effective; (v) sellers and/or UrAsia are under no obligations to obtain any consent/approval from third parties for execution of the transfer of participation interests in the charter capital of UrAsia agreement; and (vi) other than the debt owing to the sellers in the amount of not more than \$11,883,734.61, UrAsia has no debts and other outstanding liabilities to any creditors, as well as obligations under credits, loans and other agreements, to which UrAsia is a party.

The parties agreed that the total price for the shares sold shall be \$200,000. The purchase price shall be paid by Azarga by bank transfer in U.S. Dollars within 10 days after the execution of the transfer of participation interests in the charter capital of UrAsia agreement, subject to fulfillment of the previously mentioned conditions precedent, as follows: UrAsia Mining Company LLC - \$128,000; Kasenov - \$26,000; Kazakbaev - \$17,000; Meng - \$17,000; and Ashiralieva - \$12,000.

The purchase price shall be final and shall not be subject to any revision. The purchase price shall be inclusive of all applicable taxes and fees payable by the sellers in connection with the sale of the shares.

Further to receipt of the purchase price by the sellers in full, the sellers shall issue the relevant corporate resolutions and UrAsia shall at its own expense make and complete all registrations, filings and other requirements and formalities required under the applicable laws and UrAsia's charter in order to give effect to the transfer of shares to Azarga's name including, but not limited to, calling of UrAsia's General Meeting of Participants and re-registration of UrAsia with the relevant local justice authority of Kyrgyz Republic at the location of the operation under the license within 30 days from the date when a relevant resolution on sale of the shares is made by the sellers.

Azarga and the sellers shall provide UrAsia with all documents required from them for the formality purposes, including documents evidencing appointment of the individuals authorized to sign the transfer of participation interests in the charter capital of UrAsia agreement and copies of its constitutional documents, registration certificates and such other documents as may be required in accordance with the laws of the Kyrgyz Republic.

The transaction shall be completed upon execution of all corporate documents on admission of Azarga as UrAsia's new participant by the sellers, issuance of the documents required for re-registration of UrAsia and payment of the purchase price by Azarga to the sellers.

Azarga shall have the right to terminate the transfer of participation interests in the charter capital of UrAsia agreement unilaterally in the event of repeated defaults (twice or more) by the sellers under their obligations and a delay in the state re-registration of UrAsia for more than 30 calendar days after the execution date of the agreement for any reason, including a refusal of the participants of UrAsia to expel the sellers as participants or to admit Azarga as a participant of UrAsia, or a delay in the holding of the General Meeting of Participants in UrAsia regarding the sellers' expulsion or Azarga's admission as a participant in UrAsia and increase of its participation interest.

If Azarga chooses to exercise its right to terminate the transfer of participation interests in the charter capital of UrAsia agreement, Azarga shall give 14 business days prior written termination notice to the sellers and UrAsia shall provide a written statement confirming that all documents submitted to the competent local justice authority of the Kyrgyz Republic for re-registration of UrAsia and to the State Agency on Geology and Mineral Resources under the Government of the Kyrgyz Republic in connection with the transfer of the shares have been returned to UrAsia and the sellers still retain their status of participants in UrAsia. The sellers shall return the purchase price in full within 7 business days only after they have received the notice and the statement from UrAsia.

The sellers shall have the right to terminate the transfer of participation interests in the charter capital of UrAsia agreement unilaterally if Azarga delays the payment of the purchase price by more than 30 calendar days, UrAsia and/or Azarga fail to fulfill their obligations under the agreement, or in the event of delay with the state re-registration of UrAsia for more than 30 calendar days after the execution date of the agreement at Azarga's fault.

In the event of unilateral termination of the transfer of participation interests in the charter capital of UrAsia agreement by the sellers, the sellers shall give 15 business days prior written notice to Azarga and UrAsia and UrAsia shall withdraw its request for re-registration and all documents submitted to the competent local justice authority of the Kyrgyz Republic for re-registration of UrAsia and to the State Agency on Geology and Mineral Resources under the Government of the Kyrgyz Republic in connection with the transfer of the shares and provide the sellers with a written statement confirming that the sellers retain their status of participants in UrAsia.

A party shall not assign or transfer any rights or duties under the transfer of participation interests in the charter capital of the UrAsia agreement without the consent of the other parties in writing. Any assignment or transfer in violation of the terms and conditions of the agreement shall be of no legal force or effect. The agreement shall be binding for the parties, their respective heirs, successors and authorized officers.

#### *Agreement of Participants of UrAsia in Kyrgyzstan Limited Liability Company*

On July 27, 2012, Azarga and UrAsia entered into an agreement with the other participants of UrAsia, namely UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva (collectively, the "**participants**"). This agreement was later amended on three occasions.



The participants executed the agreement on transfer of participation interests in the charter capital of UrAsia in Kyrgyzstan Limited Liability Company dated July 27, 2012.

Azarga agreed to pay UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva the premium price of \$5,800,000 in addition to the purchase price of \$200,000 for the shares. The shares equal 80% of UrAsia's charter capital.

The parties agreed that the premium price shall be paid in case of occurrence of the following events: (i) extension of UrAsia's license to explore the Kyzyl-Omplul area and associated permits for subsoil use for at least 2 years; (ii) completion of a successful capital raising of not less than \$5,800,000 by Azarga; (iii) auditor's report confirming that UrAsia has no debts and other outstanding liabilities to any creditors (other than the pre-existing debt of not more than \$11,883,734.61 to be settled in some way as per (iv)), including but not limited to the obligations due to the tax, customs, and other state authorities of the Kyrgyz Republic as well as obligations under credits, loans and other agreements, to which UrAsia is a party; furthermore, the auditor's opinion confirming the validity of all required restated tax returns reflecting adjustments including debt forgiveness and capitalization of subsoil exploration and development costs; and (iv) settlement of issues related to UrAsia's debt in the amount of not more than \$11,883,734.61 to Azarga's satisfaction, including its forgiveness/write-down to an agreement amount, assignment of the creditor's rights under this debt to Azarga, and extension of the written-down loan term.

The premium price shall be paid by Azarga to the other participants by bank transfer in U.S. dollars as follows: UrAsia Mining Company LLC - \$3,712,000; Kasenov - \$754,000; Kazakbaev - \$493,000; Meng - \$493,000; Ashiralieva - \$348,000.

The premium price shall be final and shall not be subject to any revision. The premium price shall be inclusive of all applicable taxes and fees payable by UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva in connection with receipt of the relevant part of the premium price.

Only if Azarga has completed a successful capital raising of not less than \$5,800,000, then the premium price shall be paid by Azarga to UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva within two months from the completion of the condition regarding UrAsia's license to explore the Kyzyl-Omplul area occurs, or within 12 months from the completion date of the transfer of participation interests in the charter capital of UrAsia, subject to fulfillment of the conditions regarding the auditor's opinion and settlement of issues related to UrAsia's debt.

For the avoidance of doubt, the premium price shall not be paid by Azarga to UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva in case all of the conditions mentioned above do not occur.

In case the completion of a successful capital raising of not less than \$5,800,000 by Azarga does not occur, Azarga shall transfer 60% of UrAsia's charter capital to UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva proportionately and free of charge within 30 days after Azarga confirms in writing to the other participants its inability to raise capital. Further to such transfer Azarga shall remain to be UrAsia's participant with 20% participation interest in UrAsia's charter capital.

Azarga agreed to make available an amount of up to \$1,800,000 for the purposes of funding the operating requirements of UrAsia for 12 months from the completion of the transfer of participation interests in the charter capital of UrAsia. On the completion of the transfer of participation interests in the charter capital of UrAsia, UrAsia shall draw an amount of \$126,794.20 from the loan to repay short-term funding provided by UrAsia Mining Company LLC. The remainder of the loan may be drawn based on the agreed budget expenditures for UrAsia's exploration and operating costs over the course of the 12-months from the completion of the transfer of participation interests in the charter capital of UrAsia. UrAsia's budgets will be agreed and approved between UrAsia and Azarga, the drawdown requests may be made from time to time in the amounts required to cover UrAsia's near-term financial commitments. Azarga shall respond to drawdown requests of the UrAsia by transferring funds to UrAsia's account on a timely basis. More detailed terms of providing the loan shall be specified in a loan agreement, which shall be executed between UrAsia and Azarga.

During the term of the agreement of participants of UrAsia and two years after termination of the agreement, the participants shall jointly and or severally not undertake any services, projects, assignments or engagements on implementation of the projects related to exploration/development of the uranium and rare earth metal areas/deposits in the Kyrgyz Republic. In case of non-compliance and/or where a breach of non-compete obligation arises in any way whatsoever, UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva jointly or severally agree, declare and undertake to pay \$500,000 without a need for further notice or warning and indemnify all damages and losses incurred by Azarga due to such non-compliance and/or breach.

UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva acknowledge that UrAsia has a debt in the amount of not more than \$11,883,734.61 payable to Kasenov. Kasenov agrees to assign all of its creditor's rights in respect of the debt to Azarga free of charge before the loan in the amount of up to \$1,800,000 is made available by Azarga to UrAsia under the assignment agreement, which shall be executed between Kasenov, Azarga and UrAsia. Once all of the creditor's rights in respect of the debt are assigned to Azarga the latter shall agree to defer repayment date of the debt for not less than 25 years. UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva shall also take all actions required to write-off the debt to the maximum possible extent as soon as practicable.

UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva jointly and severally agree to use best efforts for renewal of UrAsia's license to explore the Kyzyl-Omplul area and associated permits to include the right for exploration of the rare earth metals.

UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva acknowledge that UrAsia's net assets are negative as of July 27, 2012 and they agree to and shall cause UrAsia to resolve this issue expeditiously by way of reassessing UrAsia's assets, offsetting the debt against UrAsia's currently incurred losses of UrAsia and other available accounting methods until UrAsia's net assets become positive. UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva also agree to cooperate with a view to prevent any consequences related to UrAsia's negative net assets as of July 27, 2012.

UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva agree to cooperate on identification of the opportunities related to acquisition of additional rights for exploration/development of the uranium and rare earth metal areas/deposits within the Kyrgyz Republic.

UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva shall be entitled to exercise their option to sell to Azarga and Azarga agrees to buy the total remaining participation interest of 20% in UrAsia's charter capital belonging to the other participants at any time 2 years after the completion of the transfer of participation interests in the charter capital of UrAsia at the price of \$2,000,000 cash or \$2,000,000 worth of Azarga's shares on Azarga's valuation (i) at the most recent institutional capital raising (in case Azarga is a private company at the time when the option is exercised) or (ii) at the prevailing share price calculated based on the 20-day weighted average Azarga's share price preceding exercise of the option by either of UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva (in case Azarga is a public company at the time when the option is exercised). The put option shall only be valid in the event the premium price has been paid and all such conditions related to that have been met.

Azarga shall have the right to terminate the agreement of participants of UrAsia unilaterally in the event of repeated defaults (twice or more) by UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva of their obligations. UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva shall have the right to terminate the agreement of participants of UrAsia unilaterally if Azarga delays the payment of the premium price by more than 60 calendar days or Azarga fails to fulfill its other obligations.

A party shall not assign or transfer any rights or duties under the agreement of participants of UrAsia without the consent of the other party in writing. Any assignment or transfer in violation of the terms and conditions of the agreement of participants of UrAsia shall be of no legal force or effect.

*Additional Agreement to the Agreement of Participants of UrAsia in Kyrgyzstan Limited Liability Company Dated July 27, 2012*

On February 26, 2013, Azarga, UrAsia and the participants agreed to make amendments to the agreement of participants of UrAsia dated July 27, 2012.

Under this amendment, Azarga and UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva agreed to a revised payment schedule for the premium price of \$5,800,000.

The premium price shall be paid by Azarga in accordance with the following revised payment schedule:

- The initial part of the premium price shall be paid on or before February 28, 2013 as follows: UrAsia Mining Company LLC - \$832,000; Kasenov - \$169,000; Kazakbaev - \$110,500; Meng - \$110,500; and Ashiralieva - \$78,000, for a total of \$1,300,000.
- The relevant parts of the premium price specified below shall be paid on or before March 31, 2014: UrAsia Mining Company LLC - \$64,000; Kasenov - \$13,000; Kazakbaev - \$8,500; Meng - \$8,500; and Ashiralieva - \$6,000, for a total of \$100,000.
- The relevant parts of the premium price specified below shall be paid on or before July 27, 2014: UrAsia Mining Company LLC - \$2,176,000; Kasenov - \$442,000; Kazakbaev - \$289,000; Meng - \$289,000; and Ashiralieva - \$204,000, for a total of \$3,400,000.

- The remaining part of the premium price shall be paid by Azarga to UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva as follows. Azarga shall issue 2,500,000 of its shares and transfer these shares to the other participants, the latter agree to accept 2,500,000 Azarga Shares at the price of \$0.40 each for the total amount of \$1,000,000 to be distributed among the other participants under the relevant separate agreement(s) to be executed by Azarga and the other participants not later than February 28, 2013. In case Azarga fails to duly make any part of the initial and/or subsequent two payments to the other participants respectively, the other participants shall return to Azarga all 2,500,000 Azarga Shares as soon as practicable and the remaining part of the premium price in the amount of \$1,000,000 due from Azarga to the other participants shall be subsequently paid not later than July 27, 2014 as follows: UrAsia Mining Company LLC - \$640,000; Kasenov - \$130,000; Kazakbaev - \$85,000; Meng - \$85,000; and Ashiralieva - \$60,000, for a total of \$1,000,000.

In case Azarga fails to pay any part of the premium price to UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva before or on the date specified, Azarga shall transfer certain percentage, but in any case not more than 60% of its participation interest in UrAsia's charter capital, which shall be determined pro rata to the amount of the unpaid premium price. The so determined percentage of participation interest in UrAsia's charter capital of Azarga shall be transferred by Azarga to the other participants proportionately and free of charge within 30 days after such failure of Azarga to duly pay the premium price. Further to such transfer Azarga shall remain to be UrAsia's participant with at least 20% participation interest in UrAsia's charter capital. The participants shall pass all relevant corporate resolutions required to transfer and accept the percentage of UrAsia's charter capital belonging to Azarga to the other participants on pro rata basis and cause UrAsia to promptly complete the state re-registration due to such transfer.

*Additional Agreement to the Agreement of Participants of UrAsia in Kyrgyzstan Limited Liability Company Dated July 27, 2012*

On December 24, 2013, Azarga, UrAsia and the participants further amended the agreement among them. This was again further amended on February 12, 2014.

Under this amendment, Azarga and UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva agreed to a revised payment schedule for the premium price of \$5,800,000.

The premium price shall be paid by Azarga in accordance with the following revised payment schedule:

- The initial part of the premium price shall be paid on or before February 28, 2013 as follows: UrAsia Mining Company LLC - \$832,000; Kasenov - \$169,000; Kazakbaev - \$110,500; Meng - \$110,500; and Ashiralieva - \$78,000, for a total of \$1,300,000.
- The relevant parts of the premium price specified below shall be paid on or before January 14, 2014: UrAsia Mining Company LLC - \$96,000; Kasenov - \$19,500; Kazakbaev - \$12,750; Meng - \$12,750; and Ashiralieva - \$9,000, for a total of \$150,000.
- The relevant parts of the premium price specified below shall be paid on or before April 1, 2014: UrAsia Mining Company LLC - \$64,000; Kasenov - \$13,000; Kazakbaev - \$8,500; Meng - \$8,500; and Ashiralieva - \$6,000, for a total of \$100,000.

- The relevant parts of the premium price specified below shall be paid on or before July 27, 2014: UrAsia Mining Company LLC - \$1,120,000; Kasenov - \$227,500; Kazakbaev - \$148,750; Meng - \$148,750; and Ashiralieva - \$105,000, for a total of \$1,750,000.
- The remaining part of the premium price shall be paid by Azarga to UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva as follows. Azarga shall issue 6,250,000 Azarga Shares and transfer these shares to the other participants, the latter agree to accept 6,250,000 Azarga Shares at the price of \$0.40 each for the total amount of \$2,500,000 to be distributed among the other participants under the relevant separate agreement(s) to be executed by Azarga and the other participants not later than June 20, 2013.

*Additional Agreement to the Agreement of Participants of UrAsia in Kyrgyzstan Limited Liability Company Dated July 27, 2012*

On February 12, 2014, Azarga, UrAsia and the participants made further amendments to the agreement of participants of UrAsia dated July 27, 2012.

Under this amendment, Azarga and UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva agreed to a revised payment schedule for the premium price of \$5,800,000.

The premium price shall be paid by Azarga in accordance with the following revised payment schedule:

- The initial part of the premium price shall be paid on or before February 28, 2013 as follows: UrAsia Mining Company LLC - \$832,000; Kasenov - \$169,000; Kazakbaev - \$110,500; Meng - \$110,500; and Ashiralieva - \$78,000, for a total of \$1,300,000.
- The relevant parts of the premium price specified below shall be paid on or before January 14, 2014: UrAsia Mining Company LLC - \$96,000; Kasenov - \$19,500; Kazakbaev - \$12,750; Meng - \$12,750; and Ashiralieva - \$9,000, for a total of \$150,000.
- The relevant parts of the premium price specified below shall be paid on or before April 1, 2014: UrAsia Mining Company LLC - \$96,000; Kasenov - \$19,500; Kazakbaev - \$12,750; Meng - \$12,750; and Ashiralieva - \$9,000, for a total of \$150,000.
- The relevant parts of the premium price specified below shall be paid on or before December 31, 2014: UrAsia Mining Company LLC - \$128,000; Kasenov - \$26,000; Kazakbaev - \$17,000; Meng - \$17,000; and Ashiralieva - \$12,000, for a total of \$200,000.
- The relevant parts of the premium price consisting of 3 equal payments of \$500,000 specified below shall be paid on or before December 31, 2015, 2016 and 2017: UrAsia Mining Company LLC - \$320,000; Kasenov - \$65,000; Kazakbaev - \$42,500; Meng - \$42,500; and Ashiralieva - \$30,000, for a total of \$500,000.
- The remaining part of the premium price shall be paid by Azarga to UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva as follows. Azarga shall issue 6,250,000 Azarga Shares and transfer these shares to the other participants, the latter agree to accept 6,250,000 Azarga Shares at the price of \$0.40 each for the total

amount of \$2,500,000 to be distributed among the other participants under the relevant separate agreement(s) to be executed by Azarga and the other participants not later than June 20, 2013.

UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva shall be entitled to exercise their option to sell to Azarga and Azarga agrees to buy the total remaining participation interest of 20% in UrAsia's charter capital belonging to the other participants at any time after the final payment of the premium price is made on or before December 31, 2017 at the price of \$2,000,000 cash or exchange the 20% of the participation interest in UrAsia's charter capital for \$2,000,000 worth of Azarga's shares on Azarga's valuation (i) at the most recent institutional capital raising (in case Azarga is a private company at the time when the option is exercised) or (ii) at the prevailing share price calculated based on the 20-day weighted average Azarga's share price preceding exercise of the option by UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva (in case Azarga is a public company at the time when the option is exercised).

If, prior to the exercise of the put option, Azarga is a party to any merger, business combination, tender offer, exchange offer, take-over bid, arrangement or other transaction (a "**Reorganization**") whereby Azarga's ordinary shares are replaced by or reconstituted into shares of a new entity formed upon completion of the Reorganization (the "**New Entity**"), UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva shall be issued the lower of (i) as permitted by law or agreement, share of the New Entity calculated using a conversion price equal to the prevailing 20 day volume weighted average share price of the New Entity's shares preceding exercise of the put option by UrAsia Mining Company LLC, Kasenov, Kazakbaev, Meng and Ashiralieva, or (ii) the number of New Entity's shares using a valuation of \$0.40, adjusted by the conversion ratio of Azarga's ordinary shares to the New Entity's shares applicable in the Reorganization. The put option shall only be valid in the event the premium price has been paid and all such conditions related to that have been met.

#### *Steele Employment Agreement*

On November 3, 2013, Azarga Hong Kong and Blake Steele entered into the Steele Employment Agreement. Pursuant to the Steele Employment Agreement, Mr. Steele agreed to act as CFO of Azarga in consideration for a salary of \$200,000 per annum, eligibility for participation in a performance bonus plan as determined by the Azarga Board on an annual basis, the grant of 42,500 Azarga Options which are exercisable at \$0.40 each until November 4, 2018, the grant of 150,000 Azarga Options which are exercisable at \$0.50 each until November 4, 2018, the grant of the Share Match Right, and certain other travel benefits.

Under the Share Match Right granted by Azarga to Mr. Steele under the Steele Employment Agreement, for each Azarga Share purchased by Mr. Steele from Azarga, up to a maximum of \$200,000 of Azarga Shares, Azarga will issue one additional Azarga Share to Mr. Steele for no additional consideration. Effectively, Mr. Steele is entitled to receive \$400,000 of Azarga Shares for \$200,000 of payment. As of the date of this Information Circular, Mr. Steele has purchased \$50,000 of Azarga Shares and Azarga has issued Mr. Steele an additional \$50,000 of Azarga Shares under the Share Match Right. A balance of \$150,000 of Azarga Shares remains available for purchase by Mr. Steele under the Share Match Right.

On closing of the Acquisition, Powertech will assume the Steele Employment Agreement, and thereby Azarga's obligations under the Share Match Right, and will appoint Mr. Steele as the

CFO of Powertech. For more information, see *“Particulars of Matters To Be Acted Upon – Azarga Acquisition – Powertech Shares to be Issued under Steele Employment Agreement”*.

The Steele Employment Agreement may be terminated by the Company: (i) with at least one month’s prior written notice if Mr. Steele becomes incapacitated, commits any serious or persistent breach of the Steele Employment Agreement, demonstrates incompetence with regards to the performance of his duties under the Steele Employment Agreement, commits any gross misconduct and in certain other circumstances set out in the Steele Employment Agreement; (ii) without notice if Mr. Steele is convicted of any major criminal offence which brings Azarga and its related entities into disrepute or breaches the covenants surrounding confidential information in the Steele Employment Agreement; (iii) without cause by paying Mr. Steele the aggregate of 12 months’ salary plus one additional month’s pay for each year of service under the Steele Employment Agreement, plus the average of the prior two years’ performance bonus provided that Mr. Steele was employed by Azarga for at least two years, otherwise the prior year’s performance bonus provided that Mr. Steele was employed by Azarga for at least one year; or (iv) in the event of a Change of Control (as defined in the Steele Employment Agreement). The Steele Employment Agreement may also be terminated by Mr. Steele: (i) if Azarga commits any serious or persistent breach of the Steele Employment Agreement which is not cured within 30 days of notice; or (ii) with three months’ written notice. See *“Information Concerning Azarga Resources Limited – Statement of Executive Compensation”*.

For additional information on how Azarga’s business has developed since its incorporation on May 30, 2012, see above under the heading *“Description of the Business”* and Azarga’s financial statements and MD&A which are attached hereto as Schedule “I” and Schedule “H”, respectively.

### **Kyzyl Ompul Licence**

The uranium and rare earth deposits and prospects of the Kyzyl Ompul Licence (the **“Project”**), which is 100% owned and operated by UrAsia, which is a 80% subsidiary of Azarga, is located in the Kyrgyz Republic, approximately 125 kilometres east of Bishkek and about 20 kilometres by road from the regional city of Balykchy. The Project is contained within the Kyzyl Ompul massif in the Kochkor region of Naryn Oblast and the Issyk-Kul region of Issyk-Kul Oblast and consists of one exploration licence of 2,852MR with an area of 42,379 hectares (423.79km<sup>2</sup>). The licence is valid until December 31, 2015 and permits exploration for uranium, thorium, iron, titanium, phosphate, rare earth elements (**“REE”**) and feldspar.

### **Technical Report on Kyzyl Ompul Licence**

A technical report entitled *“NI 43-101 Technical Report on the Kyzyl Ompul License for UrAsia in Kyrgystan LLC”* and dated April 14, 2014 (the **“Technical Report”**) was prepared by Stephen Hyland and Sam Ulrich of Ravensgate for a subsidiary of Azarga, namely UrAsia in Kyrgystan LLC. Mr. Hyland and Mr. Ulrich are independent Qualified Persons as defined under NI 43-101 and prepared the Technical Report in accordance with NI 43-101. The Technical Report is incorporated by reference into this Information Circular. The following provides a summary of the key sections of the Kyzyl Technical Report, which is incorporated by reference into this Circular. For a complete description of the Project, see the full text of the Kyzyl Technical Report, which is available for review under Powertech’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## *History*

The Project has been explored since the 1950s for uranium, with most historic exploration occurring during the 1950s and 1960s. This historic exploration identified a number of hydrothermal and placer uranium prospects within the Project area. The hydrothermal uranium prospects identified included Kok Moinok, Sai Bezdovniy, Achik-tash, Chotkara and Uzun-Sai, with Kok Moinok the most advanced, followed by Sai Bezdovniy. The placer uranium prospects identified included Tash Bulak, Backe, Tunduk, Uzun-Sai and Ottuk.

The Kok Moinok deposit was discovered by the Kyzyl Ompul party of the Kamenskaya expedition in late 1953. From 1953 to 1957, 144 holes were drilled on a grid of 50m x 50m. Soviet classified C1 and C2 reserves were calculated after this drilling. Additional drilling was completed from 1958 to 1969 on a 200m x 200m grid looking for further extensions.

## *Geological Setting and Mineralisation*

The Project area is located between two regional strike-slip faults, which are the Central Terskei and the South Chonkemin Faults. Shear fractures and joints associated with these strike-slip faults provided conduits for the melts of the Dyke Complex and structurally controlled the distribution of uranium mineralisation in the Project area.

Uranium mineralisation is associated with both hydrothermal and placer styles of mineralisation.

## *Exploration and Drilling*

Exploration has been undertaken on the Project by UrAsia. The aim of the exploration program was to confirm hydrothermal style uranium mineralisation and placer style uranium mineralisation by targeting previously identified uranium deposits and prospects. Their aim was also to convert the Kok Moinok resource estimate to one estimated in accordance with the Australasian Joint Ore Reserves Committee (“**JORC**”) code or NI 43-101.

The exploration program for the period from 2005 – 2008 included traverses, geological mapping (80km<sup>2</sup>), trenching (4,300m<sup>3</sup>), soil gas radon emanation surveys (60 readings) and geophysical surveys, and the collection of 84 hydrogeological samples for radon assays, 7,458 channel samples, 455 rock chip samples and 28 crushed samples.

Exploration in 2012 and 2013 by UrAsia concentrated on both uranium and REE exploration. In the last two years, UrAsia has completed nine drill holes for approximately 2,275m at the Sai Bezdovniy prospect, 40 drill holes at the Tash Bulak prospect, 31 drill holes at the Backe prospect and 9 drill holes at the Tunduk prospect. Seventeen drill holes for approximately 4,345m were completed at the Kok Moinok deposit. The 2012 and 2013 drilling was designed to twin a selection of historic drill holes to confirm mineralised intervals and the uranium grades in those mineralised intervals as well as the geological and mineralogical understanding of the prospect.

## *Mineral Resource*

The mineral resource described in the Kyzyl Technical Report was independently estimated by Ravensgate. In accordance with Section 7.1(2) of NI 43-101, Ravensgate reviewed the



classification criteria for JORC (2012) and NI 43-101 and is of the opinion that in this instance there are no material differences and that the Kok Moinok Resource Estimate meets the criteria to be classified as an NI 43-101 Inferred Mineral Resource.

The block model was constructed using 10m by 10m by 2.5m - (east(X), north(Y), elevation(Z)). The method of grade interpolation used for U<sub>3</sub>O<sub>8</sub> was the Ordinary Kriging technique which used calculation parameters based upon localised geostatistical and associated variography studies.

The Kok Moinok Main Zone is approximately 700m along strike (east-west) by 600m perpendicular to strike (north-south) by 10-30m in depth (thick).

The input data is comprehensive in its coverage of the mineralisation and does not favour or misrepresent in-situ mineralisation. The mineralisation at Kok Moinok is contained in a structurally defined shallow dipping zone. The definition of the mineralised zones was relatively constant from section to section and based on a good level of geological understanding producing a robust model of mineralised domains. The validation of the block model shows good correlation of the input data to the estimated grades. The mineral resource estimate is summarized in the following table:

<i>Kok Moinok - Mineral Resource Estimates (using Lower Cut-Off of 100ppm U<sub>3</sub>O<sub>8</sub>) - Effective date: December 2014</i>								
Kok Moinok	Cut off	Measured and Indicated		Inferred		Total Resources		Contained U <sub>3</sub> O <sub>8</sub> (Million Pounds)
		Tonnes (Mt)	U <sub>3</sub> O <sub>8</sub> (ppm)	Tonnes (Mt)	U <sub>3</sub> O <sub>8</sub> (ppm)	Tonnes (Mt)	U <sub>3</sub> O <sub>8</sub> (ppm)	
Current Ravensgate Model (December 2014)	100ppm (U <sub>3</sub> O <sub>8</sub> )	-	-	15.13	225.2	15.13	225.2	7.51

Note: A conversion factor of 2.20462 was utilized to derive contained U<sub>3</sub>O<sub>8</sub> in pounds.

An assessment was made of two exploration target zones identified at Kok Moinok, which were based on historic Soviet Era drilling data. This historic drilling is not immediately verifiable, and therefore downgrades the relative confidence of any estimates carried out for target reporting purposes and as per NI 43-101 guidelines, the estimates should be viewed as a conceptual assessment only. In addition, these areas are sparsely drilled, making it difficult to define the likely final volumes which can be estimated for mineralised material that is present in these areas. Ravensgate has used initial assumptions of mineralisation extent based on a relatively conservative half average drill-section spacing to help construct some mineralised zone wire-frame volumes. Refer to the following table for details:

<i>Kok Moinok - Exploration Target Area Estimates (using Lower Cut-Off of 100ppm U<sub>3</sub>O<sub>8</sub>)</i>			
Target Zone	BCM Range	Tonnes Range	Grade Range U <sub>3</sub> O <sub>8</sub> ppm
ZoneA=2	960,000 - 1,600,000	2,400,000 - 4,150,000	180 - 350
ZoneA=3	990,000 - 1,650,000	2,480,000 - 4,300,000	180 - 350
Total	1,950,000 - 3,250,000	4,880,000 - 8,450,000	180 - 350

Note: A range of bulk densities were used from 2.5 to 2.6t/m<sup>3</sup>.

## *Conclusions*

Ravensgate has carried out a review of the available data and used it to guide mineralisation interpretation and block modelling of the Kok Moinok deposit. The block modelling and resource estimation has also now been carried out using appropriate procedures which are generally in line with industry best practice standards and the JORC (2004) resource reporting guidelines.

The reported tonnages and grades thus derived for the different quality of estimate categories for Kok Moinok at a 100 ppm U<sub>3</sub>O<sub>8</sub> lower cut-off are as follows:

**Total Inferred - (RCAT=3): 15,128,768 tonnes @ 225.2ppm U<sub>3</sub>O<sub>8</sub>**

It is evident from the modelling carried out at Kok Moinok that a distinct geological and depositional regime is observed and this has allowed for a significant volume of U<sub>3</sub>O<sub>8</sub> mineralisation to develop. The new drilling carried out by UrAsia has confirmed the historic drilling and assaying as well as enhanced the mineralogical understanding at the local scale.

It may be possible using modelling to optimise future drilling programs, to effectively target extensions of known mineralised zones and predict where mineralisation may occur in yet unmapped or undrilled areas. Future drilling should be done in a staged approach to minimise costs and allow for periodic reassessments of the prevailing geologic knowledge of the Kok Moinok deposit.

Extra drilling is also required within some known, but currently sparsely-drilled, exploration target areas to help better understand the extent and relative size of the Project's reportable mineral resources.

Kok Moinok now has a total ~202 drill holes including ~185 historic drill holes with incomplete assaying which were used for resource modelling within the Kok Moinok block model area. The recently drilled subset of 17 new diamond drill holes has been added by the additional drilling programs carried out by UrAsia in 2012 and 2013. This new diamond hole sub-set has had sample intervals submitted for assay for either full or partial drill hole length, depending on expected mineralisation intersection or for the appropriate geologically logged material type. A number of historic drill holes in parts of the deposit appear to not have been assayed initially due to the expectation of non-mineralised material being present, probably due to it being assessed as such from initial geological logging for some parts of the drill holes.

It should be noted that, considering the status of the drill hole spacing and current sample distribution, the modelling and resource estimation described in the Kryzy Technical Report may improve at some time in the future, which may also depend to some extent on the outcome and finalisation of future mining optimisation studies.

## *Recommendations and Suggestions for 2014 at the Sai Bezvodniy Prospect*

Additional surface rock chip and trench sampling is required to aid in the targeting of drill sections to test the underlying REE and/or uranium mineralisation at Sai Bezvodniy.

A more targeted and systematic drilling approach needs to be undertaken, upon which mineral resource estimation could be undertaken. Drill sections need to be spaced about 50m apart so that mineralisation can be interpreted between sections with some confidence.

*Recommendations and Suggestions for 2014 for the Kok Moinok Deposit*

Ravensgate recommends with respect to the Kok Moinok deposit that a small amount of additional verification drilling, particularly at the deposit edge or boundary areas, may be needed to further enhance deposit understanding and thereby allow for further mineralisation wireframe refinement and possibly some upgrading of resource classification in some places.

Based on the resource estimation process, Ravensgate has suggested the drilling of a number of drill holes (14 priority 1 holes and 12 priority 2 holes). The proposed drill holes are designed, firstly, to potentially convert exploration target areas to mineral resources and, secondly, to test mineralisation extensions to the Kok Moinok mineral resource.

*Recommendations and Suggestions for 2014 on Placer Prospects*

The effectiveness of reverse circulation drilling on the placers has to be questioned, in terms of providing a sample suitable for future resource estimation. The very nature of the placers would appear to make them unsuitable, with thin irregular layers of heavy mineral sands, which contain the uranium bearing minerals. The uranium grades vary greatly over short (1-2m) distances, as evidenced in sampling done along road cuttings in the placers. Based on this, and discussions Ravensgate has had with alluvial/placer mineralisation specialists, a bulk sampling program would be far better suited to best demonstrate the potential of the placers.

Based on its recommendations to advance the Project as contained in the Kyzyl Technical Report, Ravensgate has provided the budget set out in the table below, which has been broken down into four sections, none of which are contingent on the other and which could all be completed concurrently. These four sections are:

- diamond core drilling at Sai Bezdodniy to test both uranium and REE targets to try to develop a mineral resource estimate in accordance with NI 43-101;
- Area A - diamond drilling the exploration target areas at Kok Moinok to try and develop a mineral resource estimate in accordance with NI 43-101;
- Area B - diamond drilling the edges of the Kok Moinok mineral resource where possible extensions may occur to the current NI 43-101 mineral resource to try and expand on the current mineral resource; and
- taking three representative bulk samples from the placers, to improve the knowledge of the placers grade distribution so that it may be possible to estimate a mineral resource in accordance with NI 43-101.

<b>Ravensgate Recommended Activities</b>		<b>Unit</b>	<b>Total Cost \$</b>
<b>Sai Bezvodniy REE/U Drilling</b>			
Diamond Drill Metres	2,000	Metres	300,000
Samples (REE + U)	750	Samples	22,500
Geological and Field Helpers Wages	14	Days	3,360
Field Camp Costs	14	Days	840
<b>Area A - Kok Moinok Exploration Target Drilling</b>			
Diamond Drill Metres	5,180	Metres	777,000
Samples (U)	1,400	Samples	21,000
Geological and Field Helpers Wages	35	Days	8,400
Field Camp Costs	35	Days	2,100
<b>Area B - Kok Moinok Resource Extension Drilling</b>			
Diamond Drill Metres	4,720	Metres	708,000
Samples (U)	1,200	Samples	18,000
Geological and Field Helpers Wages	30	Days	7,200
Field Camp Costs	30	Days	1,800
<b>Placer Bulk Sampling &amp; Analysis</b>			
Bulk Samples (Collection & Analysis)	3	Samples	30,000
<b>Total</b>			<b>1,900,200</b>

## **Dividends**

Azarga has not paid any dividends since its incorporation. Any determination to pay any future dividends will remain at the discretion of the Azarga Board and will be made based on Azarga's financial condition and other factors deemed relevant by the Azarga Board. There are no restrictions that could prevent Azarga from paying dividends or distributions.

## **Management's Discussion and Analysis**

Azarga's Management Discussion and Analysis for the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2012 are included as Schedule "G" to this Information Circular.

## **Financial Information**

Azarga's consolidated audited financial statements for the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2012, together with the notes thereto, are included as Schedule "H" to this Information Circular.

## **Disclosure of Outstanding Security Data**

Azarga's authorized share capital consists of 2,500,000,000 Azarga Shares, par value of \$0.004, of which 76,612,661 Azarga Shares are issued and outstanding as of the date of this Information Circular.

As of the date of this Information Circular, the following Azarga Options were outstanding:

Number of Options	Exercise Price	Expiry Date
957,500	\$0.40	May 1, 2018 <sup>(1)</sup>
42,500	\$0.40	November 4, 2018 <sup>(1)</sup>
150,000	\$0.50	November 4, 2018 <sup>(1)</sup>
7,262,339	\$0.40	Five years after the Closing of the acquisition <sup>(2)</sup>
<b>8,412,339</b>		

(1) Such Azarga Options vest 33% on granting, 33% after 12 months and 34% after 24 months.

(2) Such Azarga Options to be granted pursuant to certain investment agreements between Azarga and each of Alexander Molyneux, Curtis Church, Pacific Advisors, Matthew O’Kane and Blake Steele, such investment agreement will be amended to provide for the issuance of Azarga Options as set forth above. All such Azarga Options are fully vested.

### Description of Azarga Shares

Azarga is authorized to issue 2,500,000,000 Azarga Shares. The holders of Azarga Shares are entitled to dividends, if, as and when declared by the Azarga Board, entitled to one vote per share at meetings of the holders of Azarga Shares and, upon dissolution, entitled to share equally in such assets of Azarga as are distributable to the holders of Azarga Shares.

### Consolidated Capitalization

The following table sets forth Azarga’s consolidated capitalization as for the periods indicated. This table should be read in conjunction with Azarga’s consolidated financial statements, including the accompanying notes, which are included in this Information Circular:

	Number of Azarga Securities outstanding as at December 31, 2013	Number of Azarga Securities outstanding as at the date of this Information Circular
Azarga Shares	75,583,274	76,612,661
Azarga Options	1,150,000	8,412,339

As at December 31, 2013, Azarga’s long-term debt included a \$1,776,000 loan payable to shareholders and a \$199,980 promissory note payable to Powertech. For more information see “Financial Statements of Azarga” at Schedule H.

### Prior Sales

See “Description of the Business” for information regarding Azarga Shares issued during the 12 month period before the date of this Information Circular.

On May 1, 2013, Azarga granted an aggregate of 957,500 Azarga Options to directors, employees and consultants of Azarga at an exercise price of \$0.40 per Azarga Share. These Azarga Options expire on May 1, 2018. On November 4, 2013, Azarga granted an aggregate of 192,500 Azarga Options to an employee of Azarga, 42,500 of which have an exercise price of \$0.40 per Azarga Share and 150,000 of which have an exercise price of \$0.50 per Azarga Share. These Azarga Options expire on November 4, 2018. In addition to the foregoing, certain investment agreements between Azarga and each of Alexander Molyneux, Curtis Church, Pacific Advisors, Matthew O’Kane and Blake Steele, which will be amended prior to Closing of the Acquisition, provide for the issuance of 7,262,339 Azarga Options immediately prior to

Closing. All such Azarga Options will have an exercise price of \$0.40 per Azarga Share, with the exception of 150,000 Azarga Options which have an exercise price of \$0.50 per Azarga Share, and will be exchanged for Powertech Options (adjusted in accordance with the Exchange Ratio) in connection with the Closing.

### Trading Price and Volume

The Azarga Shares are not listed on any stock exchange or quotation board.

### Escrowed Securities and Securities Subject to a Contractual Restriction on Transfer

To Azarga's knowledge, there are no Azarga Shares subject to a contractual restriction on transfer.

### Principal Security Holders

The following table lists the names of the persons or companies that, as of the date of this Information Circular, were the registered owners or that, to Azarga's knowledge, were the beneficial owners, directly or indirectly, of more than 10% of the issued and outstanding Azarga Shares:

Name	Type of Security	Number held as at the date of this Information Circular <sup>(1)</sup>	Percentage held as at the date of this Information Circular <sup>(2)</sup>
Alexander Molyneux	Azarga Shares	19,637,891	25.6%
Curtis Church	Azarga Shares	19,250,000	25.1%
Pacific Advisers Pte Ltd	Azarga Shares	10,052,404	13.1%
Powerlite Ventures Limited	Azarga Shares	11,250,000	14.7%

<sup>(1)</sup> This information was supplied to Powertech by Azarga.

<sup>(2)</sup> Based on 76,612,661 Azarga Shares outstanding as at the date of this Information Circular.

### Directors and Executive Officers

#### *Name, Occupation and Security Holding*

At present, the directors of Azarga hold office until their successors are duly elected or appointed in accordance with Azarga's Articles or until such director's earlier death, resignation or removal. The Azarga Board currently consists of Alexander Molyneux, Curtis Church, Arslanbek Kenenbaev, and Joseph Havlin.

The following table sets forth, for each of the directors and executive officers of Azarga, the individual's name, municipality of residence, position held with Azarga, principal occupation and, in the case of the directors, the period during which the individual has served as a director of Azarga:

Name Province or State and Country of Residence and Position(s) with Azarga	Principal Occupation, Business or Employment for Last Five Years	Director Since	Number of Azarga Shares Owned <sup>(1)</sup>
<p><b>Alexander Molyneux</b> Hong Kong</p> <p><i>Co-Founder, Chairman and Director</i></p>	<p>Mr. Molyneux is currently Chairman of Azarga, a British Virgin Islands company, and Executive Chairman of Celsius Coal, an Australian coal exploration company listed on the ASX. Prior to this he was President and CEO of SouthGobi Resources, a coal production and development company listed on the Toronto Stock Exchange and the Hong Kong Stock Exchange, from 2009 to 2012; is currently a Director of Ivanhoe Energy, an oil exploration and oil technology company listed on the Toronto Stock Exchange, from 2010 to present; and Director of Goldrock Mines, a gold exploration and development company listed on the Toronto Stock Exchange, from 2012 to present. Previously, Mr. Molyneux had over ten years' experience as an investment banker specializing in natural resource investments.</p>	<p>July 27, 2012</p>	<p>19,637,891</p>
<p><b>Curtis Church</b> Malaysia</p> <p><i>Co-Founder, President and Director</i></p>	<p>Mr. Church is currently President and Director of Azarga, a British Virgin Islands company. Mr. Church previously served as the Chief Operating Officer of SouthGobi Resources, a coal production and development company listed on the Toronto Stock Exchange and the Hong Kong Stock Exchange. Mr. Church also served as Vice President of Mining Operations of SouthGobi Resources from October 2010 to March 2011 and prior to that he served as General Manager and Manager of Mining for the Ovoot Tolgoi Mine owned and operated by SouthGobi Resources. Mr. Church has over 20 years' experience in the mineral resources industry. Prior to SouthGobi Resources, Mr. Church was the superintendent of mobile fleet management for the Boroo Gold Mine in Mongolia, a subsidiary of Centerra Gold Inc., a company listed on the Toronto Stock Exchange.</p>	<p>July 27, 2012</p>	<p>19,250,000</p>
<p><b>Joseph Havlin</b> Hong Kong</p> <p><i>Director</i></p>	<p>Mr. Havlin was Director and CFO of Alpha Prime Investment Limited, a coal exploration, development and mining company, from 2008 to 2010; Independent Director of Azarga from 2012 to present; Independent Director of Black Range, a uranium exploration and technology company, from March 2014 to present; and Director of eBullion, Inc., a gold and silver trading company, from 2012 to present. Previously, Mr. Havlin had over twenty-five years' experience holding senior operations and financial management positions in both public</p>	<p>July 27, 2012</p>	<p>2,500,000</p>

Name Province or State and Country of Residence and Position(s) with Azarga	Principal Occupation, Business or Employment for Last Five Years	Director Since	Number of Azarga Shares Owned <sup>(1)</sup>
	accounting and private industry.		
<b>Arslanbek Kenenbaev</b> Kyrgyz Republic  <i>Director</i>	Prior to being appointed a Director at Azarga Resources, Mr. Kenenbaev served as Managing Director of a Kyrgyz Republic investment bank BNC Finance. He has been heavily involved in Kyrgyz Republic administration through the depositories and registrars association, exchange committee of the Kyrgyz Stock Exchange, the International Arbitration Court under the Chamber of Commerce and Industry, and others. Mr. Kenenbaev has earned a Bachelor of Management and Law from the Kyrgyz-Russian Slavic University.	July 27, 2012	3,200,000 <sup>(2)</sup>
<b>Blake Steele</b> Hong Kong  <i>Chief Financial Officer</i>	Prior to joining Azarga on November 4, 2013, Mr. Steele worked at SouthGobi Resources as Director of Finance and previously, Manager, Corporate Development. He began his career with Deloitte & Touche, LLP where he worked in both the audit and financial advisory practices. Mr. Steele graduated from the University of British Columbia with a Bachelor of Commerce honours degree. He is a Chartered Accountant and Chartered Business Valuator in Canada.	N/A	250,000

<sup>(1)</sup> The information as to Azarga Shares beneficially owned, not being within the knowledge of Azarga, has been furnished by the directors individually. Does not include Azarga Shares issuable upon exercise of Azarga Options. Information is presented as at the date of this Information Circular.

<sup>(2)</sup> Held through a solely owned company, UrAsia Mining LLC.

<sup>(3)</sup> There are no sub-committees of the Azarga Board.

As a group, directors and executive officers of Azarga beneficially own, control or direct, directly or indirectly, an aggregate of 44,837,891 Azarga Shares, or 58.5%, of the issued and outstanding Azarga Shares based on 76,612,661 Azarga Shares issued and outstanding as at the date hereof on a non-diluted basis, and an aggregate of 52,022,596 Azarga Shares, or 62.1%, based on 83,797,366 Azarga Shares issued and outstanding as at the date hereof on a fully diluted basis, assuming the exercise of all outstanding Azarga Options held by directors and executive officers of Azarga as at the date hereof that are exercisable within the next 60 days.

#### *Cease Trade Orders, Bankruptcies, Penalties or Sanctions*

To the best of Azarga's management's knowledge, no director or executive officer of Azarga is or has been within 10 years before the date of this Information Circular, a director, CEO or CFO of any company (including Azarga) that: (i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied that person or company access to any exemption under securities legislation for a period of more than 30 consecutive days, or (ii) was subject to a cease trade or similar order or an order that denied the relevant



company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity of director, CEO or CFO.

To the best of Azarga's management's knowledge, no director, executive officer or shareholder holding a sufficient number of Azarga Shares to materially affect control of Azarga: (i) is or has been within the 10 years before the date of this Information Circular, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

To the best of Azarga's management's knowledge, no director, executive officer or shareholder holding a sufficient number of Azarga Shares to materially affect control of Azarga has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision with respect to the Azarga Shares.

#### *Conflicts of Interest*

In the event conflicts arise at a meeting of the Azarga Board, a director who has such a conflict will declare the conflict and abstain from voting. In appropriate cases, Azarga will establish a special committee of independent non-executive directors to review a matter in which one or more directors or management may have a conflict.

To the best of Azarga's knowledge, there are no known existing or potential conflicts of interest between Azarga and any director or officer of Azarga, except that certain of the directors of Azarga serve as directors and officers of other companies and it is therefore possible that a conflict may arise between their duties as a director or officer of Azarga and their duties as a director or officer of such other companies. Where such conflicts arise, they will be addressed as indicated above.

#### **Statement of Executive Compensation**

For the purpose of this section of the Information Circular:

"CEO" means each individual who acted as chief executive officer of Azarga or acted in a similar capacity for any part of the most recently completed financial year;

"CFO" means each individual who acted as chief financial officer of Azarga or acted in a similar capacity for any part of the most recently completed financial year; and

"Named Executive Officer" or "NEO" means:

- (a) the CEO;
- (b) the CFO;
- (c) each of Azarga's three most highly compensated executive officers, including any of the Azarga's subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 as determined in accordance with subsection 1.3(6) of Form 51-102F6 *Statement of Executive Compensation*, for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of Azarga, nor acting in a similar capacity, at the end of the most recently completed financial year.

### Compensation Discussion and Analysis

Azarga is dependent on individuals with specialized skills and knowledge related to the exploration for, and development of, mineral prospects, corporate finance and management. Therefore, Azarga seeks to attract, retain and motivate highly skilled and experienced executive officers by providing competitive compensation. The compensation of NEOs is based upon, among other things, the responsibility, skills and experience required to carry out the functions of each position held by each NEO and varies with the amount of time spent by each NEO in carrying out his functions on behalf of Azarga.

In 2013, compensation paid to NEOs consisted of salaries, stock options and other compensation. The Azarga Board did not undertake a formal study of compensation paid to executives by companies similar to Azarga that was focused on pre-determined benchmarks. Base salaries were set with the goal of being competitive with corporations of a comparable size and at the same stage of development, thereby enabling Azarga to compete for and retain executives critical to Azarga's long-term success. In determining the base salary of each NEO, the Azarga Board considered: the particular responsibilities related to the position; the experience level of the NEO; and his overall performance. The Azarga Board used this information, together with budgetary guidelines and other internally generated planning and forecasting tools, to determine the base salaries payable.

Azarga has not retained a compensation consultant or advisor to assist the Azarga Board in determining compensation for any of Azarga's directors or officers. Because the compensation of all NEOs is structured on a substantially similar basis and there are independent members of the Azarga Board, Azarga does not believe there are material risks associated with its compensation policies and practices.

No NEO or director is permitted to purchase financial instruments including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly by the NEO or director.

## Option-Based Awards

Azarga currently has one security based compensation arrangement which is its Employees' and Directors' Equity Incentive Plan (the "**Azarga Plan**"). The Azarga Plan provides for the grant of options, share appreciation rights and shares. The purpose of Azarga Plan is to secure for Azarga and its shareholders the benefits of incentives inherent in share ownership by the employees and directors of Azarga and its affiliates who, in the judgment of the Azarga Board, will be largely responsible for its future growth and success. It is generally recognized that share plans of the nature of the Azarga Plan aid in retaining and encouraging employees and directors of exceptional ability because of the opportunity offered them to acquire a proprietary interest in Azarga.

Under the Azarga Plan, the total number of Azarga Shares reserved and available for issuance cannot exceed 15% of the issued and outstanding Azarga Shares. The Azarga Plan is currently administered by the Azarga Board. Subject to the provisions of the Azarga Plan, the Azarga Board, in its sole discretion, determines all options to be granted pursuant to the Azarga Plan, the exercise price for such options and any special terms or vesting provisions applicable thereto.

The following is a summary of the material provisions of the Azarga Plan:

- (a) Options may be granted from time to time to directors, officers, employees and service providers of Azarga or an affiliate of Azarga, in such numbers as are determined by the Azarga Board at the time of the granting of the options.
- (b) The exercise price of any options granted under the Azarga Plan shall be determined by the Azarga Board (or Compensation Committee, if applicable), but in any event shall not be less than 100% of the fair market value of the Azarga Shares on the date of the grant.
- (c) An option granted under the Azarga Plan shall expire on the date which is five years from the date such option is granted or such greater or lesser duration as the Azarga Board may determine at the date of grant, as may be reduced in accordance with the Azarga Plan in the event of termination of employment or death of an optionee, provided, however, that the Azarga Plan provides that in the circumstance where the end of the term of an option falls within, or within ten business days after the end of, a "blackout" or similar period imposed under any insider trading policy or similar policy of Azarga, then the end of the term of such option shall be the tenth business day after the end of such blackout period.
- (d) The number of Azarga Shares issuable pursuant to the Azarga Plan (or any other security based compensation arrangement or options for services) to all insiders may not exceed 15% of the issued and outstanding Azarga Shares on a non-diluted basis from time to time.
- (e) The number of Azarga Shares which may be issued pursuant to the Azarga Plan (or any other security based compensation arrangement or options for services) to all insiders of Azarga within a one-year period may not exceed 15% of the issued and outstanding Azarga Shares on a non-diluted basis from time to time.

- (f) Unless otherwise determined from time to time by the Azarga Board, options shall vest and may be exercised (in each case to the nearest full Azarga Share) up to 33% in each year after the grant of the option, provided that (subject to the provisions described in (g) to (i) below) no option may be exercised unless the optionee is at the time of such exercise: (i) in the case of an employee, in the employ of Azarga or any an Affiliate and shall have been continuously so employed (excluding approved leaves of absence) since the grant of the option; or (ii) in the case of a director, a director of Azarga or an affiliate and shall have been such a director continuously since the grant of the option.
- (g) If an optionee dies while employed by or while a director of Azarga or its affiliate, any option held by him at the date of death shall become exercisable in whole or in part, but only by the person or persons to whom the optionee's rights under the option shall pass by the optionee's will or applicable laws of descent and distribution. Unless otherwise determined by the Azarga Board, all such options shall be exercisable only to the extent that the optionee was entitled to exercise the option at the date of his death and only for 12 months after the date of death or prior to the expiration of the option period in respect thereof, whichever is sooner.
- (h) If an optionee ceases to be employed by or act as a director of the company or its affiliate for cause, no option held by such optionee will, unless otherwise determined by the Azarga Board, be exercisable following the date on which such optionee ceases to be so employed or ceases to be a director, as the case may be.
- (k) If an optionee ceases to be employed by or act as a director of Azarga or its affiliate for any reason other than cause then, unless otherwise determined by the Azarga Board any option held by such optionee at the effective date thereof shall become exercisable for a period of up to 12 months thereafter or prior to the expiration of the option period in respect thereof, whichever is sooner.
- (l) The Azarga Plan provides participants with share appreciation rights, which is the right, in lieu of the right to exercise an option, to terminate such option in whole or in part by notice in writing delivered by the participant to Azarga and, in lieu of receiving the Azarga Shares to which the terminated option relates, to receive the number of Azarga Shares, disregarding fractions, which is equal to the quotient obtained by: (i) subtracting the option exercise price per Azarga Share from the fair market value per Azarga Share on the day immediately prior to the exercise of the right and multiplying the remainder by the number of Azarga Shares; and (ii) dividing the product obtained under (i) by the fair market value per Azarga Share on the day immediately prior to the exercise of the right.
- (m) The Azarga Plan also includes a share bonus plan, pursuant to which the Azarga Board shall have the right to issue or reserve for issuance, for no cash consideration, to any person eligible to participate under the Azarga Plan any number of Azarga Shares as a discretionary bonus subject to such provisos and restrictions as the Azarga Board may determine. The Azarga Board in its absolute discretion, shall have the right to reallocate any of the Azarga Shares reserved for issuance under the share bonus plan for future issuance as an option under the Azarga Plan. The obligation of Azarga to issue and deliver any Azarga Shares pursuant to an award made under the share bonus plan will be subject to all necessary approvals of any exchange or securities regulatory authority having jurisdiction over the Azarga Shares.

- (n) The Azarga Board shall have the power to, at any time and from time to time, either prospectively or retrospectively, amend, suspend or terminate the Azarga Plan or any option or other award granted under the Azarga Plan without shareholder approval, including, without limiting the generality of the foregoing: changes of a clerical or grammatical nature, changes regarding the persons eligible to participate in the Azarga Plan, changes to the exercise price, vesting, term and termination provisions of options, changes to the cashless exercise right provisions, changes to the share bonus plan provisions (other than the maximum number of Azarga Shares issuable), changes to the acceleration and vesting of options in the event of a takeover bid, and any other matter relating to the Azarga Plan and the options and awards granted thereunder, provided however that:
- (i) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Azarga Shares are listed;
  - (ii) no amendment to the Azarga Plan or to an option granted hereunder will have the effect of impairing, derogating from or otherwise adversely affecting the terms of an option which is outstanding at the time of such amendment without the written consent of the holder of such option;
  - (iii) the expiry date of an option shall not be more than ten years from the date of grant of an option except as expressly provided in the Azarga Plan;
  - (iv) the Azarga Board shall obtain shareholder approval of: (A) any amendment to the aggregate maximum number of Azarga Shares specified for issuance pursuant to the share bonus provisions of the Azarga Plan; (B) any amendment to the aggregate percentage of, or other limitations on, Azarga Shares available for issuance pursuant to Azarga Plan; or (C) any amendment that would reduce the exercise price of an outstanding option other than in connection with an adjustment of the options in the event of a change in the Azarga Shares through the declaration of stock dividends of Azarga Shares or consolidations, subdivisions or reclassification of Azarga Shares, or otherwise, as specifically provided under the Azarga Plan; (D) any amendment that would extend the expiry date of any option granted under the Azarga Plan except in connection with an extension in connection with a “blackout period” as expressly contemplated in the Azarga Plan; and (E) any amendment to the amending provisions of the Azarga Plan.

In accordance with the Acquisition Agreement, it is expected that the outstanding Azarga Options will be exchanged for Powertech Options on the basis of the Exchange Ratio. See *“Particulars of Matters to be Acted Upon – Azarga Acquisition”*.

### Compensation Governance

Azarga’s executive compensation program during the most recently completed financial year was administered by the Azarga Board. The Azarga Board reviews and approves annual salaries, bonuses and other forms and items of compensation for the executive officers and employees of Azarga.

Azarga has not retained a compensation consultant or advisor to assist the Azarga Board in determining compensation for any of the directors or NEOs.

### Summary Compensation Table

Particulars of compensation earned by each Named Executive Officer (including deferred compensation) in the most recently completed financial years ended December 31, 2013, December 31, 2012 and December 31, 2011 are set out in the summary compensation table below. All amounts shown in the table are in United States dollars, Azarga's reporting currency, unless otherwise indicated.

Name and Principal Position	Year	Salaries <sup>(1)</sup> (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-equity Incentive Plan Compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans	Long-term Incentive Plans			
Curtis Church President and Director	2013	160,833	-	26,139 <sup>(2)</sup>	-	-	-	81,401 <sup>(4)</sup>	268,381
	2012	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-
Matthew O'Kane <sup>(5)</sup> Former CFO	2013	40,000	-	24,601 <sup>(2)</sup>	-	-	-	-	64,601
	2012	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-
Blake Steele CFO	2013	32,217	-	57,621 <sup>(3)</sup>	-	-	-	-	89,838
	2012	-	-	-	-	-	-	-	-
	2011	-	-	-	-	-	-	-	-

(1) "Salaries" are all paid in United States Dollars.

(2) Mr. Church and Mr. O'Kane were granted 85,000 and 80,000 Azarga Options, respectively, as part of their 2013 compensation at an exercise price of \$0.40 per Azarga Share.

(3) Mr. Steele was granted 192,500 Azarga Options in connection with his commencement of employment. Of the 192,500 Azarga Options granted, 150,000 are at an exercise price of \$0.50 per share and 42,500 are at an exercise price of \$0.40 per Azarga Share.

(4) Includes a housing allowance, travel allowance, insurance and payment of personal taxes in the Kyrgyz Republic.

(5) Mr. O'Kane's employment with Azarga, in a CFO capacity, ended on November 3, 2013; however, Mr. O'Kane continues to provide consulting services as required.

### *Narrative Discussion*

Blake Steele entered into the Steele Employment Agreement with Azarga Hong Kong, a subsidiary of Azarga, in November 2013, pursuant to which Mr. Steele agreed to serve as CFO of Azarga and perform any services for any related body corporate of Azarga from time to time and without further remuneration (unless otherwise agreed) as Azarga may reasonably require. In consideration of the services to be rendered by Mr. Steele, Azarga agreed to, among other things, (i) pay Mr. Steele a fixed remuneration of \$200,000 per year, which remuneration is to be reviewed annually, (ii) to allow Mr. Steele to participate in any performance bonus plan as

determined by the Azarga Board on an annual basis, (iii) reimburse Mr. Steele for expenses incurred in the course of his duties and professional fees associated with maintaining his professional designations, and (iv) provide Mr. Steele and one designated partner with one round trip airfare to Canada per year. Upon signing the agreement, Mr. Steele was entitled to an award of 42,500 Azarga Options with an exercise price of \$0.40 vesting equally over two years in three tranches, an award of 150,000 Azarga Options with an exercise price of \$0.50 vesting over two years in three tranches and an opportunity to acquire up to an additional \$200,000 in Azarga Shares with all such purchases of Azarga Shares matched by Azarga at a ratio of 1:1 pursuant to the Share Match Right. On termination of employment (other than in connection with a change of control, as described below), Mr. Steele is entitled to payment in lieu of accrued annual leave and Azarga will be responsible to pay for business class airfares, relocation costs, break fees, up to six weeks temporary accommodation for relocation to Canada, plus compensation as described in the Termination and Change of Control Benefits Section.

In the event of a change of control of Azarga and, at any time during the twelve months following such change of control, either (i) there occurs a termination of Mr. Steele's employment (except for cause) or (ii) Mr. Steele resigns for "good reason" (which is defined in the employment agreement to include a material adverse change in Mr. Steele's status or position with Azarga, a material reduction in Mr. Steele's annual salary, a material failure by Azarga to continue in effect any employee benefit program if such program is not replaced with a comparable program and any other action which would constitute a constructive dismissal at law), Mr. Steele shall be entitled to receive a lump sum cash payment of an amount equal to the aggregate of (a) twelve month's salary, plus one additional month for each year of service, and (b) the average of the prior two years' performance bonus provided that Mr. Steele was employed for two full calendar years or the prior years' performance bonus provided that Mr. Steele was employed for one full calendar year. In such event, all of Mr. Steele's unexercised options, vested or unvested, will be deemed to have vested and will remain exercisable for a period ending the earlier of one year from the date Mr. Steele's employment terminates and the original expiry date of such options.

Curtis Church entered into an employment agreement with Azarga in May 2013, pursuant to which Mr. Church agreed to serve as President of Azarga, have his services assigned to Azarga and be based out of Kyrgyzstan. In consideration of the services to be rendered by Mr. Church, Azarga agreed to, among other things, (i) pay Mr. Church a fixed remuneration of \$250,000 per year, which remuneration is to be reviewed annually, (ii) certain expatriate benefits for Mr. Church and his eligible dependents, including international medical and dental insurance, evacuation insurance and life insurance not less than 5 times base salary, (iii) to allow Mr. Church to participate in any performance bonus plan as determined by the Azarga Board, provided that he is employed by Azarga on December 31<sup>st</sup> of the applicable year, (iv) reimburse Mr. Church for expenses incurred in the course of his duties, and (v) provide Mr. Church and his eligible dependents with one round trip airfare to Canada per year.

Mr. Church's employment agreement may be terminated: (a) upon Mr. Church's resignation in writing, which notice must be provided two months prior to the effective date of the resignation (subject to abridgement, with compensation paid in lieu thereof, at the discretion of Azarga), (b) upon the death of Mr. Church, or (c) upon termination by Azarga, upon twelve months written notice or payment equal to twelve months' base salary. On termination of employment, Azarga

will be responsible to pay for business class airfares, reasonable relocation costs, and benefits coverage until Mr. Church has returned home.

Mr. O’Kane’s employment with Azarga, in the official capacity of CFO, ended on November 3, 2013; however, Mr. O’Kane continues to provide consulting services as required, the remuneration is US\$1,000 per day.

### Incentive Plan Awards

An “incentive plan” is any plan providing compensation that depends on achieving certain performance goals or similar conditions within a specified period. An “incentive plan award” means compensation awarded, earned, paid, or payable under an incentive plan.

#### *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth all option-based awards granted to NEOs that were outstanding as of December 31, 2013 under the Azarga Plan, including awards granted before the year-ended December 31, 2013. Azarga has not granted any share-based awards.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Curtis Church	85,000	\$0.40	May 1, 2018	Nil
Matthew O’Kane	80,000	\$0.40	May 1, 2018	Nil
Blake Steele	42,500	\$0.40	November 4, 2018	Nil
	150,000	\$0.50	November 4, 2018	Nil

#### *Incentive plan awards – value vested or earned during the year*

As none of the options held by any of the Named Executive Officers were in-the-money at any point in the most recently completed financial year, none of the Named Executive Officers would have realized any value if the options underlying their respective option-based awards had been exercised.

#### *Narrative Discussion*

For a summary of the material provisions of the Azarga Plan, pursuant to which all current option-based awards have been granted to NEOs, please see below under the heading “*Information Relating to Azarga Resources Ltd. – Statement of Executive Compensation – Option Based Awards*”. There was no re-pricing of stock options under the Azarga Plan or otherwise during Azarga’s most recently completed financial period ended December 31, 2013.

### Pension Plan Benefits

Azarga does not currently have a defined benefit plan or a deferred compensation plan.



### Termination and Change of Control Benefits

Except as described below, none of the agreements between Azarga and any of the NEOs provide for payments to a NEO at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, change in control of Azarga or a change in a NEO's responsibilities.

Mr. Church commenced employment with Azarga on June 1, 2013. The following termination scenario is considered in Mr. Church's contract:

- Termination by Azarga without reason - Azarga, may at its sole discretion terminate the employment at any time, and for whatsoever reason, by providing 12 months notice or by paying the employee a lump sum cash payment equal to 12 months salary.

Mr. Steele commenced employment with Azarga on November 3, 2013. The following termination scenarios are considered in Mr. Steele's contract:

- Termination by Azarga without reason - Azarga, may at its sole discretion terminate the employment at any time, and for whatsoever reason, by paying the employee a lump sum cash payment equal to the aggregate of: a) twelve (12) months' Salary, plus one additional month pay for each year of service from the date of commencement of employment; plus b) the average of the prior two years performance bonus provided that the employee was employed for two full calendar years; otherwise, the prior years performance bonus provided that the employee was employed for one full calendar year. In such event, all of the employee's unexercised stock options, vested or unvested, will be deemed to have vested and will remain exercisable for a period ending the earlier of one year from the date the employee's employment terminates and the expiry date of such options.
- Termination following a change of control - if a change of control occurs and, at any time during the twelve (12) month period following such change of control, either (i) there occurs a termination of the employee's employment by Azarga, except for a breach in accordance with the employee's employment contract or (ii) the employee resigns employment for good reason, as defined in the employee's employment contract, the employee shall be entitled to receive a lump sum cash payment of an amount equal to the aggregate of: a) twelve (12) months' salary, plus one additional month pay for each year of service from the date of commencement of employment; plus b) the average of the prior two years performance bonus provided that the employee was employed for two full calendar years; otherwise, the prior years performance bonus provided that the employee was employed for one full calendar year. In such event, all of the employee's unexercised stock options, vested or unvested, will be deemed to have vested and will remain exercisable for a period ending the earlier of one year from the date the employee's employment terminates and the expiry date of such options.

### Director Compensation

The following table sets forth the details of all compensation provided to Azarga's directors, other than the Named Executive Officers, during Azarga's most recently completed financial year ended December 31, 2013. All amounts shown in the table are in United States dollars.

Name	Fees earned (\$)	Share-based awards (\$)	Option-based awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Alexander Molyneux	21,000	-	26,139	-	-	-	47,139
Joseph Havlin	15,000	-	24,601	-	-	-	34,601
Arslanbek Kenenbaev	15,000	-	26,139	-	-	-	36,139

<sup>(1)</sup> Mr. Molyneux, Mr. Havlin and Mr. Kenenbaev were granted 85,000, 80,000 and 85,000 stock options, respectively, as part of their director compensation at an exercise price of \$0.40 per share.

#### *Narrative Discussion*

A total of \$127,879 was paid to directors of Azarga for services rendered as directors, or for committee participation or assignments, during Azarga's most recently completed financial year. During Azarga's most recently completed financial year, the Azarga Chairman received a \$7,000 quarterly fee and each Azarga director received a quarterly fee of \$5,000. Payment of Azarga director fees commenced in the second quarter of 2013.

#### Incentive Plan Compensation for Directors

##### *Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth all option-based awards granted to Azarga's directors, other than the NEOs, that were outstanding as of December 31, 2013, including awards granted before the period ended December 31, 2013. Azarga has not granted any share-based awards.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
Alexander Molyneux	85,000	\$0.40	May 1, 2018	Nil
Joseph Havlin	80,000	\$0.40	May 1, 2018	Nil
Arslanbek Kenenbaev	85,000	\$0.40	May 1, 2018	Nil

##### *Incentive Plan Awards – Value Vested or Earned During the Year*

As none of the options held by any of Azarga's directors were in-the-money at any point in the most recently completed financial year, none of the directors would have realized any value if the options underlying their respective option-based awards had been exercised.

#### *Narrative Discussion*

For a summary of the material provisions of the Azarga Plan, pursuant to which all current option-based awards have been granted to Azarga's directors, please see below under the heading "Information Relating to Azarga Resources Ltd. – Statement of Executive Compensation – Option Based Awards". There was no re-pricing of stock options under the Azarga Plan or otherwise during Azarga's most recently completed financial period ended December 31, 2013.

## Indebtedness of Directors and Executive Officers

None of the executive officers, directors, employees and former executive officers, directors and employees of Azarga or its subsidiaries, the proposed nominees, or their respective associates or affiliates, are or have been indebted to Azarga or its subsidiaries since the beginning of Azarga's last completed financial year.

## Audit Committee Disclosure

Azarga does not have an audit committee in place, nor, as a private company, is it required to. Azarga's auditors for the year ended December 31, 2013 and the period ended December 31, 2012 were Deloitte & Touche, LLC.

### *Audit Fees*

Fees incurred by Deloitte & Touche, LLC, auditors to Azarga, for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table.

Nature of Services	Fees Paid to Auditor in Year Ended December 31, 2013	Fees Paid to Auditor in Year Ended December 31, 2012
Audit Fees <sup>(1)</sup>	\$120,000	\$50,000
Audit-Related Fees	-	-
Tax Fees <sup>(2)</sup>	\$7,686	-
All Other Fees	-	-
Total	\$127,686	\$50,000

<sup>(1)</sup> "Audit Fees" (billed or accrued) include fees necessary to perform the annual audit of Azarga's consolidated financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

<sup>(2)</sup> "Tax Fees" (billed or accrued) include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice.

## Corporate Governance Disclosure

### *Board of Directors*

The Guidelines suggest that the board of directors of every reporting issuer should be constituted with a majority of individuals who qualify as "independent" directors under NI 52-110, which provides that a director is independent if he or she has no direct or indirect "material relationship" with Azarga. The "material relationship" is defined as a relationship which could, in the view of the company's board of directors, reasonably interfere with the exercise of a director's independent judgement. While at this time none of the four directors of Azarga are independent, Azarga is currently working to identify candidates for Azarga Board appointment in order to resolve this director independence shortfall.

Outside of the current circumstances, it is Azarga's usual practice to facilitate the functioning of independent directors' by, where appropriate, during regularly scheduled meetings, excluding non-independent directors and members of management from certain discussions.

## *Directorships*

Certain directors of Azarga are also currently directors of other reporting issuers, as set out in the following table:

<b>Name of Director</b>	<b>Names of Other Reporting Issuers</b>	<b>Exchange</b>
Alexander Molyneux	Goldrock Mines Corp.	TSX Venture
	Celsius Coal	ASX
	Ivanhoe Energy Inc.	TSX
Joseph Havlin	Black Range Minerals Limited	ASX

## *Orientation and Continuing Education*

The Azarga Board has not adopted a formal policy on the orientation and continuing education of new and current directors. When a new director is appointed, the Azarga Board delegates individual directors the responsibility for providing an orientation and education program for any new director. This may be delivered through informal meetings between the new directors and the Azarga Board and senior management, complemented by presentations on the main areas of Azarga's business. When required, the Azarga Board may arrange for topical seminars to be provided to members of the Azarga Board or committees of the Azarga Board. Such seminars may be provided by one or more members of the Azarga Board and management or by external professionals.

## *Ethical Business Conduct*

The directors encourage and promote a culture of ethical business conduct through communication and supervision as part of their overall stewardship responsibility.

In addition, some of the directors of Azarga also serve as directors and officers of other companies, the Azarga Board must comply with the conflict of interest provisions of the British Virgin Islands, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Each director is required to declare the nature and extent of his interest and is not entitled to vote at meetings which involve such conflict.

## *Nomination and Assessment*

The Azarga Board performs the functions of a nominating committee with respect to appointment of directors. The Azarga Board believes that this is a practical approach at this stage of Azarga's development. While there are not specific criteria for board membership, Azarga attempts to attract and maintain directors with business knowledge, which assists in guiding management of Azarga.

## **Risk Factors**

The risks and uncertainties discussed below are not the only ones facing Azarga. Additional risks and uncertainties not presently known to Azarga or which Azarga currently considers immaterial may also impair the business and operations of Azarga and cause the value of the

securities of Azarga to decline. If any of the following risks actually occur, Azarga's business may be harmed and the financial condition and results of operation of Azarga may suffer significantly. In that event, the value of Azarga Shares could decline and shareholders may lose all or part of their investment. Prospective investors should review the risks with their legal and financial advisors and should consider, in addition to the matters set forth elsewhere in this Information Circular, the following risks. An investment in the securities of Azarga is suitable only for purchasers who are aware of such risks and who have the ability and willingness to accept the risk of total loss of their invested capital.

An investment in Azarga should be considered speculative due to the nature of its activities and the present stage of its development. Investors should carefully consider the risk factors set forth below.

#### *Events In Japan May Affect Public Acceptance of Nuclear Energy and Azarga's Permitting Timelines*

Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. In recent years, the nuclear industry had seen increased capacity at existing nuclear plants, extensions of plant licenses and new plant planning and construction. Public opinion in many countries had moved in favor of nuclear power, and recent increases in oil prices had made nuclear energy the lowest cost energy option in some countries. The recent natural disaster in Japan, with the resultant effect on certain of the country's nuclear reactors, has caused concern internationally as to the safety of nuclear energy as a viable source of power.

Further, a number of heads of government and their legislative bodies have announced reviews and/or delays of plans to develop new nuclear power facilities. In the United States, the Chairman of the NRC has publicly stated that a more stringent review of design risks will be undertaken for both existing facilities and future applications for new nuclear power facilities. The additional scrutiny by the NRC could affect all parts of the organization including the licensing of new uranium production facilities. The recently elected government in Japan has announced a revised energy plan which embraces nuclear power and calls for restarts of reactors deemed safe by Japan's Nuclear Regulation Authority. The Nuclear Regulation Authority recently placed two reactors by Kyushu Electric Power Company on a list for priority screening at a meeting of officials reviewing restart applications. Further the government also refused to rule out the construction of new reactors. Other relevant regulatory bodies could also react to these recent events, resulting in additional delays or barriers in permitting and licensing new uranium production operations. It is too soon for Azarga to determine the long-term impact such events will have on Azarga's financial condition, results of operations and permitting plans.

#### *Azarga's Financial Condition and Results of Operations May Be Adversely Affected by Changes in the Market Price of Uranium*

Substantially all of Azarga's potential revenues are anticipated to be derived from the sale of uranium products. Azarga's financial condition, results of operations, earnings and operating cash flow will be closely related and sensitive to fluctuations in the long- and short-term market price of uranium. Historically, these prices have fluctuated widely. Between 1970 and 2011, the spot price of uranium has fluctuated between approximately \$7 per pound and approximately \$138 per pound. The current spot price of uranium is approximately \$30 to \$35 per pound and

the most recently reported long-term contract price is approximately \$50 to \$55 per pound. The price of uranium has been and will continue to be affected by numerous factors beyond Azarga's control. Such factors include, among others: demand for nuclear power; political and economic conditions in uranium producing and consuming countries; reprocessing of used reactor fuel and the re-enrichment of depleted uranium tails; sales of excess civilian and military inventories (including from the dismantling of nuclear weapons) by governments and industry participants; and production levels and costs of production. Recent events in Japan have resulted in downward pressure on the spot price of uranium and many uranium exploration and development companies have experienced a corresponding reduction in the trading value of their shares. It is too early to evaluate the long-term effects of the events in Japan on Azarga and the uranium industry generally.

If, after the commencement of uranium production, the price of uranium falls below the cost of production at Azarga's planned mines, it may not be economically feasible to continue production at such sites. This would materially and adversely affect production, profitability and Azarga's financial position. A continued decline in the market price of uranium may also require a write-down of Azarga's mineral reserves and resources which would have a material and adverse effect on its financial condition, results of operations and profitability. Should any significant write-down in reserves and resources be required, material write-downs of Azarga's investment in the affected mining properties and increased amortization, reclamation and closure charges may be required.

#### *Nuclear Energy Competes With Other Viable Energy Sources*

Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydro-electricity may result in lower demand for uranium concentrates and uranium conversion services, which in turn may result in lower market prices for uranium, which would materially and adversely affect Azarga's business, financial condition and results of operations.

#### *Azarga Will Require Significant Amounts of Additional Capital in the Future*

Azarga has limited financial resources. Azarga will continue to make substantial capital expenditures related to exploration, development and production as well as investments into financing the companies in which it owns a significant equity interest like Black Range and Anatolia. In particular Azarga will have further capital requirements as it expands its present exploration activities at its uranium projects or if it takes advantage of opportunities for acquisitions, joint ventures or other business opportunities that may be presented to it.

Volatile demand for uranium and the volatile price of uranium or the incurrence of unanticipated major liabilities or expenses may make it difficult or impossible for Azarga to obtain debt financing or equity financing on commercially acceptable terms or at all. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its uranium projects with the possible loss of the rights to such properties. If the exploration or development of any mine is delayed, such delay would have a material and adverse effect on Azarga's business, financial condition and results of operation.

#### *Azarga Faces Competition from Other Mining Companies for the Acquisition of New Properties*

There is a limited supply of desirable mineral lands available for acquisition, claim staking or leasing in the areas where Azarga is currently active. Many participants are engaged in the mining business, including large, established mining companies with substantial technical and financial capabilities and long earnings records and which have access to more capital, in some cases have state support, have access to more efficient technology, and have access to reserves of uranium that are cheaper to extract and process. Azarga may be at a competitive disadvantage in acquiring mining properties as many of its competitors have greater financial resources and larger technical staffs. Accordingly, there can be no assurance that Azarga will be able to compete successfully with its industry competitors.

#### *Sale of Uranium is Restricted by International Trade Regulations*

The supply of uranium is, to some extent, impeded by a number of international trade agreements and policies. These agreements and any similar future agreements, governmental policies or trade restrictions are beyond the control of Azarga and may affect the supply of uranium available in the United States and Europe, which are the largest markets for uranium in the world. If Azarga or any of the companies in which it has a significant equity interest are unable to supply uranium to important markets in the United States or Europe, its business, financial condition and results of operations may be materially and adversely affected.

#### *Deregulation of the Electrical Utility Industry May Affect the Demand for Uranium*

Azarga's future prospects are tied directly to the electrical utility industry worldwide. Deregulation of the utility industry, particularly in the United States and Europe, is expected to impact the market for nuclear and other fuels for years to come, and may result in the premature shutdown of some nuclear reactors. Experience to date with deregulation indicates that utilities are improving the performance of their reactors, achieving record capacity factors. There can be no assurance that this trend will continue.

#### *Possible Loss of Interests in Exploration Properties*

If Azarga fails to make any property payments or expenditures required to maintain its properties in good standing in a timely fashion, Azarga may lose some or all of its interest in those properties. This is particularly significant with respect to its Kyzyl Ompul Project in the Kyrgyz Republic. A loss of an interest in such properties could have a material adverse effect on Azarga's reported indicated and inferred resources.

#### *Azarga's Operations are Subject to Operational Risks and Hazards Inherent in the Mining Industry*

Azarga's business is subject to a number of inherent risks and hazards, including environmental pollution, accidents or spills; industrial and transportation accidents, which may involve radioactive or hazardous materials; labor disputes; power disruptions, catastrophic accidents; failure of plant and equipment to function correctly, the inability to obtain suitable or adequate equipment, fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and regulations; natural phenomena, such as inclement weather conditions, earthquakes, pit wall failures, ground movements, tailings, pipeline and dam failures and cave-ins; and encountering unusual or unexpected geological conditions and technical failure of mining methods. Azarga may also contract for the transport of its uranium and uranium products to refining, conversion and enrichment facilities, which

will expose Azarga to risks inherent in transportation including loss or damage of transportation equipment and spills of cargo.

There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, Azarga's uranium properties, personal injury or death, environmental damage, delays in Azarga's exploration or development activities, costs, monetary losses and potential legal liability and adverse governmental action, all of which could have a material and adverse effect on the Azarga's future cash flows, earnings, results of operations and financial condition.

*Mineral Resource Estimates are Only Estimates and May Not Reflect the Actual Deposits or the Economic Viability of Uranium Extraction*

Resource figures included for uranium are estimates only and no assurances can be given that the estimated levels of uranium will actually be produced or that Azarga will receive the uranium price assumed in determining its resources. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling and exploration results and industry practices. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. While Azarga believes that the resource estimates included herein and in its technical reports are well established and reflect management's best estimates, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. Furthermore, market price fluctuations in uranium, as well as increased capital or production costs or reduced recovery rates, may render ore resources containing lower grades of mineralization uneconomic and may ultimately result in a restatement of resources. The extent to which resources may ultimately be reclassified as proven or probable reserves is dependent upon the demonstration of their profitable recovery. The evaluation of resources is always influenced by economic and technological factors, which may change over time.

*Exploration, Development and Operating Risk*

The exploration for and development of uranium properties involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; prices which are highly cyclical, drilling and other related costs which appear to be rising; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Azarga not receiving an adequate return on invested capital.

*Environmental Risks and Hazards*

All phases of Azarga's operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the general



handling, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Azarga's operations. Environmental hazards may exist on the properties which are unknown to Azarga at present and which have been caused by previous or existing owners or operators of the properties. Reclamation costs are uncertain and planned expenditures estimated by management may differ from the actual expenditures required.

#### *Azarga's Activities are Subject to Extensive Legislation in respect of Environment, Health and Safety*

Azarga's activities are subject to extensive laws and regulations governing environmental protection and employee health and safety across a number of different jurisdictions. In addition, the uranium industry is subject not only to the worker health and safety and environmental risks associated with all mining businesses, but also to additional risks uniquely associated with uranium mining and milling. Azarga is required to obtain governmental permits and provide associated financial assurance to carry on certain activities. Azarga is also subject to various reclamation and other bonding requirements under law and regulations for air, water quality and mine reclamation rules and permits. Although Azarga makes provision for reclamation costs, where appropriate, there is no assurance that these provisions will be adequate to discharge its obligations for these costs. Environmental and employee health and safety laws and regulations have tended to become more stringent over time. Any changes in such laws or in the environmental conditions at Azarga's properties could have a material adverse effect on Azarga's financial condition, cash flow or results of operations.

Failure to comply with applicable environmental and health and safety laws may result in injunctions, damages, suspension or revocation of licenses or permits and the imposition of penalties. There can be no assurance that Azarga has been or will be at all times in complete compliance with such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not adversely affect Azarga's business, results of operations, financial condition or prospects.

#### *Government Regulation*

Azarga's mineral exploration and planned development activities are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters across a number of different jurisdictions. Although Azarga believes its exploration and development activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of Azarga are subject to government approvals, licenses and permits. Such approvals, licenses and permits are subject to various regulatory requirements. No assurance can be given that Azarga will be successful in obtaining or maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained,

Azarga may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions hereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations or applicable laws or regulations.

Amendments to current laws and regulation governing operations or more stringent implementation thereof could have a substantial impact on Azarga and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

#### *Public Involvement in the Permitting Process*

The process of obtaining licenses required in the jurisdictions that Azarga is operating in generally allow for public participation. If a third party chooses to object to the issuance of any license or permit required by Azarga to operate a mine, significant delays may occur before Azarga is able to secure required licenses or permits. Generally, the public objections can be overcome with the passage of time and through the procedures set forth in the applicable permitting legislation. However, the regulatory agencies must also allow and fully consider public comment according to such procedures and there can be no assurance that Azarga will be successful in obtaining any required licenses or permits.

#### *Political Risk*

Azarga's future prospects may be affected by political decisions revolving around the uranium market. There can be no assurance that the United States or other government or quasi-governmental authority in which jurisdictions in which Azarga operates or has investments in will not enact legislation or other rules restricting uranium extraction and processing activities, or restricting to whom Azarga can sell uranium. In addition the price of uranium may be affected by decisions of national governments to decommission nuclear weapons, thereby increasing the supply of uranium.

#### *Azarga has no History of Mineral Production or Mining Operations*

Azarga has never had uranium producing properties. There is no assurance that commercial quantities of uranium will be discovered at its properties or other future properties nor is there any assurance that Azarga's exploration program thereon will yield positive results. Even if commercial quantities of uranium are discovered, there can be no assurance that any property of Azarga will ever be brought to a stage where uranium resources can profitably be produced therefrom. Factors which may limit the ability of Azarga to produce uranium resources from its properties include, but are not limited to, the spot price of uranium, availability of additional capital and financing and the nature of any mineral deposits.

Azarga does not have a history of mining operations and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

#### *No Assurance of Titles or Borders*

The acquisition of the right to exploit mineral properties is a very detailed and time consuming process. There can be no guarantee that Azarga will be able to acquire title to surface and mineral rights in the future. Titles to Azarga's current and/or future surface or mineral properties may be challenged or impugned and title insurance is generally not available. Azarga's surface or mineral properties may be subject to prior unregistered agreements, transfers or claims and title may be affected by, among other things, undetected defects. Such third party claims could have a material adverse impact on Azarga's operations. In addition, Azarga may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

#### *Availability of Qualified Personnel*

The mining industry generally is experiencing a significant shortage of qualified personnel particularly in the availability of professionals such as mining engineers, metallurgists and geologists. There is also a shortage of staff and skilled workers and, as a result, training to fill the positions may be necessary in order to achieve Azarga's planned production activities. The uranium industry is further impacted based on the need for professionals and skilled workers because the downturn of the uranium market in the 1980's resulted in a loss of skills and considerably fewer people entering the market in this area of mineral industry. The current demand for people has also resulted in a significant escalation of salaries and wages.

#### *Need for Additional Mineral Reserves and Delineation of Mineral Reserves*

Because mines have limited lives based on proven and probable mineral reserves, Azarga will be required to continually replace and expand its mineral reserves if, and when its mines produce uranium. Azarga's ability to maintain or increase its annual production of uranium in the future will be dependent in significant part on its ability to bring new mines into production and to expand mineral reserves at existing mines.

Azarga may be unable to acquire rights to explore additional attractive mining properties on acceptable terms due to competition for mineral acquisition opportunities with larger, better established mining companies with greater financial and technical resources. There can be no assurance that Azarga will be able to bring any of its properties into production or achieve mineral reserves on its properties.

#### *Azarga's Insurance Coverage Does Not Cover All of its Potential Losses, Liabilities and Damage Related to its Business, and Certain Risks are Uninsured or Uninsurable*

While Azarga may obtain insurance against certain risks, the nature of these risks is such that liability could exceed policy limits or could be excluded from coverage. There are also risks against which Azarga cannot insure against or which it may elect not to insure against. The potential costs which could be associated with any liabilities not covered by insurance, or in excess of insurance coverage, or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings

and competitive position of Azarga and potentially its financial condition and results of operations.

No assurance can be given that Azarga's insurance will be available at economically feasible premiums or at all, or that it will provide sufficient coverage for losses related to these or other risks and hazards.

*Proposed Amendments to the United States General Mining Law of 1872 May Have an Adverse Effect on the Azarga's Business*

Some of the Azarga's mineral properties comprise unpatented mining claims in the United States. There is a risk that a portion of Azarga's unpatented mining claims could be determined to be invalid, in which case Azarga could lose the right to mine mineral reserves contained within those mining claims. Unpatented mining claims are created and maintained in accordance with the General Mining Law of 1872. Unpatented mining claims are unique to United States property interests, and are generally considered to be subject to greater title risk than other real property interests due to the validity of unpatented mining claims often being uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations under the General Mining Law of 1872. Unpatented mining claims are always subject to possible challenges of third parties or contests by the federal government. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law.

In recent years, the United States Congress has considered a number of proposed amendments to the General Mining Law of 1872. If adopted, such legislation, among other things, could impose royalties on mineral production from unpatented mining claims located on United States federal lands, result in the denial of permits to mine after the expenditure of significant funds for exploration and development, reduce estimates of mineral reserves and reduce the amount of future exploration and development activity on United States federal lands, all of which could have a material and adverse effect on Azarga's cash flow, results of operations and financial condition.

*Shareholders' Interest in Azarga May Be Diluted in the Future*

Azarga may require additional funds to fund Azarga's exploration and development programs and potential acquisitions. If Azarga were to raise additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders.

*Azarga has Never Paid Dividends and May Not do so in the Foreseeable Future*

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

## *Exposure to Emerging Markets*

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

### **Promoters**

Azarga does not have any promoters as the term is defined under applicable securities Laws.

### **Legal Proceedings**

Azarga is not currently subject to any legal proceedings or claims, nor was it a party to any such proceedings during the year ended December 31, 2013. To Azarga's knowledge, no such legal proceedings are contemplated.

### **Regulatory Actions**

Azarga was not subject to any regulatory actions during the year ended December 31, 2013.

### **Auditors, Transfer Agent and Registrars**

The auditors of Azarga are Deloitte & Touche, LLC, Turusbekou Street, 109/1, Bishkek, 720001, Kyrgyzstan.

Azarga is the registrar and transfer agent of the Azarga Shares.

### **Material Contracts**

With the exception of agreements entered into in the normal course of business, the only material contracts that have been entered into by Azarga within the two years prior to the date of this Information Circular are the following:

1. Loan Agreement, dated July 31, 2012, among Alexander Molyneux, Curt Church, Pacific Advisers Limited Pte. and Azarga Resources Limited;
2. Amendment to Loan Agreement, dated February 12, 2014, among Alexander Molyneux, Curt Church, Pacific Advisers Limited Pte. and Azarga Resources Limited;
3. Put Option Subscription Agreement, dated October 1, 2013, between Anatolia Energy Limited and Azarga Resources Limited;
4. Deed of Amendment to Convertible Loan Agreement, dated February 25, 2014, between Black Range Minerals Limited and Azarga Resources Limited;

5. Convertible Loan Agreement, dated February 25, 2014, between Black Range Minerals Limited and Azarga Resources Limited;
6. Deed of Amendment to Convertible Loan Agreement, dated October 26, 2013, between Black Range Minerals Limited and Azarga Resources Limited;
7. Convertible Loan Agreement, dated October 26, 2013, between Black Range Minerals Limited and Azarga Resources Limited;
8. Convertible Loan Agreement, dated July 2, 2013, between Black Range Minerals Limited and Azarga Resources Limited;
9. Deed of Amendment to Convertible Loan Agreement, dated February 25, 2014, between Black Range Minerals Limited and Azarga Resources Limited;
10. Investment Agreement, dated January 4, 2013, between Powerlite Ventures Limited and Azarga Resources Limited;
11. Amendment to Investment Agreement, dated March 28, 2013, between Powerlite Ventures Limited and Azarga Resources Limited;
12. Convertible Note Deed, dated May 22, 2013, between Powerlite Ventures Limited and Azarga Resources Limited;
13. Amendment to Convertible Note Deed, dated August 28, 2013, between Powerlite Ventures Limited and Azarga Resources Limited;
14. Second Amendment to Convertible Note Deed, dated February 12, 2014, between Powerlite Ventures Limited and Azarga Resources Limited;
15. Loan Agreement, dated July 27, 2012, between UrAsia in Kyrgyzstan Limited Liability Company and Azarga Resources Limited;
16. Loan Agreement, dated July 27, 2012, between UrAsia in Kyrgyzstan Limited Liability Company and Azarga Resources Limited;
17. Assignment Agreement, dated July 27, 2012, among Diuishenaly Rakhimovich Kasenov, UrAsia in Kyrgyzstan Limited Liability Company and Azarga Resources Limited;
18. Agreement on Debt Forgiveness, dated July 27, 2012, between UrAsia in Kyrgyzstan Limited Liability Company and Azarga Resources Limited;
19. Agreement of Participants of UrAsia in Kyrgyzstan Limited Liability Company, dated July 27, 2012, among UrAsia Mining Company LLC, Diuishenaly Rakhimovich Kasenov, Erkinbek Kazakbaev, Svetlana Meng, Elvira Ashiralieva, UrAsia in Kyrgyzstan Limited Liability Company and Azarga Resources Limited;
20. Agreement of Transfer of the Participation Interests in the Charter Capital of UrAsia in Kyrgyzstan Limited Liability Company, dated July 27, 2012, among UrAsia

- Mining Company LLC, Diuishenaly Rakhimovich Kasenov, Erkinbek Kazakbaev, Svetlana Meng, Elvira Ashiralieva and Azarga Resources Limited;
21. Additional Agreement to the Agreement of Participants of UrAsia in Kyrgyzstan Limited Liability Company, dated February 26, 2013, among UrAsia Mining Company LLC, Diuishenaly Rakhimovich Kasenov, Erkinbek Kazakbaev, Svetlana Meng, Elvira Ashiralieva, UrAsia in Kyrgyzstan Limited Liability Company and Azarga Resources Limited;
  22. Additional Agreement to the Agreement of Participants of UrAsia in Kyrgyzstan Limited Liability Company, dated December 24, 2013, among UrAsia Mining Company LLC, Diuishenaly Rakhimovich Kasenov, Erkinbek Kazakbaev, Svetlana Meng, Elvira Ashiralieva, UrAsia in Kyrgyzstan Limited Liability Company and Azarga Resources Limited;
  23. Additional Agreement to the Agreement of Participants of UrAsia in Kyrgyzstan Limited Liability Company, dated February 12, 2013, among UrAsia Mining Company LLC, Diuishenaly Rakhimovich Kasenov, Erkinbek Kazakbaev, Svetlana Meng, Elvira Ashiralieva, UrAsia in Kyrgyzstan Limited Liability Company and Azarga Resources Limited;
  24. Private Placement Agreement, dated July 31, 2013, between Powertech Uranium Corp. and Azarga Resources Limited;
  25. Loan Agreement, dated October 21, 2013, between Powertech Uranium Corp. and Azarga Resources Limited;
  26. Property Purchase Agreement, dated December 20, 2013, Powertech Uranium Corp. and Azarga Resources Limited;
  27. Share Purchase Agreement, dated February 25, 2014, between Powertech Uranium Corp. and Azarga Resources Limited;
  28. Employment Agreement, dated November 3, 2013, between Azarga Resources (Hong Kong) Limited and Blake Steele; and
  29. Employment Agreement, dated May 1, 2013, between Azarga Resources (Hong Kong) Limited and Curtis Church.

Copies of the above agreements may be viewed at the offices of Azarga during normal business hours at Suite 4607-11. The Center, 99 Queen's Road, Central, Hong Kong.

### **Experts**

The Technical Report, which is incorporated by reference into this Information Circular, was prepared by Stephen Hyland and Sam Ulrich of Ravensgate Mining Industry Consultants, who are independent Qualified Persons as defined under NI 43-101.

Deloitte & Touche, LLC, Azarga's independent auditors, have audited Azarga's consolidated financial statements for the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2012. As of the date hereof, Deloitte & Touche, LLC has confirmed that they are

independent with respect to Azarga within the meaning of the International Auditing and Assurance Standards Board's (IAASB).

To Azarga's knowledge, none of the foregoing experts held any registered or beneficial interest, direct or indirect, in any securities or other property of Azarga or any of its associates or affiliates, and no securities or other property of Azarga or any of its associates or affiliates were subsequently received or are to be received by such experts.

## PRO FORMA INFORMATION CONCERNING POWERTECH UPON COMPLETION OF ACQUISITION

### Name of Resulting Issuer

Powertech is expected to change its name to "Azarga Uranium Corp." on Closing.

### Pro Forma Consolidated Capitalization

The following table sets out the pro forma share capital of Powertech, on a consolidated basis, after giving effect to the Acquisition:

Designation of Security	Amount Authorized or to be Authorized	Amount outstanding after giving effect to the Arrangement
Powertech Shares	Unlimited	363,590,775 <sup>(1)</sup>

<sup>(1)</sup> On an undiluted basis, assuming 279,636,213 Consideration Shares are issued to the Azarga Shareholders in connection with the Acquisition and assuming that none of the outstanding convertible securities of Azarga or Powertech are converted before closing.

### Fully Diluted Share Capital

The following table sets out the fully diluted share capital of Powertech after giving effect to the Acquisition:

	Number of Powertech Shares	Percentage of Total
Held by existing non-Azarga Powertech Shareholders	83,954,562 <sup>(1)</sup>	10.7%
Consideration Shares to be issued to Azarga Shareholders	279,636,213	35.6%
Powertech Shares to be issued on exercise of existing Powertech Options	3,450,000	0.4%
Powertech Shares to be issued on exercise of existing Powertech Warrants	20,849,800	2.7%
Powertech Shares to be issued on exercise of Azarga Options and in accordance with the Steele Employment Agreement	33,233,114 <sup>(2)</sup>	4.2%
Powertech Shares to be issued on conversion of principal and accrued interest in connection with the Powerlite Note Deed	365,183,600 <sup>(3)</sup>	46.4%
<b>Fully-Diluted Total<sup>(4)</sup></b>	<b>786,307,289</b>	<b>100.0%</b>

<sup>(1)</sup> Does not include the 68,991,571 Powertech Shares held by Azarga as at the date of this Information Circular, which Powertech Shares will be cancelled on completion of the Acquisition.

<sup>(2)</sup> Consists of 30,705,037 Powertech Shares to be issued on exercise of Azarga Options and 2,528,077 Powertech Shares to be issued pursuant to the Steele Employment Agreement. For more details, see "Particulars of Matters To Be Acted Upon - Azarga Acquisition" and "Information Concerning Azarga - Three Year History - Steele Employment Agreement".



- (3) Powerlite has entered into the Powerlite Note Deed with Azarga, pursuant to which Azarga will borrow up to the maximum amount of \$26,000,000, which is convertible into Powertech Shares at approximate \$0.136986301 per Powertech Share. If the full amount of the loan facility is drawn down and the principal and accrued interest is converted into Powertech Shares on the maturity date, being March 22, 2023, Powerlite would acquire an additional 365,183,600 Powertech Shares resulting in an ownership position, on a fully-diluted basis, of 46.4%. For more details, see *“Particulars of Matters To Be Acted Upon – Azarga Acquisition”*.
- (4) Assumes that the Settlement Shares have not been issued.

## **Selected Operational Information**

On completion of the Acquisition, Powertech’s head office will be located at Suite #140 – 5575 DTC Parkway, Greenwood Village, Colorado, USA 80111 and Powertech will continue the current businesses of Azarga and Powertech going forward.

## **Dividends**

It is currently anticipated that Powertech will not pay any dividends upon completion of the Acquisition. Powertech anticipates retaining its future earnings, if any, to finance further exploration and development of its properties and potential acquisitions. As a result, the return on an investment in Powertech Shares will depend upon any future appreciation in value. There can be no assurance that the Powertech Shares will appreciate from, or even maintain, their current price.

## **Directors and Officers of Powertech upon Completion of the Acquisition**

Upon completion of the Acquisition, the Powertech Board and the officers of Powertech are expected to be as set out under the headings *“Election of Directors”* and *“Summary”*.

## **Option Plan**

The 2014 Plan is expected to be the stock option plan of Powertech upon completion of the Acquisition. See *“Particulars of Matters to be Acted Upon – Approval of 2014 Stock Option Plan”*.

## **Auditors**

The auditors of Powertech are anticipated to be BDO Dunwoody LLP. The board of directors of Azarga may determine to appoint a different auditor following the Closing.

## **Description of Securities**

The characteristics of the Powertech Shares and the Class B Preference Shares of Powertech will remain unchanged upon completion of the Acquisition. See *“Voting Securities and Principal Holders of Voting Securities”*.

## **Principal Holders of Powertech Shares**

After giving effect to the Acquisition, to the knowledge of the directors and officers of Powertech and Azarga, the following table lists the names of the persons or companies that, will own, directly or indirectly, or exercise control or direction over Powertech Shares carrying more than 10% of the votes attached to all of the issued and outstanding Powertech Shares.

Name	Number held as at the closing of the Acquisition <sup>(1)</sup>	Percentage held as at the closing of the Acquisition <sup>(2)</sup>
Alexander Molyneux	71,678,302	19.7%
Curtis Church	70,262,500	19.3%
Pacific Advisers Pte Ltd.	36,691,275	10.1%
Powerlite Ventures Limited <sup>(3)</sup>	41,062,500	11.3%

<sup>(1)</sup> This information was supplied to Powertech and Azarga by the shareholders and from the insider reports available on SEDI at [www.sedi.ca](http://www.sedi.ca). Does not include any stock options or other convertible securities.

<sup>(2)</sup> Based on 363,590,775 Powertech Shares outstanding after giving effect to the Acquisition, on a non-diluted basis.

<sup>(3)</sup> Does not include Powertech Shares that may be issued to Powerlite upon conversion of the Powerlite Note Deed. Powerlite has entered into the Powerlite Note Deed with Azarga, pursuant to which Azarga will borrow up to the maximum amount of \$26,000,000, which is convertible into Powertech Shares at approximate C\$0.136986301 per Powertech Share. If the full amount of the loan facility is drawn down and the principal and accrued interest is converted into Powertech Shares on the maturity date, being March 22, 2023, Powerlite would acquire an additional 365,183,600 Powertech Shares resulting in an ownership position, on a fully-diluted basis, of 46.4%. For more details, see "Particulars of Matters to be Acted Upon - Azarga Acquisition - Powertech Shares to be Issued on Conversion of the Powerlite Note Deed".

### Escrow of Powertech Shares

Since the Acquisition constitutes a reverse takeover of Powertech, the escrow policies of the TSX (the "TSX Escrow Policy") applies and all securities of Powertech held by principals may be subject to escrow under an escrow agreement in accordance with the terms of the National Policy 46-201, *Escrow for Initial Public Offerings* (the "National Policy"). As defined in the National Policy, a principal includes (a) a person or company who acted as a promoter of Powertech within two years before the Closing Date; (b) a director or senior officer of Powertech or any of its material operating subsidiaries at the time of the Closing Date; (c) a 20% holder - a person or company that holds securities carrying more than 20% of the voting rights attached to Powertech's outstanding securities immediately before and immediately after the Closing Date; (d) a 10% holder - a person or company that (i) holds securities carrying more than 10% of the voting rights attached to Powertech's outstanding securities immediately before and immediately after the Closing Date and (ii) has elected or appointed, or has the right to elect or appoint, one or more directors or senior officers of Powertech or any of its material operating subsidiaries.

In deciding whether escrow is appropriate for the principals of Powertech, the TSX will apply the principles of the National Policy. The provisions of the National Policy will be applied by TSX, including the use of the escrow form. The TSX will administer escrow agreements entered into under the TSX Escrow Policy. If escrow is required, a principal's escrow securities will be released as follows:

On the date Powertech 's securities are listed on TSX (the listing date)	1/4 of the escrow securities
6 months after the listing date	1/3 of the remaining escrow securities
12 months after the listing date	1/2 of the remaining escrow securities
18 months after the listing date	the remaining escrow securities

## OTHER MATTERS

Management is not aware of any matters to come before the Meeting other than those set forth in the Notice. If any other matter properly comes before the Meeting, it is the intention of the Designated Persons to vote the Shares represented thereby in accordance with their best judgment on such matter.

## ADDITIONAL INFORMATION

Additional information about the Company can be obtained free of charge through the SEDAR website at [www.sedar.com](http://www.sedar.com). Shareholders may also contact Adria Hutchison, Interim Chief Financial Officer, at Suite #140 - 5575 DTC Parkway, Greenwood Village, Colorado, USA 80111, Telephone: 303.790.7528, Facsimile: 303.790.3885, to request copies of the Company's financial statements and the related Management's Discussion and Analysis (the "MD&A"). Financial information is provided in the Company's comparative financial statements and MD&A for its financial year ended December 31, 2013.

## APPROVAL OF THE BOARD OF DIRECTORS

The contents of this Information Circular have been approved, and the delivery of it to each Shareholder of the Company entitled thereto and to the appropriate regulatory agencies, has been authorized by the Board.

Dated at Vancouver, British Columbia, this 13th day of May, 2014.

**ON BEHALF OF THE BOARD OF DIRECTORS OF  
POWERTECH URANIUM CORP.**

*"Richard F. Clement, Jr."*

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Richard F. Clement, Jr.  
President, Chief Executive Officer  
and Corporate Secretary

## SCHEDULE "A"

### DIRECTOR ELECTION RESOLUTION

RESOLVED as an ordinary resolution that:

- (a) the number of directors of Powertech Uranium Corp. ("**Powertech**") is hereby set at seven (7);
- (b) the following persons, each of whom has consented in writing to act as a director or is present at this meeting and has not refused at this meeting to be a director, are appointed as directors of Powertech with the election of Richard F. Clement, Jr., Douglas E. Eacrett, Matthew O'Kane and Apolonius (Paul) Struijk to be effective at the conclusion of the meeting of the shareholders of Powertech until the next annual general meeting of Powertech or until their successors are elected or appointed and with the election of Curtis Church, Joseph Havlin and Alexander Molyneux to be effective upon the consummation of the acquisition of Azarga Resources Ltd. by Powertech until the next annual general meeting of Powertech or until their successors are elected or appointed:
  - Richard F. Clement, Jr.;
  - Douglas E. Eacrett;
  - Matthew O'Kane;
  - Apolonius (Paul) Struijk;
  - Curtis Church;
  - Joseph Havlin; and
  - Alexander Molyneux.
- (c) any director or officer of Powertech is hereby authorized to do all acts and things necessary or desirable to give effect to the foregoing.

## SCHEDULE "B"

### COMPENSATION COMMITTEE CHARTER

The following Compensation Committee Charter (the "**Charter**") was adopted by the Compensation Committee (the "**Committee**") of the Board of Directors (the "**Board**") and the Board of Powertech Uranium Corp. (the "**Company**").

#### I. Purpose of the Committee

The purpose of the Committee is to:

- (a) oversee the Company's compensation and benefit plans, policies and practices, including its executive compensation plans and incentive-compensation and equity-based plans;
- (b) produce an annual report on executive compensation for inclusion in the Company's annual report or proxy statement if required by applicable securities laws;
- (c) monitor and evaluate, at the Committee's sole discretion, matters relating to the compensation and benefits structure of the Company; and
- (d) take such other actions within the scope of this Charter as the Board of the Company may assign to the Committee from time to time or as the Committee deems necessary or appropriate.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section VII below of this Charter.

The basic responsibility of the members of the Committee is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that responsibility, the Committee should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors, to the extent it deems necessary or appropriate.

#### II. Composition

The Committee shall be composed of members of the Board, the number of which shall be fixed from time to time by resolution adopted by the Board. Each member of the Committee shall be determined by the Board to satisfy any applicable independence requirements established by the rules and regulations of the U.S. and Canadian regulatory authorities and any stock exchange upon which the Company's shares trade from time-to-time.

#### III. Authority

The Committee shall have the authority to (i) retain (at the Company's expense) its own legal counsel and other advisors and experts that the Committee believes, in its sole discretion, are

needed to carry out its duties and responsibilities, including, without limitation, the retention of a compensation consultant to assist the Committee in evaluating director and executive officer compensation; and (ii) conduct investigations that it believes, in its sole discretion, are necessary to carry out its responsibilities. In addition, the Committee shall have the authority to request any officer, director or employee of the Company, or any other persons whose advice and counsel are sought by the Committee, such as members of the Company's management or the Company's outside legal counsel and independent accountants, to meet with the Committee or any of its advisors and to respond to their inquiries.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate.

#### **IV. Appointing Members**

The members of the Committee shall be appointed or re-appointed by the Board on an annual basis. Each member of the Committee shall continue to be a member thereof until such member's successor is appointed, or unless such member shall resign or be removed by the Board. The Board may remove or replace any member of the Committee at any time. However, a member of the Committee shall automatically cease to be a member of the Committee upon either ceasing to be a director of the Board or ceasing to be "independent" as required in Section II above of this Charter. Vacancies on the Committee will be filled by the Board.

#### **V. Chairperson**

The Board, or in the event of its failure to do so, the members of the Committee, must appoint a chairperson from the members of the Committee (the "**Chairperson**"). If the Chairperson of the Committee is not present at any meeting of the Committee, an acting Chairperson for the meeting shall be chosen by majority vote of the Committee from among the members present. In the case of a deadlock on any matter or vote, the Chairperson shall refer the matter to the Board. The Committee may appoint a secretary who need not be a director of the Board or Committee.

#### **VI. Meetings**

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

- (a) a quorum for meetings shall be two members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other. The Committee shall act on the affirmative vote of a majority of members present at a meeting at which a quorum is present. The Committee may also act by unanimous written consent in lieu of meeting;
- (b) the Committee shall meet as often as it deems necessary, but not less frequently than once each year; and

- (c) notice of the time and place of every meeting shall be given in writing or facsimile communication to each member of the Committee at least 24 hours prior to the time of such meeting.

The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Committee shall make regular reports of its meetings to the Board, directly or through its Chairperson, accompanied by any recommendations to the Board approved by the Committee.

## **VII. Specific Duties**

In meeting its responsibilities, the Committee is expected to:

- (a) review and approve at least annually the corporate goals and objectives of the Company's executive compensation plans, incentive-compensation and equity based plans and other general compensation plans (the "**Company Plans**"), and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate;
- (b) review at least annually the Company Plans in light of the Company's goals and objectives with respect to such plans, and, if the Committee deems it appropriate, adopt, or recommend to the Board the adoption of new, or the amendment of existing, Company Plans;
- (c) evaluate annually the performance of the chief executive officer of the Company, the other executive officers of the Company and the chairman of the Board (collectively, the "**Company Executives**") in light of the goals and objectives of the Company Plans, and based on this evaluation, set his or her total compensation, including, but not limited to (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term incentive opportunity level, (d) employment agreements, severance agreements, and change-in-control agreements and provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits, including, but not limited to, perquisites. In determining the long-term incentive component of each Company Executive's compensation, the Committee shall consider all relevant factors, including the Company's performance and relative shareholder return, the value of similar incentive awards to persons with comparable positions at comparable companies, and the awards given to each Company Executive in past years;
- (d) review at least annually and make recommendations to the Board with respect to the compensation of all directors of the Company, taking into consideration compensation paid to directors of comparable companies and the specific duties of each director;
- (e) monitor and assess the Company's compliance with the requirements established by the rules and regulations of the U.S. and Canadian regulatory authorities and any stock exchange upon which the Company's shares trade from time-to-time

and regulations relating to compensation arrangements for directors and executive officers including, if applicable, the Sarbanes-Oxley Act of 2002;

- (f) review executive compensation disclosure prior to public disclosure or filing with any securities regulatory authorities;
- (g) issue an annual report on executive compensation for inclusion in the Company's annual report or proxy statement, if required by applicable securities laws;
- (h) review all equity compensation plans that are not subject to shareholder approval under the rules of any stock exchange on which the Company's securities are listed for trading and to approve such plans in its discretion;
- (i) oversee the compensation and benefits structure applicable to the Company's officers and directors, including, but not limited to, incentive compensation and equity-based compensation, provided that, at the Committee's sole discretion, it may submit such matters as it determines to be appropriate to the Board for the Board's approval or ratification;
- (j) in its sole discretion, retain, amend the engagement with, and terminate any compensation consultant used to assist the Committee in evaluating any officer or director compensation. The Committee shall also have the sole authority to approve the fees and other retention terms of the consultants and to cause the Company to pay such fees and expenses of such consultants. The Committee shall also have the authority, in its sole discretion, to obtain advice and assistance from internal or external legal, accounting or other advisors, to approve the fees and expenses of such outside advisors, and to cause the Company to pay such fees and expenses of such outside advisors;
- (k) review and evaluate at least annually its own performance with respect to its compensation functions, and to submit itself to the review and evaluation of the Board;
- (l) review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval; and
- (m) perform such other functions consistent with this Charter, the Company's bylaws and governing law, as the Committee or the Board deems necessary or appropriate.



## SCHEDULE "C"

### ACQUISITION RESOLUTION

RESOLVED as an ordinary resolution of the disinterested shareholders that:

- (a) the share purchase agreement between Powertech Uranium Corp. ("**Powertech**") and Azarga Resources Limited ("**Azarga**") dated February 25, 2014, as may be amended by the parties thereto (the "**Agreement**"), pursuant to the terms of which Powertech will acquire all of the issued and outstanding common shares of Azarga (the "**Azarga Shares**") in exchange for the issuance of common shares of Powertech (the "**Powertech Shares**") to the shareholders of Azarga (the "**Transaction**"), and all other transactions contemplated therein, all as more particularly described and set forth in the Management Proxy Circular of Powertech dated May 13, 2014 (the "**Circular**"), and the actions of the directors and officers of Powertech in approving, executing and delivering the Agreement and any amendments thereto are hereby ratified and approved;
- (b) the issuance of up to 279,636,213 Powertech Shares to acquire all of the outstanding Azarga Shares at an exchange ratio of 3.65 Powertech Shares for each outstanding Azarga Share pursuant to the terms of the Agreement is hereby authorized and approved;
- (c) the issuance to the holders of stock options of Azarga (the "**Azarga Options**") such number of stock options of Powertech (the "**Powertech Options**") as is equal to 3.65 Powertech Options for each outstanding Azarga Option pursuant to the terms of the Agreement is hereby authorized and approved;
- (d) the issuance of up to 30,705,037 Powertech Shares to be issued upon exercise of any Powertech Options issued to holders of Azarga Options are hereby reserved for issuance and the issuance of up to 30,705,037 Powertech Shares upon the exercise of such Powertech Options in accordance with their terms is hereby authorized and approved;
- (e) the issuance of up to 2,528,077 Powertech Shares to be issued upon the purchase of Powertech Shares by Blake Steele pursuant to an employment agreement with Azarga (the "**Steele Employment Agreement**") are hereby reserved for issuance and the issuance of up to 2,528,077 Powertech Shares pursuant to the Steele Employment Agreement is hereby authorized and approved;
- (f) the issuance of up to 365,183,600 Powertech Shares to be issued upon in connection the conversion of principal and interest under the Powerlite Note Deed, dated May 22, 2013, as amended on August 28, 2013 and February 12, 2014 (the "**Powerlite Note Deed**"), between Azarga and Powerlite Ventures Limited are hereby reserved for issuance and the issuance of up to 365,183,600

Powertech Shares upon the conversion of principal and interest under the Powerlite Note Deed in accordance with its terms is hereby authorized and approved;

- (g) any one or more directors or officers of Powertech is hereby authorized, for and on behalf and in the name of Powertech, to execute and deliver all such agreements, forms waivers, notices, certificate, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Agreement and the completion of the Transaction and any other transactions contemplated under the Agreement in accordance with the terms of the Agreement, including, without limitation:
  - (i) all actions required to be taken by or on behalf of Powertech, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities, and
  - (ii) the signing of the certificates, consents and other documents or declarations required under the Agreement or otherwise to be entered into by Powertech

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing; and

- (h) notwithstanding that this resolution has been passed (and the Agreement and Transaction approved) by the shareholders of Powertech, the directors of Powertech are hereby authorized and empowered, without further notice to, or approval of, the securityholders of Powertech to (i) to amend the Agreement to the extent permitted by the Agreement; or (ii) subject to the terms of the Agreement, not to proceed with the Transaction.

## SCHEDULE "D"

### SETTLEMENT RESOLUTION

RESOLVED as an ordinary resolution of the disinterested shareholders that:

- (a) the settlement agreements between Powertech Uranium Corp. ("**Powertech**") and each of Richard F. Clement, Jr., John Mays and Richard Blubaugh dated May 12, 2014, as may be amended by the parties thereto (collectively, the "**Settlement Agreements**"), pursuant to the terms of which Powertech will allot and issue a maximum total of 2,977,970 common shares of Powertech (the "**Shares**") at a deemed floor price of C\$0.065 per Share to Mr. Clement, Mr. Mays and Mr. Blubaugh in settlement of the aggregate amount of \$176,404 owed to these individuals by Powertech on account of outstanding deferred compensation (the "**Settlement**"), and all other transactions contemplated therein, all as more particularly described and set forth in the Management Proxy Circular of the Company dated May 13, 2014 (the "**Circular**"), and the actions of the directors and officers of the Company in approving, executing and delivering the Settlement Agreements and any amendments thereto are hereby ratified and approved;
- (b) the maximum issuance of up to 1,712,275 Shares to Richard F. Clement Jr. at a deemed floor price of C\$0.065 per Share in full and final settlement of the amounts owed as deferred compensation pursuant to the terms of the Settlement Agreement between Powertech and Mr. Clement be and is hereby authorized and approved;
- (c) the maximum issuance of up to 352,315 Shares to John Mays at a deemed floor price of C\$0.065 per Share in full and final settlement of the amounts owed as deferred compensation pursuant to the terms of the Settlement Agreement between Powertech and Mr. Mays be and is hereby authorized and approved;
- (d) the issuance of up to 913,381 Shares to Richard Blubaugh at a deemed floor price of C\$0.065 per Share in full and final settlement of the amounts owned as deferred compensation pursuant to the terms of the Settlement Agreement between Powertech and Mr. Blubaugh be and is hereby authorized and approved;
- (e) any one or more directors or officers of Powertech is hereby authorized, for and on behalf and in the name of Powertech, to execute and deliver all such agreements, forms waivers, notices, certificate, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Settlement Agreement and the completion of the Settlement and any other transactions contemplated under the Settlement Agreements in accordance with the terms of the Settlement Agreements, including, without limitation:

- (i) all actions required to be taken by or on behalf of Powertech, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities, and
- (ii) the signing of the certificates, consents and other documents or declarations required under the Settlement Agreements or otherwise to be entered into by Powertech

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing; and

- (f) notwithstanding that this resolution has been passed (and the Settlement Agreements and Settlement approved) by the shareholders of Powertech, the directors of Powertech are hereby authorized and empowered, without further notice to, or approval of, the securityholders of Powertech to (i) to amend the Settlement Agreements to the extent permitted by the Settlement Agreements; or (ii) subject to the terms of the Settlement Agreements, not to proceed with the Settlement.

## SCHEDULE "E"

### STOCK OPTION PLAN RESOLUTION

RESOLVED, as an ordinary resolution that:

- (a) subject to the completion of the acquisition of Azarga Resources Limited ("**Azarga**") pursuant to the share purchase agreement between Powertech Uranium Corp. and Azarga dated February 25, 2014, the proposed 2014 Stock Option Plan (the "**2014 Plan**"), attached to the Information Circular of Powertech Uranium Corp. ("**Powertech**") dated May 13, 2014 as Schedule "F" be and is hereby ratified, confirmed and approved;
- (b) all unallocated stock options under the 2014 Plan are hereby approved; and
- (c) any director or officer of Powertech is hereby authorized and directed to execute or cause to be executed, under corporate seal of Powertech or otherwise, and to deliver or cause to be delivered, all such documents, and do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in connection with the foregoing.

## SCHEDULE "F"

### POWERTECH URANIUM CORP 2014 STOCK OPTION PLAN

◆, 2014

**Purpose.** The purpose of this Plan is to provide incentives to attract, retain and motivate eligible persons whose current and potential contributions are important to the success of the Company, by offering them an opportunity to participate in the Company's future performance through awards of Options.

#### ARTICLE 1 INTERPRETATION

**1.1 Definitions and Interpretation.** As used in this Plan, the following words and terms will have the following meanings:

- (a) **"Board"** means the board of directors of the Company;
- (b) **"Code"** means the United States Internal Revenue Code of 1986, as amended;
- (c) **"Committee"** means the committee appointed by the Board to administer this Plan, or if no committee is appointed, the Board;
- (d) **"Company"** means Powertech Uranium Corp. or any successor corporation;
- (e) **"Disability"** means the mental or physical state of an individual such that:
  - (i) the Board, other than such individual, determines that such individual has been unable, due to illness, disease, mental or physical disability or similar cause, to fulfill his or her obligations as an employee, independent contractor, consultant or director of the Company either for any consecutive 6 month period or for any period of 8 months (whether or not consecutive) in any consecutive 12 month period, or
  - (ii) a court of competent jurisdiction has declared such individual to be mentally incompetent or incapable of managing his or her affairs;
- (f) **"Effective Date"** means ◆, 2014;
- (g) **"Eligible Person"** means any person providing continuous services to the Company and who is:
  - (i) a full-time employee or independent contractor of the Company or any of its subsidiaries or a part-time employee or independent contractor of the Company or any of its subsidiaries,
  - (ii) a consultant to the Company or any of its subsidiaries in respect of whom the Company is permitted to grant Options under applicable law and the rules and

policies of any securities regulatory authority, stock exchange or quotation system with jurisdiction over the Company or the issuance of the Options, or

- (iii) a director of the Company or any of its subsidiaries;
- (h) **“Exercise Price”** means the price at which a holder of an Option may purchase the Shares issuable upon exercise of the Option under Section 2.3(g) of this Plan;
- (i) **“Expiry Date”** means the expiry date of an Option as determined by the Committee in accordance with the terms and conditions of this Plan, subject to the time limits and any “black out” or similar periods as provided in Section 2.3(f) to this Plan;
- (j) **“Insider”** has the meaning set forth in Part I of the TSX Company Manual;
- (k) **“Market Price”** means, as of any date, the value of the Shares, determined as follows:
  - (i) if the Shares are listed on the TSX, the Market Price shall be the closing price of the Shares on the TSX for the last market trading day prior to the date of the grant of the Option,
  - (ii) if the Shares are listed on the TSX Venture Exchange, the Market Price shall be the closing price of the Shares on the TSX Venture Exchange for the last market trading day prior to the date of the grant of the Option less any discount permitted by the TSX Venture Exchange,
  - (iii) if the Shares are listed on an exchange other than the TSX or the TSX Venture Exchange, the Market Price shall be the closing price of the Shares (or the closing bid, if no sales were reported) as quoted on such exchange for the last market trading day prior to the date of the grant of the Option, and
  - (iv) if the Shares are not listed on an exchange, the Market Price shall be determined in good faith by the Committee;
- (l) **“Option”** means an award of an option to purchase Shares hereunder;
- (m) **“Participant”** means every Eligible Person who is approved for participation in the Plan by the Committee;
- (n) **“Plan”** means this Stock Option Plan, as may be amended from time to time;
- (o) **“Shares”** means the common shares in the capital of the Company and includes any shares of the Company into which such common shares may be converted, reclassified, redesignated, subdivided, consolidated, exchanged or otherwise changed;
- (p) **“Termination”** or **“Terminated”** means, for purposes of this Plan with respect to a Participant, that the Participant has for any reason ceased to provide continuous services as an employee, independent contractor, consultant, officer or director of the Company. Notwithstanding the foregoing, an employee will not be deemed to have ceased to provide services in the case of:
  - (i) sick leave; or

- (ii) any other leave of absence approved by the Committee, provided that such leave is for a period of not more than 90 days unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing.

Notwithstanding anything to the contrary, the Committee will have sole discretion to determine whether a Participant has ceased to provide continuous services to the Company and the effective date on which the Participant ceased to provide services (the “**Termination Date**”); and

- (q) “**TSX**” means the Toronto Stock Exchange.

## **ARTICLE 2**

### **THE PLAN/GRANT OF OPTIONS**

2.1 **Number of Shares Available.** Subject to Section 2.2 and Article 5,

- (a) the total number of Shares reserved and available for issuance pursuant to this Plan (together with those Shares which may be issued pursuant to any other security based compensation arrangement of the Company or options for services granted by the Company) shall not exceed 72,718,155 Shares;
- (b) the number of Shares issuable pursuant to this Plan (together with those Shares which may be issued pursuant to any other security based compensation arrangement of the Company or options for services granted by the Company) to all Insiders shall not exceed 10% of the Shares outstanding on a non-diluted basis from time to time; and
- (c) the number of Shares which may be issued pursuant to this Plan (together with those Shares which may be issued pursuant to any other security based compensation arrangement of the Company or options for services granted by the Company) to all Insiders within a one-year period shall not exceed 10% of the Shares outstanding on a non-diluted basis from time to time.

Subject to Section 2.2 and Article 5, any unissued Shares in respect of which Options are granted which cease to be issuable under such Option including the expiry of the Option, cancellation of the Option or surrender of the Option pursuant to an option exchange program, will again be available for grant and issuance in connection with future Options granted under this Plan. At all times the Company will reserve and keep available a sufficient number of Shares as will be required to satisfy the requirements of all outstanding Options granted under this Plan.

2.2 **Adjustment of Shares.** In the event that the number of outstanding Shares is changed by a stock dividend, recapitalization, stock split, reverse stock split, subdivision, consolidation, combination, reclassification or similar change in the capital structure of the Company without consideration, then:

- (a) the number of Shares reserved for issuance under the Plan;
- (b) the number of Shares subject to outstanding Options; and
- (c) the Exercise Prices of outstanding Options



will be proportionately adjusted, subject to any required action by the Board or the shareholders of the Company and in compliance with applicable securities laws; provided, however, that fractions of a Share will not be issuable under any Options and will be rounded down to the nearest Share.

2.3 **Options.** The Committee may grant Options to Eligible Persons and will determine the number of Shares subject to the Options, the Exercise Price of the Options, the period during which the Options may be exercised and all other terms and conditions of the Options, subject to the following:

- (a) **Plan and Exercise of Options Subject to Shareholder Approval.** Until such time as this Plan has been approved by the shareholders of the Company in accordance with the requirements of the TSX, no Options granted under this Plan may be exercised;
- (b) **Form of Option Grant.** Each Option granted under this Plan will be evidenced by a stock option certificate in the form attached to this Plan as Exhibit A, or in such other form as may be approved by the Committee, from time to time (called the “**Stock Option Certificate**”) which will contain such provisions (which need not be the same for each Participant) as the Committee may from time to time approve, and which will comply with and be subject to the terms and conditions of this Plan;
- (c) **Date of Grant.** The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option, unless otherwise specified by the Committee. The Stock Option Certificate and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option;
- (d) **Vesting and Exercise of Options.** Provided the Participant has not been Terminated, Options may be exercisable until the Expiry Date determined by the Committee and specified in the Stock Option Certificate. The Committee also may provide for Options to vest at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines, as set out in the Stock Option Certificate. If the application of vesting causes the Option to become exercisable with respect to a fractional Share, such Share shall be rounded down to the nearest whole Share;
- (e) **Take-Over Bids.**
  - (i) **Acceleration of Expiry Date.** Subject to prior approval of this Plan as contemplated in Section 2.3(a), if, at any time when an Option granted under the Plan remains unexercised, a person or group of persons acting jointly or in concert, make a bona fide offer (an “**Offer**”) to shareholders of the Company, offering to acquire part or all of the outstanding Shares, the Committee may in its sole discretion, upon notifying each Participant of full particulars of the Offer, declare all Options granted under the Plan vested, and declare that the expiry date for the exercise of all unexercised Options granted under the Plan is accelerated so that all Options will either be exercised or will expire prior to the date upon which Shares must be tendered pursuant to the Offer, provided such Offer is completed and, if not completed, the respective Expiry Dates of the Options shall revert to the original Expiry Date,
  - (ii) **Compulsory Acquisition or Going Private Transaction.** Subject to prior approval of this Plan as contemplated in Section 2.3(a), if and whenever, following a take-over bid or an issuer bid, there shall be a compulsory acquisition of the Company’s Shares pursuant to Division 6 of Part 9 of the

*Business Corporations Act* (British Columbia) or any successor or similar legislation, or any amalgamation, merger or arrangement in which securities acquired in a formal take-over bid may be voted under the conditions described in Section 8.2 of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*, then, following the date upon which such compulsory acquisition, amalgamation, merger or arrangement is effective, a Participant shall be entitled to receive, and shall accept, for the same exercise price, in lieu of the number of Shares to which such Participant was theretofore entitled to purchase, the aggregate amount of cash, shares, or other securities or other property which such Participant would have been entitled to receive as a result of such bid if he or she had tendered such number of Shares to the bid, net of withholding taxes, as contemplated by this Plan;

- (f) **Expiry.** The Option shall expire on the expiry date set forth in the Stock Option Certificate and must be exercised, if at all, on or before the expiry date. In no event shall an Option be exercisable during a period extending more than five years after the date of grant, provided that, in the circumstance where the end of the term of an Option falls within, or within ten business days after the end of, a “black out” or similar period imposed under any insider trading policy or similar policy of the Company (but not, for greater certainty, a restrictive period resulting from the Company or its Insiders being the subject of a cease trade order of a securities regulatory authority), the end of the term of such Option shall be the tenth business day after the earlier of the end of such black out period or, provided the black out period has ended, the expiry date;
- (g) **Exercise Price.** The Exercise Price of an Option will be determined by the Committee when the Option is granted and shall not be less than the Market Price of the Shares;
- (h) **Method of Exercise.** Options may be exercised only by delivery to the Company of:
  - (i) a written stock option exercise agreement in the form attached to this Plan as Exhibit B, or
  - (ii) such other written or electronic form as may be approved by the Committee (which need not be the same for each Participant),

(in each case, the “**Exercise Agreement**”) stating the Participant’s election to exercise the Option, the number of Shares being purchased, the restrictions imposed on the Shares purchased under such Exercise Agreement, if any, and such representations and agreements regarding the Participant’s investment intent and access to information and other matters, if any, as may be required or desirable by the Company to comply with applicable securities laws, together with payment in full of the Exercise Price, and any applicable taxes, including withholding taxes, for the number of Shares being purchased. If someone other than the Participant exercises the Option, then such person must submit documentation reasonably acceptable to the Company that such person has the right to exercise the Option. The Option may not be exercised unless such exercise is in compliance with all applicable securities laws and the rules and policies of the TSX or any exchange or quotation system upon which the Shares are listed or quoted, as they are in effect on the date of exercise;

- (i) **Termination.** Subject to earlier termination pursuant to Article 5, and notwithstanding the exercise periods set forth in the Stock Option Certificate, exercise of an Option will always be subject to the following, unless otherwise amended by the Committee:

- (i) if the Participant is Terminated for any reason other than the Participant's death or Disability or if the Participant resigns, then the Participant may exercise such Participant's Options (but only to the extent that such Options would have been vested and exercisable upon the Termination Date), no later than thirty days after the Termination Date or such earlier period prescribed by law (but in any event no later than the Expiry Date), and
- (ii) if the Participant is Terminated because of the Participant's death or Disability, then such Participant's Options may be exercised (but only to the extent that such Options would have been vested and exercisable by the Participant on the Termination Date) by the Participant (or the Participant's legal representative or authorized assignee), no later than 12 months after the Termination Date or such earlier period as may be prescribed by law (but in any event no later than the Expiry Date);
- (j) **Limitations on Exercise.** The Committee may specify a reasonable minimum number of Shares that may be purchased on exercise of an Option, provided that such minimum number will not prevent a Participant from exercising the Option for the full number of Shares for which it is then exercisable;
- (k) **Modification, Extension or Renewal.** Subject to applicable laws, rules and regulations (including, without limitation, the rules of any applicable stock exchange or quotation system), the Committee may modify, extend or renew outstanding Options, may modify vesting periods so that any such stock options, whether vested or unvested, may have an amended vesting schedule or may immediately vest and become exercisable, and may authorize the grant of new Options in exchange therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted; and
- (l) **Issuance of Shares.** Provided that the Exercise Agreement and payment are in form and substance satisfactory to the Company, the Company shall issue the Shares registered in the name of the Participant or the Participant's legal representative and shall deliver certificates representing the Shares with any applicable legends affixed thereto.

2.4 **Authority to Provide Financial Assistance.** The Company is authorized, in its sole discretion, to provide financial assistance to Participants to purchase Shares under this Plan, subject to applicable laws and the rules and policies of any securities regulatory authority, stock exchange or quotation system with jurisdiction over the Company or a trade in securities of the Company. Any financial assistance so provided will be repayable with full recourse and the term of any such financing shall not exceed the term of the Option to which the financing applies.

### ARTICLE 3 ADMINISTRATION

3.1 **Committee Authority.** This Plan will be administered by the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan including, without limitation, the authority to:

- (a) construe and interpret this Plan, any Stock Option Certificate and any other agreement or document executed pursuant to this Plan;
- (b) prescribe, amend and rescind rules and regulations relating to this Plan;

- (c) select Eligible Persons to receive Options;
- (d) determine the form and terms of Options and Stock Option Certificates, provided that they are not inconsistent with the terms of the Plan;
- (e) determine the Exercise Price of an Option;
- (f) determine the number of Shares to be covered by each Option;
- (g) determine whether Options will be granted singly, in combination with, in tandem with, in replacement of, or as alternatives to, any other incentive or compensation plan of the Company;
- (h) grant waivers of Option conditions or amend or modify each Option, provided that they are not inconsistent with the terms of this Plan;
- (i) determine the vesting, exercisability and Expiry Dates of Options;
- (j) correct any defect, supply any omission, or reconcile any inconsistency in this Plan, any Option, any Stock Option Certificate or any Exercise Agreement;
- (k) determine whether an Option has been earned; and
- (l) make all other determinations necessary or advisable for the administration of this Plan.

3.2 **Committee Discretion.** Any determination made by the Committee with respect to any Option will be made in its sole discretion at the time of grant of the Option or, unless in contravention of any express term of this Plan or Option, at any later time, and such determination will be final and binding on the Company and on all persons having an interest in any Option under this Plan.

#### ARTICLE 4 RIGHTS OF OWNERSHIP

4.1 **No Rights of a Shareholder.** No Participant will have any of the rights of a shareholder with respect to any Shares until the Shares are issued as evidenced by the appropriate entry on the securities register of the Company.

4.2 **Transferability.** Options granted under this Plan, and any interest therein, will not be transferable or assignable by a Participant, and may not be made subject to execution, attachment or similar process, otherwise than by will or by the operation of law. During the lifetime of the Participant, an Option will be exercisable only by the Participant and any elections with respect to an Option may be made only by the Participant. The terms of the Option shall be binding upon the executors, administrators and heirs of the Participant.

#### ARTICLE 5 CORPORATE TRANSACTIONS

5.1 Assumption or Replacement of Options by Successor. In the event of:

- (a) a merger whether by way of amalgamation or arrangement in which the Company is not the surviving corporation (other than a merger with a wholly-owned subsidiary, or other transaction in which there is no substantial change in the shareholders of the Company

or their relative shareholdings and the Options granted under this Plan are assumed, converted or replaced by the successor corporation, which assumption will be binding on all Participants);

- (b) a merger whether by way of amalgamation or arrangement in which the Company is the surviving corporation but after which shareholders of the Company immediately prior to such merger (other than any shareholder which merges, or which owns or controls another corporation which merges, with the Company in such merger) cease to own their shares or other equity interests in the Company; or
- (c) the sale of substantially all of the assets of the Company,

any or all outstanding Options may be assumed, converted or replaced by the successor corporation (if any), which assumption, conversion or replacement will be binding on all Participants or, in the alternative, the successor corporation may substitute equivalent Options or provide substantially similar or other consideration to Participants as was provided to shareholders (after taking into account the existing provisions of the Options).

**5.2 Dissolution or Liquidation.** In the event of the proposed dissolution or liquidation of the Company, to the extent that an Option has not been previously exercised, the Option will terminate immediately prior to the consummation of such proposed action. The Committee may, in the exercise of its sole discretion in such instances, declare that any Option shall terminate as of a date fixed by the Committee and give each Participant the right to exercise his or her Option as to all or any part of the Shares thereof, including Shares as to which the Option would not otherwise be exercisable.

**5.3 Assumption of Options by the Company.** The Company, from time to time, also may substitute or assume outstanding options granted by another company, whether in connection with an acquisition of such other company or otherwise, by either:

- (a) granting an Option under this Plan in substitution of such other company's option; or
- (b) assuming such option as if it had been granted under this Plan if the terms of such assumed option could be applied to an Option granted under this Plan.

Such substitution or assumption will be permissible if the holder of the substituted or assumed option would have been eligible to be granted an Option under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an option granted by another company, the terms and conditions of such option will remain unchanged (except that the exercise price and the number and nature of shares issuable upon exercise of any such option will be adjusted appropriately). In the event the Company elects to grant a new Option rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

## **ARTICLE 6 GENERAL**

**6.1 No Obligation to Employ.** Nothing in this Plan or any Option granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of, or to continue any other relationship with, the Company or limit in any way the right of the Company to terminate the Participant's employment or other relationship at any time, with or without cause. Neither any period of notice, if any, nor any payment in lieu thereof, upon termination of employment shall be considered as extending the period in which an Eligible Person is providing continuous services for the purposes of the Plan.

6.2 **Term of Plan.** Unless extended or earlier terminated as provided herein, the Plan will terminate 10 years from the Effective Date except with respect to Options then outstanding. No Options may be granted under this Plan after the 10th anniversary of the Effective Date.

6.3 **Withholding.** The Company may withhold from any amount payable to a Participant, either under this Plan or otherwise, such amount as it reasonably believes is necessary to enable the Company to comply with the applicable requirements of any federal, provincial, local or foreign law, or any administrative policy of any applicable tax authority, relating to the withholding of tax or any other required deductions with respect to options (“**Withholding Obligations**”). The Company may also satisfy any liability for any such Withholding Obligations, on such terms and conditions as the Company may determine in its discretion, by:

- (a) requiring a Participant, as a condition to the exercise of any Options, to make such arrangements as the Company may require so that the Company can satisfy such Withholding Obligations including, without limitation, requiring the Participant to remit to the Company in advance, or reimburse the Company for, any such Withholding Obligations; or
- (b) selling on the Participant’s behalf, or requiring the Participant to sell, any Shares acquired by the Participant under the Plan, or retaining any amount which would otherwise be payable to the Participant in connection with any such sale.

6.4 **Governing Law.** This Plan and all agreements hereunder shall be governed by and construed in accordance with the laws of the Province of British Columbia.

6.5 **Termination and Amendment of Plan.** The Board may at any time terminate this Plan in any respect, provided that no such termination shall adversely affect the rights of any Participant under any Option previously granted except with the consent of such Participant. The Board may, without notice, at any time and from time to time, amend the Plan or any provisions thereof, or the form of Stock Option Certificate or instrument to be executed pursuant to the Plan, in such manner as the Board, in its sole discretion and without shareholder approval, determines appropriate:

- (a) for the purposes of making formal minor or technical modifications to any of the provisions of the Plan;
- (b) to correct any defect, supply any omission, or reconcile any inconsistency in this Plan, any Option, any Stock Option Certificate or any Exercise Agreement;
- (c) to change any vesting provisions of Options;
- (d) to change the termination provisions of the Options or the Plan which does not entail an extension beyond the original Expiry Date of the Options;
- (e) to reduce the exercise price of an Option granted to a non-Insider;
- (f) to add a cashless exercise feature to the Plan, providing for the payment in cash or securities on the exercise of Options, and
- (g) to add or change provisions relating to any form of financial assistance provided by the Company to Participants that would facilitate the purchase of securities under the Plan;

provided, however, that:

- (h) no such amendment of the Plan may be made without the consent of such affected Participant if such amendment would adversely affect the rights of such affected Participant under the Plan; and
- (i) shareholder approval shall be obtained in accordance with the requirements of the Toronto Stock Exchange for any amendment that results in:
  - (i) an increase in the number of Shares issuable under Options granted pursuant to the Plan;
  - (ii) a change in the persons who qualify as Eligible Persons under the Plan;  
a reduction in the exercise price of an Option granted to an Insider;
  - (iii) the cancellation and reissue of any Option;
  - (iv) an extension of the term of an Option granted to an Insider;
  - (v) Options becoming transferable or assignable other than for the purposes as described in Section 4.2; or
  - (vi) a change to the participation limits set forth in Section 2.1 of the Plan.

6.6 **Notices.** Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Corporate Secretary of the Company at its principal corporate offices. Any notice required to be given or delivered to a Participant shall be in writing and addressed to such Participant at the address indicated in the Stock Option Certificate or to such other address as such party may designate in writing from time to time to the Company. All notices shall be deemed to have been given or delivered upon: personal delivery; three business days after deposit in the mail by certified or registered mail (return receipt requested); one business day after deposit with any return receipt express courier (prepaid); or one business day after transmission by confirmed facsimile, rapidfax, telecopier or electronic mail.

6.7 **Successors and Assigns.** The Company may assign any of its rights under this Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company.

6.8 **Nonexclusivity of the Plan.** Neither the adoption of this Plan by the Board nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

6.9 **Section 409A of the Code.** Notwithstanding any provision of this Plan to the contrary, if any provision of this Plan contravenes any regulations or guidance promulgated under Section 409A of the Code or would cause any person to be subject to additional taxes, interest and/or penalties under Section 409A of the Code, such provision of this Plan, the Options and the Stock Option Certificates may be modified by the Board without notice to or consent of the Participant in any manner the Board deems reasonable or appropriate.

**EXHIBIT A**

**PARTICIPANT GRANT**

**Powertech Uranium Corp.**  
(the "Company")

**Stock Option Certificate under Stock Option Plan**  
(the "Plan")

The Company hereby grants to a Participant an Option, the details of which are as follows:

Participant's Name:  
Social Insurance Number:  
Address:

Total Shares Issuable upon Exercise of Option:  
Exercise Price Per Share:  
Date of Grant:  
Date of Board Confirmation:  
Applicable Vesting Date(s) and Provisions:  
Expiration Date:

Defined terms used herein have the meanings set out in the Plan. You agree that you may suffer tax consequences as a result of the grant of this Option, the exercise of the Option and the disposition of Shares. You acknowledge that you are not relying on the Company or its advisors for any tax advice.

This Stock Option Certificate is subject to the terms and conditions of the Plan and, in the event of any inconsistency or contradiction between the terms of the Stock Option Certificate and the Plan, the terms of the Plan shall govern.

NOTE: Until such time as this Plan is approved by the shareholders of the Company in accordance with the requirements of The Toronto Stock Exchange, which approval shall be sought at or prior to the Company's special meeting to be held on June 30, 2014, the Option granted hereunder may not be exercised.

If you agree to accept the Option described above, subject to all of the terms and conditions of the Plan, please sign one copy of this letter and return it to \_\_\_\_\_ by \_\_\_\_\_.

**POWERTECH URANIUM CORP.**

By: \_\_\_\_\_  
Authorized Signatory

I have received a copy of the Plan and agree to comply with, and agree that my participation is subject in all respects to, its terms and conditions.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Address

\_\_\_\_\_



EXHIBIT B

EXERCISE AGREEMENT

TO: POWERTECH URANIUM CORP. (the "Company")

ATTN:  
(e-mail: \_\_\_\_\_ / Fax: 604-685-9182)

The undersigned hereby exercises their Option to purchase Shares of the Company as provided by the enclosed Stock Option Certificate. The details of the exercise are as follows:

- (a) Number of Options: \_\_\_\_\_
- (b) Number of Options to be Exercised: \_\_\_\_\_
- (c) Balance of Options: \_\_\_\_\_
- (d) Exercise Price per Option: \_\_\_\_\_
- (e) Aggregate Exercise Price:  
(Item (b) x Item (d)) \_\_\_\_\_

The undersigned hereby:

(a) encloses a certified cheque payable to the Company for the Aggregate Exercise Price plus the amount of the estimated Withholding Obligation and agrees that the undersigned will reimburse the Company for any amount by which the actual Withholding Obligation exceeds the estimated Withholding Obligation; or

(b) advises the Company that \_\_\_\_\_ [Name of Brokerage Firm](the "Broker") will provide the Company with the Aggregate Exercise Price and estimated Withholding Obligation in respect of the above Options in exchange for certificates representing such number of Shares to be issued upon due exercise of the above Options that have been sold by the Broker for the undersigned's account. Upon confirmation of the number of Shares sold by the Broker, the undersigned hereby directs the Company to deliver the applicable share certificates to the Broker. The undersigned agrees that the undersigned will reimburse the Company for any amount by which the actual Withholding Obligation exceeds the estimated Withholding Obligation.

The undersigned hereby agrees to abide by any applicable statutory or regulatory requirements regarding the resale of the Common Shares to be issued and delivered hereunder.

The undersigned irrevocably directs that the said Common Shares be issued and delivered as directed below.

DATED: \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Signature of Optionholder

Accepted by the Company on: |

\_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Name of Optionholder

By: \_\_\_\_\_

Registration Instructions

Delivery Instructions

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Account Reference, if applicable

\_\_\_\_\_  
Account Reference, if applicable

\_\_\_\_\_  
Address

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
Telephone Number

**SCHEDULE "G"**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**OF AZARGA**

See Attached

# **Azarga Resources Limited**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the year ended December 31, 2013 and for the period from May, 30 2012  
(date of inception) to December 31, 2012**

(Expressed in U.S. Dollars)

# **AZARGA RESOURCES LIMITED**

## **Management's Discussion and Analysis**

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### **DISCLAIMER FOR FORWARD-LOOKING STATEMENTS**

Certain statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations are forward-looking statements. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative and grammatical variations) of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Company's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits the Company will obtain from them. These assumptions, which include, management's current expectations, estimates and assumptions about the Company's investments, the global economic environment, and the Company's ability to manage its assets and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause its actual results to differ materially from those expressed or implied by the forward looking statements, including, but not limited to: (1) that events in Japan in early 2011 may continue to affect public acceptance of nuclear energy; (2) a decrease in the market price of uranium; (3) a decrease in the demand for uranium and uranium related products; (4) discrepancies between actual and estimated mineral resources and mineral reserves; (5) risks pertaining to the development of economically viable mining projects at investee companies (6) unforeseen or changed regulatory restrictions, requirements and limitations, including environmental regulatory restrictions and liability and permitting restrictions; (7) the failure to obtain governmental approvals and fulfill contractual commitments, and the need to obtain new or amended licenses and permits; (8) the loss of key employees; (9) the loss of, or defective title to, exploration and mining claims, rights, leases or licenses; (10) the number of competitors; (11) political and economic conditions in uranium producing and consuming countries; (12) failure to obtain additional capital in sufficient amounts or on commercially reasonable terms; (13) other factors beyond the Company's control; and (14) those factors described in the section entitled "Risks and Uncertainties".

Undue reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are in many cases beyond the Company's control. Forward-looking statements are not guarantees of future performance and the Company's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates, may differ materially from statements made or incorporated by reference in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Company undertakes no obligation to update forward-looking statements if management's beliefs, estimates and opinions or the Company's circumstances as at the date hereof should change. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether, as a result of new information, future events or otherwise.

# **AZARGA RESOURCES LIMITED**

## **Management's Discussion and Analysis**

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### **GENERAL**

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") of Azarga Resources Limited ("Azarga") (which, together with its subsidiaries, is collectively referred to as the "Company") dated May 13, 2014 should be read in conjunction with the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2013 and for the period from May 30, 2012 (the "Inception") to December 31, 2012. The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

The functional currency of parent company and each of its subsidiaries is measured using the currency of the primary economic environment in which the entity operates. The Company's presentation currency and the functional currency for all entities is the U.S. Dollar with the exception of UrAsia in Kyrgyzstan Limited Liability Company ("UrAsia"), whose functional currency is the Kyrgyz Som.

All references to \$ in the MD&A refer to the U.S. Dollar, all references to C\$ refer to the Canadian Dollar and all references to the A\$ refer to Australian Dollars.

### **BACKGROUND**

Azarga, a private company, was incorporated under the legislation of the British Virgin Islands on May 30, 2012. Azarga, together with its subsidiaries, is an integrated uranium exploration and development company. Azarga owns an 80% interest in UrAsia, which owns uranium properties in the Kyrgyz Republic. As at the date of this MD&A, the Company also holds investments in the following uranium exploration and development companies: a 45.1% stake in Powertech Uranium Corporation ("Powertech"), a publicly listed company on the Toronto Stock Exchange ("TSX") (symbol TSX:PWE), a 20.2% stake in Black Range Minerals Limited ("Black Range"), a publicly listed company on the Australian Stock Exchange ("ASX") (symbol ASX:BLR) and a 15.1% stake in Anatolia Energy Limited ("Anatolia"), a publicly listed company on the ASX (symbol: ASX:AEK). In addition to its investment in Powertech, Azarga acquired a 60% interest in the Centennial Project, a uranium exploration project in Colorado.

#### *UrAsia in Kyrgyzstan Limited Liability Company*

On July 27, 2012, the Company acquired 80% of the charter capital of UrAsia through the Share Transfer Agreement and Agreement of Participants (the "Purchase Agreements"). UrAsia is registered in the Kyrgyz Republic with a uranium exploration license covering the Kyzyl Ompul license area (the "Kyzyl Ompul Project") (refer to the "Mineral Properties" section for additional details). The Kyzyl Ompul Project is located south of Kazakhstan, the largest producer of uranium on the world.

# **AZARGA RESOURCES LIMITED**

## **Management's Discussion and Analysis**

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### **BACKGROUND (Continued)**

The acquisition of Azarga's 80% stake in UrAsia consisted of an upfront cash payment of \$200,000 and a deferred payment of \$5,800,000. The deferred payment was payable upon:

- 1) Completion of a successful capital raise of not less than \$5,800,000 by the Company;
- 2) Extension of UrAsia's exploration license for the Kyzyl Ompul license area;
- 3) Delivery of an auditor's report confirming that UrAsia had no outstanding debts other than those disclosed to Azarga; and
- 4) Completion of an assignment of the creditor's right on the pre-existing shareholder loan to Azarga and forgiving \$5,077,513 of the assigned debt.

If Azarga fails to satisfy the payment conditions, Azarga shall transfer 60% of the 80% interest in UrAsia back to the original sellers of UrAsia. The above conditions (1-4) have been satisfied; however, the Company and the original sellers of UrAsia subsequently amended the Purchase Agreements to change the payment terms surrounding the \$5,800,000 deferred payment (see discussion below).

Additionally, under the Purchase Agreements, the original sellers of UrAsia have the right to sell the remaining 20% of UrAsia's charter capital to Azarga for 1) \$2,000,000 in cash or 2) \$2,000,000 in Azarga's shares after July 27, 2014.

In 2013, the Company and the original sellers of UrAsia amended the payment terms surrounding the \$5,800,000 deferred payment. Instead of settling the entire deferred payment with cash, the Company issued the original sellers of UrAsia 6,250,000 Azarga shares to settle \$2,500,000 of the obligation. Further, a payment schedule was agreed between the Company and the original sellers of UrAsia in which all outstanding cash payments would be satisfied by July 27, 2014.

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

On February 12, 2014, an additional amendment was signed between the Company and the original sellers of UrAsia to further revise the payment schedule. The remaining cash payments will be settled by December 31, 2017. This amendment also aligned the put option exercise timing on the remaining 20% of UrAsia's charter capital with the final deferred payment to be made on or before December 31, 2017. The original sellers of UrAsia continue have the option to exercise the put option for 1) \$2,000,000 in cash or 2) \$2,000,000 in Azarga's shares.

On April 2, 2014, UrAsia also acquired two additional licenses for subsoil use for the purposes of geological prospecting for uranium in the Kyrgyz Republic, namely the Shyrghy License (23,600 hectares) and the Arsy License (19,600 hectares), both of which are valid until April 2, 2019.

# **AZARGA RESOURCES LIMITED**

## **Management's Discussion and Analysis**

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### **BACKGROUND (Continued)**

#### *Investment in Powertech Uranium Corporation*

On July 22, 2013, the Company acquired 16.5% of the issued and outstanding common shares of Powertech (the "Powertech Shares"). The Company also acquired 1,500,000 currently exercisable stock warrants with an exercise price of C\$0.20. Each warrant enables the holder to exercise one warrant for one Powertech Share. Powertech is a mineral exploration and development company which, through its wholly-owned subsidiary, Powertech (USA) Inc., is focused on the exploration and development of uranium properties in the United States. Powertech's principal assets are comprised of mineral properties in Colorado, South Dakota, and Wyoming.

Powertech's Dewey Burdock Project in South Dakota recently received approval from the United States Nuclear Regulatory Commission (NRC) for its Final Source and Byproduct and Materials license approving extraction of uranium. Prior to the commencement of operations, additional federal and state permits are required.

Subsequent to the Company's initial investment in Powertech, on July 31, 2013, the Company entered into a financing agreement with Powertech, whereby the Company agreed to advance \$500,000 (C\$514,350) to Powertech through the purchase of a convertible debenture ("Powertech CB"). The Powertech CB was convertible at the option of both parties; however, the Company's conversion right only applied upon an approval of a change of control of Powertech by the Powertech Board or after an event of default. On October 18, 2013, the Powertech CB (the face value plus the 15% redemption premium) was converted into 8,450,035 Powertech Shares at C\$0.07 per share, increasing the Company's ownership stake to 22.2%.

In addition, on October 18, 2013, the Company agreed to provide a loan facility in amount of \$3,600,000 to Powertech ("Powertech CL") repayable in cash or Powertech Shares. The Powertech CL is convertible at the option of both parties; however, the Company's conversion right only applies upon Powertech's board of directors approving a transaction resulting in a change of control, a change of control of Powertech, occurrence of an event of default, or 9 months following the date of the initial advance. As at December 31, 2013, Powertech had drawn \$1,025,000 under the Powertech CL. Subsequent to December 31, 2013, Powertech has drawn an additional \$1,350,000.

On November 7, 2013 and November 12, 2013, the Company acquired additional Powertech Shares at a price of C\$0.0966 per share and increased its ownership stake in Powertech to 29.8% and then 45.1%, respectively.

For a description of the material terms and conditions of the Powertech CB and Powertech CL please refer to Azarga's "Three Year History" in Powertech's management information circular, to which this MD&A forms a schedule.

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

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### **BACKGROUND (Continued)**

#### *Acquisition of 60% interest in the Centennial Project*

On December 20, 2013, the Company acquired a 60% interest in the Centennial Project located in Weld County, Colorado from Powertech for total purchase consideration of \$1,500,000 to be paid over the course of two years (the "Centennial Acquisition"). Refer to the "Mineral Properties" section of this MD&A for additional details.

Powertech retained a 40% interest in the Centennial Project. As at December 31, 2013, the Company had paid \$1,000,000 in cash and \$500,000 by way of a promissory note with \$250,000 payable on or before December 20, 2014 and \$250,000 payable on or before December 20, 2015.

In addition, the property purchase agreement provided Powertech with a put option to sell its remaining 40% interest in the Centennial Project to the Company after January 1, 2017 for total consideration of \$250,000. The property purchase agreement also provided the Company with a call option to purchase the remaining 40% interest in the Centennial Project after January 1, 2017 for \$7,000,000, or within ten days of the occurrence of a change of control of Powertech for \$1,000,000.

#### *Investment in Black Range*

On March 14, 2013, the Company acquired a 19.7% interest in Black Range. Black Range is focused on growth through acquisition, exploration and development of uranium projects, particularly in the USA. Its growth strategy is underpinned by its 100% interest in the Hansen/Taylor Ranch Uranium Project located approximately 30 kilometers northwest of Cañon City in Colorado, USA.

On July 2, 2013, the Company entered into a financing agreement with Black Range to provide an A\$2,000,000 convertible loan ("First Black Range CL") repayable in cash or common shares of Black Range (the "Black Range Shares"). Subsequently, on October 26, 2013, the Company and Black Range amended the First Black Range CL and agreed to convert A\$638,000 into Black Range Shares at the conversion price of A\$0.01 per share. The Company obtained an additional 63,800,000 Black Range Shares through the conversion, increasing its equity holding to 22.6% in Black Range. The First Black Range CL has been fully drawn.

On October 26, 2013, the Company entered into a second financing agreement with Black Range to provide an A\$1,500,000 convertible loan ("Second Black Range CL") repayable in cash or Black Range Shares. The Second Black Range CL has been fully drawn.

On February 25, 2014, the Company entered into a third financing agreement with Black Range to provide an A\$2,000,000 convertible loan ("Third Black Range CL") repayable in cash or Black Range Shares. A\$350,000 has been drawn under the Third Black Range CL.



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### **BACKGROUND (Continued)**

Subsequent to December 31, 2013, the Company sold 41,884,824 Black Range Shares, reducing its interest to 20.2%.

For a description of the material terms and conditions of the First, Second and Third Black Range CL agreements please refer to Azarga's "Three Year History" in Powertech's management information circular, to which this MD&A forms a schedule.

#### *Investment in Anatolia*

During 2013, the Company acquired a 12% stake in Anatolia. Anatolia is 100% owner of the high grade Temrezli Uranium Project in Turkey and its primary focus is its advanced exploration and development projects in the central Anatolian region of Turkey.

On October 1, 2013, the Company also signed a Put Option Agreement with Anatolia. Under the Put Option Agreement, Anatolia can issue a total of 16,666,667 common shares (the "Anatolia Shares") to the Company at an issue price of A\$0.12 per share in tranches of 8,333,333 Anatolia Shares ("Tranche 1") and 8,333,334 Anatolia Shares ("Tranche 2"). The exercise period for Tranche 1 is between January 31, 2014 and December 31, 2014 and Tranche 2 is between March 31, 2014 and December 31, 2014, subject to certain conditions precedent being satisfied. All conditions precedent were satisfied as at December 31, 2013.

Subsequent to December 31, 2013, Anatolia exercised Tranche 1 of the Put Option Agreement to raise \$1,000,000 at A\$0.12 per share. As a result, Anatolia has issued 8,333,333 Anatolia Shares to the Company, increasing the Company's shareholding to 15.1% of the issued and outstanding Anatolia Shares.

### **PROPOSED TRANSACTION**

Pursuant to a share purchase agreement dated February 25, 2014 (the "Share Purchase Agreement"), Powertech will acquire all of the issued and outstanding shares of Azarga in exchange for Powertech Shares based on an exchange ratio equal to 3.65 Powertech shares for each Azarga Share (the "Transaction"). Immediately after completion of the Transaction, Powertech intends to consolidate its outstanding shares on a basis to be agreed upon by the Company and Powertech. Upon completion of the Transaction, Azarga will become a wholly-owned subsidiary of Powertech and Azarga's current shareholders will become shareholders of Powertech, holding approximately 77% of the outstanding Powertech Shares. Powertech would continue to carry on both Azarga's and Powertech's current business and change its name to "Azarga Uranium Corp."

The proposed Transaction will bring a number of key benefits, including:

- Increased scale – The addition of Azarga's assets will diversify the combined company's asset locations and will increase its resource base;

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### PROPOSED TRANSACTION (Continued)

- Increased diversification – Azarga owns 80% of the Kyzyl Ompul Project and holds equity investments in Black Range and of Anatolia, in addition to Powertech;
- Enhanced management and board of directors – The post-Transaction expanded board of directors and senior management team includes representation from Asia and brings significant experience in capital raising for exploration and development stage assets; and
- Financial stability – Azarga's undrawn capacity (currently \$10,800,000) under the Powerlite Facility (refer to the "*Financing, Liquidity and Capital Resources*" section of this MD&A for additional details) will be available to the combined company. The Powerlite Facility conversion price will be C\$0.15 per Powertech Share, a significant premium to the pre-Transaction trading price.

For more details on the Transaction, see "*Particulars of Matters to be Acted Upon – Azarga Acquisition*" and "*Pro Forma Information Concerning Powertech Upon Completion of Acquisition*" in Powertech's management information circular, to which this MD&A forms a schedule.

The board of directors of both Powertech and Azarga have unanimously approved the Transaction. Completion of the Transaction is expected to occur on or before July 31, 2014 and is conditional upon, among other things, receipt of all required approvals, including approvals of the TSX, the shareholders of Powertech and the shareholders of Azarga.

Azarga also currently owns in excess of 20% of the issued and outstanding Black Range Shares. Accordingly, in order to permit the 'downstream acquisition' of more than 20% of the Black Range Shares by Powertech, the Transaction will also require either receipt of approval of Black Range's shareholders or a modification of the terms of the Australian Corporations Act from the Australian Securities and Investments Commission.

### INDUSTRY TRENDS AND OUTLOOK

It is difficult to reliably forecast the uranium price, which is the key determinant of the Company's prospects. In May 2013, the Trade Tech Weekly U<sub>3</sub>O<sub>8</sub> Spot Price Indicator was \$29.00 per pound, marking a nine-year low for uranium prices. It seems apparent that the earthquake and tsunami in Japan in March 2011, with the resultant damaging effect on that country's nuclear power industry, is still having ramifications on the broader nuclear and uranium industries. Prior to March 2011, Japan was the world's second largest consumer of uranium and since that time Japan has been almost absent from the uranium market. Certain other major nuclear power producing nations, such as Germany, have implemented plans to reduce or eliminate nuclear power.

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

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## Management's Discussion and Analysis

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### INDUSTRY TRENDS AND OUTLOOK (Continued)

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

- **Many countries that eliminated or reduced their nuclear reliance are now encountering significant consequences and switching back to nuclear** – increased cost of electricity generation and increased pollution from switching to fossil fuels is a key issue for such countries. Switching away from nuclear energy has radically increased cost of electricity generation for Japan and CO<sub>2</sub> emissions. Furthermore, the switch has caused a significant increase in Japan's trade deficit. As a result, Japan revised its energy policy in February of 2014 to reintroduce nuclear power as a source of future long-term base load power supply. As a result, 17 Japanese nuclear reactors have applied for regulatory approvals to re-start operations and regulators have prioritized two nuclear reactors to re-start during the summer of 2014.
- **Demand is rapidly accelerating in new markets** – all of the 'BRIC' countries (i.e. Brazil, Russia, India and China) are rapidly growing their nuclear power capacity and increasing their reliance on nuclear power as a proportion of overall power generation. In fact, when considering the number of nuclear power plants operating, those under construction and those proposed for construction, the figures have reached an all time high. China, Russia and India lead the world in terms of the number of new nuclear power plants under construction, with 29, 10 and 6, respectively. China is forecast to commission 11 of its new nuclear reactors in 2014, adding approximately 10 million pounds of annual demand. Even the United States is seeing renewed growth in its nuclear industry, with the NRC approving the licensing of new nuclear reactors in the United States for the first time in 34 years.
- **Current prices will constrain supply** – according to supply cost curves published by industry analysts, less than one third of current mine supply is economic at the current spot price. Low prices are forcing producers to curtail mining, development and exploration. In recent months announcements by producers suggest at least 12 million pounds of annual U<sub>3</sub>O<sub>8</sub> supply has already been eliminated due to recent mine closures.

Despite the Company's firm belief that a uranium industry turnaround is coming, 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 to assist Powertech with the advancement of Dewey Burdock** – receiving the NRC permit for Dewey Burdock on April 2, 2014 was a key risk reduction event for the Dewey Burdock Project. Although the Nuclear Regulatory Commission Atomic Safety and Licensing Board subsequently issued a temporary stay, it is Powertech's position that this is not unique to the Dewey Burdock Project and is simply a product of the licensing regime and process. Powertech's attorneys will vigorously defend the license as it currently stands. Powertech and the NRC believe that all contentions have been fully addressed in the documents that formed the basis for grant of the license. Powertech anticipates continuing to work on the EPA and South Dakota state permitting requirements over the remainder of 2014 in order to have the project ready for construction.

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### INDUSTRY TRENDS AND OUTLOOK (Continued)

- **Undertake a limited exploration program in the Kyrgyz Republic to investigate the potential for rare earth elements as an enhancement** – a maiden NI 43-101 uranium resource was completed in April 2014 on the foundations of a two-year exploration program on the Kyzyl Ompul license area in the Kyrgyz Republic. Further, the exploration program confirmed the potential for the existence of a high-grade rare earths deposit within the license boundary, which could substantially enhance the value of the asset. The Company has planned a limited exploration program in 2014, focused on gaining a better understanding of the rare earth elements at the Kyzyl Ompul license area.
- **Manage investments for value** – the Company's investments in Black Range and Anatolia have a combined market value of \$4,214,594 as at May 13, 2014. The Company will continue to monitor these investments for opportunities to create value through consolidation or realization.

The Company believes a unique opportunity exists for investors to maintain and/or build an investment in Azarga. Firstly, the Company has a firm belief that uranium prices will be meaningfully higher in the medium term. Secondly, the Company has a global asset suite inclusive of mineral properties and equity investments at various stages of development, including the Dewey Burdock Project, which could be permitted to commence construction in the near-term. Thirdly, management and the board of directors have extensive experience in the mining sector, as well as emerging markets and executing capital raisings.

### MINERAL PROPERTIES

Disclosure of a scientific or technical nature in this MD&A was prepared by or under the supervision of the following Qualified Persons:

*Kyzyl Ompul Project* - A technical report entitled "NI 43-101 Technical Report on the Kyzyl Ompul License for UrAsia in Kyrgyzstan LLC" dated effective April 14, 2014 was prepared by Stephen Hyland and Sam Ulrich of Ravensgate Mining Industry Consultants ("Ravensgate"). Mr. Hyland and Mr. Ulrich are independent Qualified Persons as defined under National Instrument 43-101 ("NI 43-101") and prepared the Technical Report in accordance with NI 43-101.

*Centennial, Dewey Burdock and Aladdin Projects* - Mr. Richard F. Clement, Jr., President and CEO of Powertech, reviewed and approved the scientific and technical information related to the Centennial, Dewey Burdock and Aladdin Projects. Mr. Clement, P.G., MSc. is a Qualified Person as defined by NI 43-101.

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### **MINERAL PROPERTIES (Continued)**

#### *Kyzyl Ompul Project (80% interest)*

The uranium deposit/prospects and rare earth prospects of the Kyzyl Ompul Project are located in the Kyrgyz Republic, approximately 125 kilometers ("km") east of the capital of Bishkek. More specifically, the Kyzyl Ompul Project is located in the Kochkor region of the Naryn Oblast and the Issyk-Kul region of the Issyk-Kul Oblast. The Kyzyl Ompul Project is 100% owned and operated by UrAsia and consists of one exploration license with an area of 42,379 hectares. The license is valid until December 31, 2015 and permits exploration for uranium, thorium, iron, titanium, phosphate, rare earth elements and feldspar.

The Kyzyl Ompul Project has been explored since the 1950s for uranium, with most historic exploration occurring during the 1950s and 1960s. This historic exploration identified a number of hydrothermal and placer uranium prospects within the Kyzyl Ompul Project. In total, five hydrothermal uranium prospects and five placer uranium prospects were identified.

The Kok Moinok deposit, the most advanced of the hydrothermal deposits, was discovered in 1953. From 1953 to 1957, 144 holes were drilled on a grid of 50m x 50m. Soviet classified C1 and C2 reserves were calculated using the information obtained from these drill holes. Additional drilling was completed from 1958 to 1969 on a 200m x 200m grid attempting to identify further extensions of the uranium prospects.

Further exploration was undertaken by UrAsia from 2005 to 2008, with the aim to confirm the hydrothermal uranium mineralization and placer uranium mineralization by targeting previously identified uranium deposits and prospects. The exploration program during this period included traverses, geological mapping (80km<sup>2</sup>), trenching (4,300m<sup>3</sup>), soil gas radon emanation surveys (60 readings), geophysical surveys and the collection of 84 hydrogeological samples for radon assays, 7,458 channel samples, 455 rock chip samples and 28 crushed samples.

Subsequent to Azarga's 80% acquisition of UrAsia, a more extensive exploration program commenced. The 2012 and 2013 exploration programs concentrated on both uranium and rare earth elements exploration. Over this period, the Company completed nine drill holes for approximately 2,275m at the Sai Bezdodniy hydrothermal prospect, 40 drill holes at the Tash Bulak placer prospect, 31 drill holes at the Backe placer prospect and 9 drill holes at the Tunduk placer prospect. The Company also completed 17 drill holes for approximately 4,345m at the Kok Moinok deposit. The 2012 and 2013 drilling program was designed to twin a selection of historic drill holes to confirm mineralized intervals and uranium grades in those mineralized intervals as well as confirm the geological and mineralogical understanding of the Kyzyl Ompul Project.

In April 2014, Ravensgate prepared a maiden NI 43-101 compliant independent uranium resource estimate for the Kok Moinok deposit located within the Kyzyl Ompul Project. Ravensgate estimated that the Kok Moinok deposit contained inferred resources of 15.13 million tonnes at 225.2 parts per million U<sub>3</sub>O<sub>8</sub> for 7.51 million pounds of contained U<sub>3</sub>O<sub>8</sub>. The mineral resource estimate was prepared using a cut-off of 100 parts per million.

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## **Management's Discussion and Analysis**

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### **MINERAL PROPERTIES (Continued)**

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

#### *Centennial Project (60% interest)*

The 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 3,600 acres of surface rights and approximately 7,100 acres of mineral rights. Powertech holds the remaining 40% interest in the Centennial Project.

Powertech has completed a significant amount of exploration work primarily focused on preparing the Centennial Project for in-situ recovery leach permitting and feasibility. The historical exploration work completed by Powertech included drilling, recovery tests, water well tests and environmental studies. At the request of the Colorado Division of Reclamation, Mining and Safety, Powertech 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. Powertech completed its application to the Environmental Protection Authority ("EPA") for a Class I Underground Injection Well ("UIC") Permit in November 2010. In December 2010, the EPA informed Powertech that the application was deemed complete.

On August 13, 2010, Powertech received an independent Preliminary Economic Assessment (PEA) prepared in accordance with NI 43-101 prepared by SRK Consulting (U.S.), Inc. ("SRK") and Lyntek Incorporated ("Lyntek"). The PEA indicated that the Centennial Project could be developed using the in situ recovery method and resulted in a net present value of \$51.8 million, at a discount rate of 8%, and an internal rate of return of 18%. The PEA assumed uranium prices of \$65/lb U<sub>3</sub>O<sub>8</sub>, cash operating costs of \$34.95/lb U<sub>3</sub>O<sub>8</sub> and the capital costs of \$71.1 million. The PEA included 9.5 million lbs of indicated resources and 2.1 million pounds of inferred resources, at a grade of 0.09% U<sub>3</sub>O<sub>8</sub> 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 PEA, including quality estimates and information on data verification are available under Powertech's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

Azarga has engaged an independent mining consultant to prepare development scenarios for the Centennial Project in order to attempt to maximize the value that can be extracted from this project.

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### **MINERAL PROPERTIES (Continued)**

*Powertech (45.1% interest as at the date of this MD&A)*

Powertech is a mineral exploration and development company which, through its wholly-owned subsidiary, Powertech (USA) Inc., is focused on the exploration and development of uranium properties in the United States. Powertech's principal assets are comprised of mineral properties in Colorado, South Dakota, and Wyoming.

#### Dewey Burdock Project

Powertech's Dewey Burdock Project, an in-situ recovery uranium project, is located in the Edgemont Uranium District. The Project is comprised of approximately 50 mining leases and approximately 370 mining claims covering approximately 14,500 surface acres and 17,800 net mineral acres.

On April 19, 2012, Powertech announced that it had received the results of a revised PEA dated effective April 17, 2012 (the "April 2012 PEA") for its Dewey Burdock Project. The April 2012 PEA was prepared in accordance with NI 43-101 by SRK and Lyntek.

The April 2012 PEA provided an updated analysis of the economic viability of the Dewey Burdock Project based on significant development work performed by Powertech's engineers and consultants over the previous two years. Most significantly, Powertech's team and consultants modified the mine planning sequence for the project and redesigned the well fields based on further detailed hydrologic studies.

The April 2012 PEA resulted in a net present value of \$109.1 million at a discount rate of 8% and an internal rate of return of 48%. The April 2012 PEA assumed uranium prices of \$65/lb U<sub>3</sub>O<sub>8</sub>, cash operating costs of \$33.31/lb U<sub>3</sub>O<sub>8</sub> and capital costs for phase 1 of \$54.3 million. Over its 9-year mine life, the Dewey Burdock Project was forecast to produce 8.4 million lbs of U<sub>3</sub>O<sub>8</sub> and generate a pay-back period in the last quarter of the second year of production. Details of the assumptions and parameters used with respect to the April 2012 PEA, including quality estimates and information on data verification are available under Powertech's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

The NRC issued the final Supplemental Environmental Impact Statement ("SEIS") for the Dewey Burdock Project on January 31, 2014. The EPA issued a notice of receipt of the final SEIS on February 7, 2013, starting a final 30-day review period, and subsequently issued final comments on the final SEIS on March 10, 2014. The NRC also prepared a Safety Evaluation Report ("SER"), which was published in March 2013 and a draft Programmatic Agreement ("PA"), which was issued to Section 106 consulting parties in November 2013. The PA was executed on April 7, 2014.

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### **MINERAL PROPERTIES (Continued)**

Upon completion of all necessary requirements on April 8, 2014, the NRC granted an operating license to Powertech for the Dewey Burdock Project. In order to commence operations, other major permits must be obtained. These include permits from the EPA and the South Dakota Department of Energy and Natural Resources ("DENR"). Once these permits are received, it will allow the full mining operations to commence at Dewey Burdock. These permits are expected to be approved in 2014.

The EPA has currently scheduled issuance of the preliminary Class III and Class V UIC permits in May 2014, to be followed by a public comment period and final permit issuance.

Powertech has submitted applications to the DENR in 2012 for its Groundwater Disposal Plan ("GDP"), Water Rights ("WR") and Large Scale Mine Plan ("LSM") permits. All permit applications have been deemed complete and have been recommended for conditional approval by the DENR staff. The GDP and WR permits are subject to hearing with public participation. The hearing commenced on October 28, 2013 and continued through November 25, 2013, until such time as the NRC and EPA ruled and set the federal surety. The LSM permit application was also deemed complete and recommended for conditional approval by the DENR staff. The LSM permit has been finalized subject to continuation of a hearing before the Board of Minerals and Environment, which commenced the week of September 23, 2013 and continued through November 5, 2013, until such time as the NRC and EPA ruled and set the federal surety.

#### Aladdin Project

The Aladdin Project comprises approximately 14,500 acres of mineral rights located along the Wyoming/South Dakota border on the northwestern flank of the Black Hills Uplift, within sandstones of the Lower Cretaceous-age Inyan Kara Group. The Aladdin property is 80 miles northwest of the Dewey Burdock Project. Uranium resources at the Aladdin Project have been developed within the same host rocks that contain the Dewey Burdock deposit.

On June 25, 2012, Powertech announced that it had completed a NI 43-101 compliant technical report for the Aladdin Project entitled "Technical Report on the Aladdin Uranium Project, Crook County, Wyoming" and dated effective June 21, 2012 (the "Aladdin Report"). The Aladdin Report describes the results of the Powertech's confirmation drilling program and continued evaluation of historic exploration drilling data from Teton Exploration Company.



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### MINERAL PROPERTIES (Continued)

Using a 0.20 GT cut-off, Powertech has identified 1,038,023 pounds of indicated resources, contained in 466,232 tonnes averaging 0.111% U<sub>3</sub>O<sub>8</sub> and 101,255 pounds of inferred resources, contained in 42,611 tonnes averaging 0.119% U<sub>3</sub>O<sub>8</sub>. Using the same cut-off, a range of exploration potential was determined to be 5.0 to 11.0 million pounds of uranium, averaging 0.11% - 0.12% U<sub>3</sub>O<sub>8</sub>. The grade and quantity of this exploration potential is conceptual in nature. There has been insufficient exploration within the portions of the Aladdin Project that contain this exploration potential to define a mineral resource. It is uncertain if further exploration in the areas of this exploration potential will result in the delineation of mineral resources. Details of the assumptions and parameters used with respect to the Aladdin Project in the Aladdin Report, including quality estimates and information on data verification are available under Powertech's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### *Black Range (20.2% interest as at the date of this MD&A)*

Black Range is focused on growth through acquisition, exploration and development of uranium projects, particularly in the United States. Its growth strategy is underpinned by its 100% interest in the Hansen/Taylor Ranch Uranium Project located approximately 30 kilometers northwest of Cañon City in Colorado, USA. On April 23, 2013, Black Range issued a press release announcing a JORC code 2012 compliant resource estimate for the Hansen/Taylor Ranch Uranium Project. Please refer to Black Range's press release entitled "Hansen/Taylor Ranch Uranium Project - JORC Code 2012 Mineral Resource Estimate" for details of the assumptions and parameters used to calculate the resources and uranium quality estimates and information on data verification.

#### *Anatolia (15.1% interest as at the date of this MD&A)*

Anatolia's primary focus is its advanced exploration and development projects in the central Anatolian region of Turkey. Anatolia owns 100% of the Temrezli Uranium Project in Turkey. On May 12, 2014, Anatolia issued a press release stating the results of its updated PEA for the Temrezli Uranium Project prepared by WWC Engineering of Sheridan, Wyoming. Please refer to Anatolia's press release entitled "Release of updated Preliminary Economic Assessment" for details of the assumptions and parameters used to calculate the resources and uranium quality estimates and information on data verification.

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### SELECTED ANNUAL INFORMATION

Management cautions the reader of the comparability of financial information presented in the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of cash flows in this MD&A, as the year ended December 31, 2013 represents data for twelve months, while the corresponding data for the prior period is presented for a seven month period as the Company was incorporated on May 30, 2012.

	Period ended December 31,	
	2013	2012
Total working capital deficit	\$ (4,406,395)	\$ (5,531,871)
Total assets	26,062,427	9,102,386
Exploration and evaluation assets	12,418,765	8,940,995
Long term investments <sup>(i)</sup>	10,344,230	-
Total comprehensive loss	(4,393,788)	(938,543)

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

As at December 31, 2013, the working capital deficit is primarily the result of deferred payments owing to the original sellers of UrAsia and other current liabilities comprised primarily of the put option on the non-controlling interest of UrAsia (the original sellers of UrAsia have the right to sell the remaining 20% of UrAsia's charter capital to Azarga for \$2,000,000 in cash or \$2,000,000 in Azarga shares) and the put option held by Anatolia. Subsequent to December 31, 2013, the Company and UrAsia agreed to a revised payment schedule, delaying \$1,500,000 of the deferred payment owing to the original sellers of UrAsia beyond 2014. In addition, the put option exercise timing on the remaining 20% of UrAsia's charter capital was aligned with the timing of the final deferred payment to be made on or before December 31, 2017. As at December 31, 2012, the working capital deficit is primarily the result of deferred payments owing to the original sellers of UrAsia. Further, as at the date of this MD&A, Azarga has undrawn capacity of \$10,800,000 under the Powerlite Facility (refer to the "Financing, Liquidity and Capital Resources" section of this MD&A for additional details).

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

For the year ended December 31, 2013, total comprehensive loss primarily consisted of administration expenses, unrealized losses on financial instruments and finance costs. For the period ended December 31, 2012, total comprehensive loss primarily consisted of administration expenses and finance costs, which primarily included interest on the deferred consideration owing to the original sellers of UrAsia.

# **AZARGA RESOURCES LIMITED**

## **Management's Discussion and Analysis**

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### **SELECTED ANNUAL INFORMATION (Continued)**

Administration expenses for the year ended December 31, 2013 were \$1,940,724 compared to \$370,133 for the period ended December 31, 2012. The increase in administration expenses is primarily explained by the ramp-up of the Company's operations, but also by the 7-month reporting period in 2012 due to the foundation of the Company on May 30, 2012.

### **FINANCING, LIQUIDITY AND CAPITAL RESOURCES**

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

The consolidated financial statements have been prepared on a going concern basis, which contemplates the Company will continue into operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. To date, the Company has not generated revenues from operations and is considered to be in the exploration and development stage. The Company believes that its current working capital and available financing facilities are sufficient for at least 12 months from the date of this MD&A. However, additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. The Company plans to raise additional funding through debt and equity markets. Although the Company has successfully raised financing in the past, there is no certainty that additional financing at terms that are acceptable to the Company will be available and an inability to obtain additional financing indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt or acquire or dispose of assets.

As at December 31, 2013, the Company had cash of \$282,013 compared to cash of \$117,959 as at December 31, 2012. The Company's working capital deficit (current assets less current liabilities) was \$4,406,395 as at December 31, 2013 compared to \$5,531,871 as at December 31, 2012. As at December 31, 2013, the Company had access to undrawn financing facilities of \$9,000,000 related to the Powerlite Facility compared to undrawn financing facilities of \$480,000 related to the Shareholders Loan Agreement (as defined below) as at December 31, 2012. The Company is not subject to any externally imposed capital expenditure requirements.

# **AZARGA RESOURCES LIMITED**

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### **FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)**

#### *Powerlite Ventures Limited – Powerlite Facility*

On May 22, 2013, the Company issued an equity instrument ("Powerlite Facility") to Powerlite Ventures Limited ("Powerlite") for \$15,000,000 ("Facility Limit"). In accordance with the agreement, the outstanding principal and interest accrued under the agreement will be settled through the issuance of Azarga shares at \$0.50 per share. As a result, the financial instrument has been classified as equity. Accrued interest has been recorded to interest expense with the offset being recorded as equity. Other key commercial terms of the financing include:

- Interest - 10% per annum, payable on conversion of each note (the Powerlite Facility can be drawn over multiple drawings, each a separate note);
- Maturity - May 22, 2023;
- Conversion price - \$0.50 per Azarga share;
- Powerlite's conversion right - convert the outstanding notes plus accrued interest into the Company's shares after the date of issue;
- Company's conversion right - convert the outstanding notes plus accrued interest at the earlier of six months from the issuance date of each note or an event causing conversion of any Black Range convertible loans held by the Company;
- Mandatory conversion - all outstanding notes plus accrued interest will automatically convert to Azarga shares within 10 business days of the maturity; and
- Other - the Powerlite Facility is unsecured.

On August 28, 2013 and February 12, 2014, the Facility Limit was amended to \$21,000,000 and \$26,000,000, respectively. The increase in the Facility Limit of \$5,000,000 agreed on February 12, 2014 can only be drawn in 2015 and is subject to a mutually agreed upon draw down schedule.

As at December 31, 2013, the Company had drawn a total of \$12,000,000 under the Powerlite Facility. Subsequent to the year-end, the Company drew an additional \$3,200,000 under the Powerlite Facility.

#### *Shareholder Loan from Founders – Shareholders Loan Agreement*

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

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

# AZARGA RESOURCES LIMITED

## Management's Discussion and Analysis

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### FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

- Founding shareholders' conversion right – convert the outstanding balance of the loan plus accrued interest, in whole or in part, into Azarga shares at the conversion price;
- Extension of the term – the Company has the option, on maturity, to extend the term of the loan for an additional three years. Upon exercise of this option, the annual interest rate increases to 15% per annum;
- Early repayment option – the Company has the right, but not the obligation, to repay the whole balance of the loan plus accrued interest at any time out of the proceeds of a capital raising or if this loan is refinanced or replaced by a new loan on or before the maturity; and
- Other - the convertible loan is unsecured.

On February 12, 2014, the Shareholders Loan Agreement was amended to extend the term to 5 years.

As at December 31, 2013, the Company had drawn \$1,776,000 under the Shareholders Loan Agreement. As at December 31, 2012, the Company had drawn a total of \$1,320,000 under the Shareholders Loan Agreement.

#### *Cash Flow Highlights*

#### Cash used in Operating Activities

The Company used cash in operating activities of \$1,560,001 in 2013 compared to \$185,781 in 2012. Cash used in operating activities significantly increased in 2013 due to the ramp up of the Company's activities and the full 12-month reporting period. In 2012, the Company's cash used in operations only included a 7-month reporting due to the incorporation of the Company on May 30, 2012.

#### Cash used in Investing Activities

The Company used \$14,280,090 of cash in investing activities in 2013 compared to \$1,089,181 million in 2012. In 2013, cash used in investing activities primarily related to a \$1,450,000 deferred payment to the original sellers of UrAsia, a \$1,072,468 payment related to the Company's 60% acquisition of the Centennial Project (\$1,000,000 paid to Powertech and \$72,468 of transaction fees), \$9,734,807 of long-term investments in Powertech, Black Range and Anatolia and \$1,835,545 of exploration and evaluation expenditures related to the Kyzyl Ompul Project. In 2012, cash used in investment activities primarily consisted of \$862,910 of exploration and evaluation expenditures related to the Kyzyl Ompul Project.

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### FINANCING, LIQUIDITY AND CAPITAL RESOURCES (Continued)

#### Cash generated from Financing Activities

In 2013, the Company generated cash from financing activities of \$16,000,064 compared to \$1,397,464 in 2012. In 2013, cash generated from financing activities primarily related to \$12,000,000 drawn under the Powerlite Facility and \$7,433,311 proceeds from share issuances, partially offset by the purchase of convertible loans in Powertech and Black Range. In 2012, cash generated from financing activities primarily related to the Shareholders Loan Agreement.

### CONTRACTUAL COMMITMENTS

As at December 31, 2013 and 2012, the Company's commitments for expenditures are as follows:

	As at December 31,	
	2013	2012
Less than 1 year	\$ 19,111	\$ 6,223
Later than 1 year and not later than 5 years	-	-
Total operating expenditure commitments	\$ 19,111	\$ 6,223

As at 31 December 2013 and 2012, the Company had no capital commitments.

### OFF BALANCE SHEET ARRANGEMENTS

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

### FINANCIAL INSTRUMENTS

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

The fair values of the Company's financial instruments classified as fair value through profit or loss ("FVTPL") are determined as follows:

# AZARGA RESOURCES LIMITED

## Management's Discussion and Analysis

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### FINANCIAL INSTRUMENTS (Continued)

- The fair value of financial instruments that are traded on an active liquid market are determined with reference to the quoted market prices. The fair value of the Company's investment in the shares of Anatolia is determined using this methodology. The investments in shares of Powertech and shares of Black Range were measured as FVTPL prior to the investments being accounted for as associates under the equity method.
- 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 from prices) observable.
  - The fair value of the put option held by Anatolia is determined using a Black Scholes Pricing Model.
- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are not directly (i.e. prices) or indirectly (i.e. derived from prices) observable.
  - The fair values of the embedded derivatives within the convertible loans issued by Powertech (Note 10.1) are determined using a Binomial Pricing Model. The loan asset components for both Powertech and Black Range are valued based on the present value of expected future cash flows at the discount rate that would have applied to the financial assets without conversion or other embedded derivative features. None of the fair value change in the convertible loans for the year ended December 31, 2013 is related to a change in the credit risk of the convertible loans. All of the change in fair value is associated with changes in market conditions.

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

	As at December 31,	
	2013	2012
<b>Financial assets</b>		
Loans and receivables		
Cash and cash equivalents	\$ 282,013	\$ 117,959
Restricted cash	21,151	-
Fair value through profit or loss		
Investment in Anatolia	1,738,600	-
Convertible loans issued by Black Range	2,320,675	-
Convertible loan issued by Powertech	460,375	-
<b>Total financial assets</b>	<b>\$ 4,822,814</b>	<b>\$ 117,959</b>

# AZARGA RESOURCES LIMITED

## Management's Discussion and Analysis

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### FINANCIAL INSTRUMENTS (Continued)

	As at December 31,	
	2013	2012
<b>Financial liabilities</b>		
Other financial liabilities		
Trade and other payables	\$ 386,471	\$ 176,702
Loan payable to shareholders	1,846,531	1,354,741
Deferred consideration	1,741,080	5,437,265
Put option on non-controlling interest of UrAsia	1,872,592	1,671,957
Promissory note on Centennial Project	449,980	-
Put option held by Powertech on Centennial Project	177,835	-
Fair value through profit or loss		
Put option held by Anatolia	818,523	-
<b>Total financial liabilities</b>	<b>\$ 7,293,012</b>	<b>\$ 8,640,665</b>

The Company is exposed to credit risk associated with its cash and convertible loans acquired from Black Range and Powertech. The Company's maximum exposure to credit risk is equal to the carrying amount of its cash and the nominal amount of the convertible loans.

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

The Company seeks to manage its credit risk on the convertible loans acquired from Black Range and Powertech by including mechanisms that provide protection should Black Range or Powertech not be able to repay the convertible loans, e.g. the conversion feature. The Company also has board representation to ensure that the Company is fully apprised of the financial environment at Black Range and Powertech

### RELATED PARTY TRANSACTIONS

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



# AZARGA RESOURCES LIMITED

## Management's Discussion and Analysis

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### RELATED PARTY TRANSACTIONS (Continued)

Name	Country of Incorporation	% equity interest As at December 31,	
		2013	2012
Azarga Resources (Hong Kong) Limited	Hong Kong	100%	N/A
Azarga Resources Canada Ltd.	Canada	100%	N/A
Azarga Resources USA	United States of America	100%	N/A
UrAsia	Kyrgyz Republic	80%	80%
Powertech	Canada	45%	0%
Black Range	Australia	23%	0%

As at December 31, 2013, the Company held significant influence investments in Black Range and Powertech. Black Range and Powertech became associates of Azarga on July 2, 2013 and October 18, 2013, respectively.

The following are the related party transactions of the Company during the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2012:

- Subscription agreements were signed with the founding shareholders and key management personnel;
- A founder of the Company received commission of \$300,000 for brokering private placements;
- The founders of the Company entered into the Shareholders Loan Agreement with the Company;
- The Company entered into an agreement to acquire the Centennial Project from Powertech
- The Company purchased convertible loans issued by Powertech; and
- The Company purchased convertible loans issued by Black Range.

### Related party assets

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

	As at December 31,	
	2013	2012
Convertible loans issued by Black Range	\$ 2,320,675	\$ -
Convertible loan issued by Powertech	460,375	-
Centennial Project with Powertech	1,698,995	-
Investment in Powertech	5,788,794	-
Investment in Black Range	2,816,836	-
Total assets with related parties	\$ 13,085,675	\$ -

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### RELATED PARTY TRANSACTIONS (Continued)

#### Related party liabilities

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

	As at December 31,	
	2013	2012
Loan payable to shareholders	\$ 1,846,531	\$ 1,354,741
Loan payable to related party	-	2,882
Promissory note issued to Powertech for Centennial Project	449,980	-
Put option held by Powertech on Centennial Project	177,835	-
<b>Total liabilities with related parties</b>	<b>\$ 2,474,346</b>	<b>\$ 1,357,623</b>

#### Related party income and expenses

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

	Period ended December 31,	
	2013	2012
Realized gain upon equity accounting for Powertech	\$ 220,369	\$ -
Realized gain upon equity accounting for Black Range	483,132	-
Equity income pick-up from Powertech	11,130	-
Unrealized gain on Black Range convertible loans	102,277	-
<b>Total related party income</b>	<b>\$ 816,908</b>	<b>\$ -</b>

	Period ended December 31,	
	2013	2012
Interest expense on loan payable to shareholders	\$ 171,068	\$ 34,741
Interest expense on promissory note issued to Powertech for Centennial Project	682	-
Interest expense on put option held by Powertech on Centennial Project	606	-
Interest expense on loan payable to related party	-	2,533
Equity loss pick-up from Black Range	579,544	-
Unrealized loss on Powertech convertible loan	564,625	-
<b>Total related party expenses</b>	<b>\$ 1,316,525</b>	<b>\$ 37,274</b>

# AZARGA RESOURCES LIMITED

## Management's Discussion and Analysis

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### RELATED PARTY TRANSACTIONS (Continued)

#### Key management personnel compensation

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

	Period ended December 31,	
	2013	2012
Share-based compensation	\$ 169,087	\$ -
Salaries, fees and other benefits	481,308	126,672
Key management personnel compensation	\$ 650,395	\$ 126,672

### SHARE CAPITAL

As at December 31, 2013, the Company was authorized to issue a maximum of 200,000,000 shares of one class with a par value of \$0.004 per share. As at December 31, 2013, the Company had 75,583,274 (2012: 50,000,000) common shares outstanding. The share capital balance was \$302,333 (2012: \$200,000). As at December 31, 2013, the Company's founders, Alexander Molyneux, Curt Church and Pacific Advisers Pte Ltd. held the following ownership interests: 25.0% (2012: 37.5%), 25.5% (2012: 37.5%) and 13.3% (2012: 25%), respectively.

The movement schedule of the contributed surplus is as follows:

	As at December 31,	
	2013	2012
Opening balance	\$ (1,594,389)	\$ -
Issuance of common shares	10,130,978	-
Equity instrument issued to Powerlite	12,348,493	-
Less: transaction costs	(300,000)	-
Issuance of put option on non-controlling interest	-	(1,594,389)
Balance, end of year	\$ 20,585,082	\$ (1,594,389)

For the period from Inception to December 31, 2012, the Company issued 50,000,000 common shares for total proceeds of \$200,000 at an average price of \$0.004 (par value). For the year ended December 31, 2013, the Company issued 25,583,274 common shares for total proceeds of \$10,233,311, before transaction costs of \$300,000 (share capital of \$102,333 plus contributed surplus of \$10,130,978), at an average price of \$0.40. Of which, 2,500,000 common shares were issued to settle a portion of the deferred payment to the original sellers of UrAsia and the remaining number of common shares were issued pursuant to investor subscription agreement.

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### **SHARE CAPITAL (Continued)**

On April 1, 2013, the Company entered into share subscription agreements with investors to subscribe for 4,250,000 shares for total subscription proceeds of \$1,700,000 at \$0.40 per share. As at December 31, 2013, the investors had paid subscription deposits totaling \$283,310. Upon receipts of subscription payments, the Company shall allot and issue the subscription shares to the investors.

The Company's volume weighted average share price for the year ended December 31, 2013 was \$0.14 (2012: \$0.004).

For the year ended December 31, 2013, the Company granted 1,150,000 stock options (2012: Nil) to officers, employees, directors and other eligible persons at exercise prices of \$0.40 and \$0.50 with expiry dates ranging from May 1, 2018 to November 4, 2018. The weighted average fair value of the options granted in the year ended December 31, 2013 was estimated at \$0.31 per option at the grant date using the Black-Scholes Option Pricing model.

Subsequent to December 31, 2013, the Company increased its authorized share capital to issue a maximum of 2,500,000,000 shares of one class with a par value of \$0.004 per share. In addition, the Company issued 1,029,386 shares for proceeds of \$361,755.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements in conformity with IFRS requires the Company to establish accounting policies and to make estimates and judgments that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses.

A detailed summary of all of the Company's significant accounting policies is included in note 3 to the Company's consolidated financial statements for the year ended December 31, 2013 and for the period from Inception to December 31, 2012. 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:

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## **Management's Discussion and Analysis**

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### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

#### *Liquidity and going concern assumption*

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments for at least the next twelve months from the date of this MD&A, management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include forecasted capital deployment, results from the exploration and development of its properties and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern. Refer to Note 1 of the Company's consolidated financial statements.

#### *Valuation of derivatives*

Certain derivatives (for example, the Anatolia put option) issued by the Company are valued using the Black Scholes Option Pricing Model. A Black Scholes Option Pricing Model is a formula that is used to determine a fair price for a call or put option based on factors such as underlying stock volatility, days to expiration, and others. The key inputs used by the Company in its Black Scholes Option Pricing model are further disclosed in Note 9.2 of the Company's consolidated financial statements. Changes in the inputs to the valuation model could impact the carrying value of the derivatives and the amount of unrealized gains or losses is recognized in profit or loss.

#### *Valuation of convertible loans*

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

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### **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)**

#### *Review of carrying value of assets and impairment charges*

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

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

#### *Useful lives and depreciation rates for property, plant and equipment*

Depreciation expense is allocated based on estimated property, plant and equipment useful lives and depreciation rates. Therefore, changes in the useful life or depreciation rates from the initial estimate could impact the carrying value of property, plant and equipment and an adjustment would be recognized in profit or loss.

#### *Income taxes and recoverability of deferred tax assets*

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

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

### **RECENT ACCOUNTING PRONOUNCEMENTS**

The following standards have been early adopted by the Company for the first time for the financial year beginning as at Inception:

# **AZARGA RESOURCES LIMITED**

## **Management's Discussion and Analysis**

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### **RECENT ACCOUNTING PRONOUNCEMENTS (Continued)**

#### *IAS 1 Presentation of Financial Statements (Amendment)*

The amendments to IAS 1 requires companies preparing financial statements under IFRS to group items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. Also, under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss.

#### *IFRS 7 Financial instruments: Disclosures (Amendment)*

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

#### *IFRS 10 Consolidated Financial Statements*

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation- Special Purpose Entities". IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power over the investee and exposure to variable returns before control is present.

#### *IFRS 11 Joint Arrangements*

IFRS 11 replaces IAS 31 "Interests in Joint Ventures". IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved in the joint arrangement. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. Joint arrangements that are classified as a joint venture are accounted for using the equity method of accounting.

#### *IAS 28 Associates and joint ventures*

IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12 outlines the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

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

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### **RECENT ACCOUNTING PRONOUNCEMENTS (Continued)**

#### *IFRS 13 Fair Value Measurement*

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

#### *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*

IFRIC 20 provides guidance on the accounting for the costs of stripping activities during the production phase of a surface mine. Under IFRIC 20, stripping activity assets are recognized when the following three criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved;
- The costs relating to the stripping activity associated with that component can be measured reliably

If not all of the criteria are met, the stripping activity costs are included in the costs of inventory produced during the period incurred.

### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The Company's audited annual consolidated financial statements are the responsibility of the Company's management, and have been approved by the Board. The Company's audited annual consolidated financial statements were prepared by the Company's management in accordance with IFRS. The Company's audited annual consolidated financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the Company's audited annual consolidated financial statements are presented fairly in all material respects.



# **AZARGA RESOURCES LIMITED**

## **Management's Discussion and Analysis**

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### **RISKS AND UNCERTAINTIES**

The Company's operations and financial performance are subject to the normal risks of mining, investments made in other entities and are subject to various identified factors which are beyond the control of the Company. Additional risks not currently known to the Company, or that it currently considers immaterial, may also adversely impact the Company's business, operations, financial results or prospects, should any such other events occur. For a description of the risks and other identified factors to which the Company is subject, please refer to "*Risk Factors*" and "*Information Concerning Azarga Resources Limited - Risk Factors*" in Powertech's management information circular, to which this MD&A forms a schedule.

**SCHEDULE "H"**  
**FINANCIAL STATEMENTS**  
**OF AZARGA**

See Attached

# **Azarga Resources Limited**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012**

(Expressed in U.S. Dollars)

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## **AZARGA RESOURCES LIMITED**

### **Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements**

**For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012**

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Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of Azarga Resources Limited ("Azarga") and its subsidiaries (the "Company") as at December 31, 2013 and 2012, and the results of its operations, cash flows and changes in shareholders' equity for the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012, 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.

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's consolidated financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with legislation of the British Virgin Islands and IFRS;
- taking such steps as are reasonably available to safeguard the assets of the Company; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Company for the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to 31 December 2012 were approved by management on May 13, 2014.

**Signed and authorised on behalf of the Management:**

**"Joseph Havlin"**  
**Joseph Havlin**  
**Director**

**"Alexander Molyneux"**  
**Alexander Molyneux**  
**Director**

**"Blake Steele"**  
**Blake Steele**  
**Chief Financial Officer**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Azarga Resources Limited:

We have audited the accompanying consolidated financial statements of Azarga Resources Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012 and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 auditors' 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 auditors consider 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 is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013 and 2012 and its financial performance and its cash flows for the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012 in accordance with International Financial Reporting Standards.

## **Emphasis of matter**

The Company is currently in the exploration and development stage. As discussed in Note 1 to the consolidated financial statements, successful completion of the Company's exploration and development program, and, ultimately, the attainment of profitable operations is dependent upon future events, including maintaining adequate financing to fulfil its exploration and development activities, obtaining permits from regulatory authorities, confirmation of economically viable uranium reserves and achieving a level of sales adequate to support the Company's cost structure. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

*/s/ Deloitte & Touche*

13 May 2014  
Bishkek, Kyrgyz Republic

**AZARGA RESOURCES LIMITED**  
**Consolidated Statements of Financial Position**  
**As at December 31, 2013 and 2012**  
*(Expressed in U.S. Dollars )*

	Notes	As at December 31,	
		2013	2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 282,013	\$ 117,959
Convertible loan receivables	10	460,375	-
Other current assets		20,856	14,828
<b>Total current assets</b>		<b>763,244</b>	<b>132,787</b>
<b>Non-current assets</b>			
Restricted cash		21,151	-
Exploration and evaluation assets	7	12,418,765	8,940,995
Property, plant and equipment	8	171,232	28,604
Investments in associates	9.1	8,605,630	-
Investment in Anatolia	9.2	1,738,600	-
Convertible loan receivables	10	2,320,675	-
Other non-current assets		23,130	-
<b>Total non-current assets</b>		<b>25,299,183</b>	<b>8,969,599</b>
<b>Total assets</b>		<b>\$ 26,062,427</b>	<b>\$ 9,102,386</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	\$ 386,471	\$ 176,702
Loan payable to shareholders	11	70,531	34,741
Deferred consideration	5	1,741,080	5,437,265
Other current liabilities	13	2,971,557	15,950
<b>Total current liabilities</b>		<b>5,169,639</b>	<b>5,664,658</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	14	1,704,694	1,518,606
Loan payable to shareholders	11	1,776,000	1,320,000
Other non-current liabilities	13	377,815	1,671,957
<b>Total non-current liabilities</b>		<b>3,858,509</b>	<b>4,510,563</b>
<b>Total liabilities</b>		<b>9,028,148</b>	<b>10,175,221</b>
<b>Equity</b>			
Common shares	19.1	302,333	200,000
Contributed surplus reserve/(deficit)	19.1	20,585,082	(1,594,389)
Share option reserve	20	219,098	-
Retained earnings/(accumulated deficit)		(4,994,907)	(875,754)
Foreign currency translation reserve		(69,565)	(2,592)
Equity /(deficit) attributable to the equity holders of the Company		16,042,041	(2,272,735)
Non-controlling interest	6	992,238	1,199,900
<b>Total equity/(deficit)</b>		<b>17,034,279</b>	<b>(1,072,835)</b>
<b>Total equity and liabilities</b>		<b>\$ 26,062,427</b>	<b>\$ 9,102,386</b>

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

APPROVED BY THE BOARD:

"Joseph Havlin"  
Director

"Alexander Molyneux"  
Director



# AZARGA RESOURCES LIMITED

## Consolidated Statements of Profit or Loss and Other Comprehensive Income For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

(Expressed in U.S. Dollars)

	Notes	Period ended December 31,	
		2013	2012
Administration expenses	15	\$ (1,940,724)	\$ (370,133)
Foreign exchange loss		(363)	(8,972)
<b>Loss from operations</b>		<b>(1,941,087)</b>	<b>(379,105)</b>
Finance costs	16	(975,318)	(374,401)
Unrealized loss on financial instruments	17	(1,314,224)	-
Realized gain on financial instruments	18	703,501	-
Share of equity loss from associates	9	(568,414)	-
<b>Net loss before tax</b>		<b>(4,095,542)</b>	<b>(753,506)</b>
Deferred income tax expense	14	(217,293)	(181,032)
<b>Net loss</b>		<b>(4,312,835)</b>	<b>(934,538)</b>
<b>Other comprehensive loss</b>			
<b>Item that may be reclassified subsequently as profit or loss</b>			
Foreign currency translation adjustment		(80,953)	(4,005)
<b>Total comprehensive loss</b>		<b>\$ (4,393,788)</b>	<b>\$ (938,543)</b>
<b>Net loss attributable to:</b>			
Equity holders of the Company		(4,119,153)	(875,754)
Non-controlling interest		(193,682)	(58,784)
<b>Net loss</b>		<b>\$ (4,312,835)</b>	<b>\$ (934,538)</b>
<b>Other comprehensive loss attributable to:</b>			
Equity holders of the Company		(66,973)	(2,592)
Non-controlling interest		(13,980)	(1,413)
<b>Other comprehensive loss</b>		<b>\$ (80,953)</b>	<b>\$ (4,005)</b>

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

APPROVED BY THE BOARD:

"Joseph Havlin"  
Director

"Alexander Molyneux"  
Director

# AZARGA RESOURCES LIMITED

## Consolidated Statements of Changes in Equity

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

(Expressed in U.S. Dollars and shares)

Notes	Attributable to equity holders of the Company									Non-controlling interest	Total equity
	Number of shares	Common shares	Contributed surplus reserve/ (deficit)	Share option reserve	Retained earnings/ (accumulated deficit)	Foreign currency translation reserve	Total equity/ (deficit)				
<b>At inception, May 30, 2012</b>											
Issuance of shares	19	50,000,000	\$ 200,000	\$ -	\$ -	\$ -	\$ -	\$ 200,000	\$ -	\$ -	\$ 200,000
Business acquisition	5	-	-	-	-	-	-	-	1,260,097	-	\$ 1,260,097
Issuance of put option on non-controlling interest	5	-	-	(1,594,389)	-	-	-	(1,594,389)	-	-	\$ (1,594,389)
Net loss for the period		-	-	-	-	(875,754)	-	(875,754)	(58,784)	-	\$ (934,538)
Other comprehensive loss for the period		-	-	-	-	-	(2,592)	(2,592)	(1,413)	-	\$ (4,005)
<b>Balances, December 31, 2012</b>		<b>50,000,000</b>	<b>\$ 200,000</b>	<b>\$ (1,594,389)</b>	<b>\$ -</b>	<b>\$ (875,754)</b>	<b>\$ (2,592)</b>	<b>\$ (2,272,735)</b>	<b>\$ 1,199,900</b>	<b>\$ (1,072,835)</b>	
<b>Balances, January 1, 2013</b>		<b>50,000,000</b>	<b>\$ 200,000</b>	<b>\$ (1,594,389)</b>	<b>\$ -</b>	<b>\$ (875,754)</b>	<b>\$ (2,592)</b>	<b>\$ (2,272,735)</b>	<b>\$ 1,199,900</b>	<b>\$ (1,072,835)</b>	
Issuance of shares	19	25,583,274	102,333	9,830,978	-	-	-	9,933,311	-	-	\$ 9,933,311
Issuance of equity instrument	19	-	-	12,348,493	-	-	-	12,348,493	-	-	\$ 12,348,493
Share-based compensation charged to operations	20	-	-	-	219,098	-	-	219,098	-	-	\$ 219,098
Net loss for the year		-	-	-	-	(4,119,153)	-	(4,119,153)	(193,682)	-	\$ (4,312,835)
Other comprehensive loss for the year		-	-	-	-	-	(66,973)	(66,973)	(13,980)	-	\$ (80,953)
<b>Balances, December 31, 2013</b>		<b>75,583,274</b>	<b>\$ 302,333</b>	<b>\$ 20,585,082</b>	<b>\$ 219,098</b>	<b>\$ (4,994,907)</b>	<b>\$ (69,565)</b>	<b>\$ 16,042,041</b>	<b>\$ 992,238</b>	<b>\$ 17,034,279</b>	

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

APPROVED BY THE BOARD:

"Joseph Havlin"  
Director

"Alexander Molyneux"  
Director

**AZARGA RESOURCES LIMITED**  
**Consolidated Statements of Cash Flows**  
**For the year ended December 31, 2013 and for the period from May 30, 2012**  
**(date of inception) to December 31, 2012**  
*(Expressed in U.S. Dollars)*

	Notes	Period ended December 31,	
		2013	2012
<b>OPERATING ACTIVITIES</b>			
Net loss before tax		\$ (4,095,542)	\$ (753,506)
Adjustments for:			
Depreciation	15	11,521	1,257
Share-based compensation	15	169,087	-
Finance costs	16	975,318	374,401
Share of net equity loss of associates	9	568,414	-
Realized gain on financial instruments	18	(703,501)	-
Unrealized loss on financial instruments	17	1,314,224	-
Unrealized foreign exchange loss		363	8,972
Operating cash flows before changes in non-cash working capital items		(1,760,116)	(368,876)
Change in other assets		(32,326)	(7,478)
Change in trade and other payables		214,277	177,421
Change in other liabilities		18,164	13,152
<b>Cash used in operating activities</b>		<b>(1,560,001)</b>	<b>(185,781)</b>
<b>INVESTING ACTIVITIES</b>			
Consideration paid to acquire UrAsia	5	-	(196,676)
Payment of deferred consideration	5	(1,450,000)	-
Investment in Centennial Project	7.1	(1,072,468)	-
Long-term investments		(9,734,807)	-
Restricted cash		(21,151)	-
Purchase of property, plant and equipment	8	(166,119)	(29,595)
Expenditures on exploration and evaluation assets		(1,835,545)	(862,910)
<b>Cash used in investing activities</b>		<b>(14,280,090)</b>	<b>(1,089,181)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common shares		7,433,311	200,000
Issuance of equity instrument	19.3	12,000,000	-
Interest paid	11	(135,278)	-
Purchase of convertible loans		(3,751,087)	-
Proceeds from borrowings		456,000	1,330,863
Repayments of borrowings		(2,882)	(133,399)
<b>Cash generated from financing activities</b>		<b>16,000,064</b>	<b>1,397,464</b>
Effect of foreign exchange rate changes on cash		4,081	(4,543)
<b>Increase in Cash</b>		<b>164,054</b>	<b>117,959</b>
Cash, beginning of period		117,959	-
<b>Cash, end of period</b>		<b>\$ 282,013</b>	<b>\$ 117,959</b>

**Supplemental cash flow information (Note 24)**

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

**APPROVED BY THE BOARD:**

"Joseph Havlin"  
Director

"Alexander Molyneux"  
Director

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### 1. CORPORATE INFORMATION AND LIQUIDITY

Azarga Resources Limited (“Azarga”) was incorporated under the legislation of the British Virgin Islands on May 30, 2012 (the “Inception”). The company, together with its subsidiaries (collectively referred to as the “Company”), is an integrated uranium exploration and development company. The Company currently owns an 80% interest in UrAsia in Kyrgyzstan Limited Liability Company (“UrAsia”), which owns uranium properties in the Kyrgyz Republic. The Company also holds investments in the following uranium exploration and development companies: Powertech Uranium Corporation (“Powertech”), Black Range Minerals Limited (“Black Range”), and Anatolia Energy Limited (“Anatolia”).

The Company's head office address is Suite 4607-11, The Center, 99 Queen's Road, Central, Hong Kong and its registered and records office is located at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they come due. To date, the Company has not generated revenues from operations and is currently in the exploration and development stage. The Company believes that its current working capital and available financing facilities are sufficient for at least 12 months from the date of these consolidated financial statements. At the date of issue of these consolidated financial statements, the Company has undrawn financing facilities of \$10,800,000 (refer to note 19.3). However, additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. The Company plans to raise additional funding through debt and equity markets. Although the Company has successfully raised financing in the past, there is no certainty that additional financing at terms that are acceptable to the Company will be available and an inability to obtain additional financing indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The underlying value of mineral interests are entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete permitting, development and future profitable production or proceeds from the deposition thereof.

# **AZARGA RESOURCES LIMITED**

## **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

The consolidated financial statements for the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2012 have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards (“IFRS”) and interpretations issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

The consolidated financial statements of the Company for the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2012 were approved and authorized for issue by the Board of Directors of the Company on May 13, 2014.

### **2.2 Basis of presentation**

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities which are measured at fair value. The Company’s financial instruments are further disclosed in Note 22.

### **2.3 Corresponding financial information**

Financial information for the year ended December 31, 2013 presented in the statement of profit or loss and other comprehensive income and the statement of cash flows in these consolidated financial statements represent data for twelve months, while the corresponding data for the prior period is presented for a seven month period as the Company started was incorporated on May 30, 2012. Accordingly, information presented in these consolidated financial statements and related notes are not fully comparable.

### **2.4 Adoption of new and revised standards and interpretations**

The following standards have been early adopted by the Company for the first time for the financial year beginning as at Inception:

#### **IAS 1 Presentation of Financial Statements (Amendment)**

The amendments to IAS 1 requires companies preparing financial statements under IFRS to group items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. Also, under the amendments to IAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss.

# **AZARGA RESOURCES LIMITED**

## **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### **2. BASIS OF PREPARATION (Continued)**

#### **IFRS 7 Financial instruments: Disclosures (Amendment)**

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

#### **IFRS 10 Consolidated Financial Statements**

IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation – Special Purpose Entities”. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power over the investee and exposure to variable returns before control is present.

#### **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 “Interests in Joint Ventures”. IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved in the joint arrangement. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. Joint arrangements that are classified as a joint venture are accounted for using the equity method of accounting.

#### **IAS 28 Associates and Joint Ventures**

IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

#### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 outlines the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

#### **IFRS 13 Fair Value Measurement**

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### 2. BASIS OF PREPARATION (Continued)

#### IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 provides guidance on the accounting for the costs of stripping activities during the production phase of a surface mine. Under IFRIC 20, stripping activity assets are recognized when the following three criteria are met:

- it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- the entity can identify the component of the ore body for which access has been improved;
- the costs relating to the stripping activity associated with that component can be measured reliably

If not all of the criteria are met, the stripping activity costs are included in the costs of inventory produced during the period incurred.

#### Standards issued but not yet effective

The standards and interpretations that are issued up to the date of issuance of the Company's financial statements, but were not effective during the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2013, are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9	Financial instruments <sup>(iii)</sup>
IFRS 9, IFRS 7 and IAS 39 Amendments	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 <sup>(ii)</sup>
IFRS 10, IFRS 12 and IAS 27 (2011 Amendments)	Amendments to IFRS 10, IFRS 12 and IAS 27 (2011) – Investment Entities <sup>(i)</sup>
IAS 32 Amendments	Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities <sup>(i)</sup>
IAS 39 Amendments	Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting <sup>(i)</sup>
IFRIC 21	Levies <sup>(i)</sup>

i) Effective for annual periods beginning on or after January 1, 2014.

ii) Effective for annual periods beginning on or after January 1, 2015.

iii) Mandatory effective date not yet determined.

# **AZARGA RESOURCES LIMITED**

## **Notes to the Consolidated Financial Statements**

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### **2. BASIS OF PREPARATION (Continued)**

The Company anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Basis of consolidation**

The consolidated financial statements include the financial statements of Azarga and its controlled subsidiaries and investees (Note 23).

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

#### **3.2 Business combinations**

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Total comprehensive income of the Company's subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. During the year ended December 31, 2013 and the period from Inception to December 31, 2012, 20% of the net assets of the Company's consolidated subsidiary, UrAsia, were attributable to its non-controlling interest.

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



# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

#### 3.3 Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The carrying amount is further decreased by investor's share of the payment(s) of dividend by the investee after the date of acquisition. The Company's investment in associates includes goodwill recognized on acquisition.

The Company's share of post-acquisition profit or loss is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income/loss is recognized in other comprehensive income/loss with a corresponding adjustment to the carrying amount of the investment. 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 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 adjacent to share of profit/loss of associates in the statement of profit or loss and other comprehensive income.

# **AZARGA RESOURCES LIMITED**

## **Notes to the Consolidated Financial Statements**

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

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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

#### **3.4 Functional and presentation currency**

The functional currency of parent company and each of its subsidiaries is measured using the currency of the primary economic environment in which the entity operates. The Company's presentation currency and the functional currency for all entities is the U.S. Dollar with the exception of UrAsia, whose functional currency is the Kyrgyz Som.

#### **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 continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

# **AZARGA RESOURCES LIMITED**

## **Notes to the Consolidated Financial Statements**

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

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### **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/loss and are included in a separate component of shareholders' equity titled foreign currency translation reserve. These differences are recognized in profit or loss in the period in which the subsidiary is disposed of.

#### **3.5 Borrowing costs**

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

#### **3.6 Cash and cash equivalents**

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

#### **Restricted cash**

Cash deposits made pursuant to the requirements of the Company's exploration license agreement. The Company makes such cash deposits for restoration provisions related to rehabilitation obligations.

#### **3.7 Property, plant and equipment ("PPE")**

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Initial recognition

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

#### Depreciation

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

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

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

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

#### 3.8 Exploration and evaluation assets

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Exploration and evaluation expenditures are classified as intangible assets.

#### 3.9 Rehabilitation provisions

The Company recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of environmental disturbances caused by exploration and evaluation activities. 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.

#### 3.10 Taxation

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

##### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the end of each reporting period. The Company had no current income tax for the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2012.

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Deferred income tax

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

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

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

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

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

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

#### 3.11 Financial instruments

##### Financial assets

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

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

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

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

# AZARGA RESOURCES LIMITED

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

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

#### **Financial liabilities**

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

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

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

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



# **AZARGA RESOURCES LIMITED**

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

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **3.12 Derivative financial instruments**

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

- when the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the entire instrument is not measured at fair value with changes in fair value recognized in the statement of profit or loss and other comprehensive income.

#### **Financial assets**

The Company designates financial assets with embedded derivatives as FVTPL on the initial recognition and accordingly has not bifurcated 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**

Financial liabilities with embedded derivatives are, on the other hand, bifurcated into debt host component and embedded derivatives components. The debt host component is classified as other financial liabilities and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the financial liabilities.

#### **3.13 Impairment of financial assets**

##### **Assets carried at amortized cost**

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

# AZARGA RESOURCES LIMITED

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

#### **Available-for-sale**

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

#### 3.14 Impairment of non-financial assets

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

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

# **AZARGA RESOURCES LIMITED**

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

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

#### **3.15 Derecognition of financial assets and financial liabilities**

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

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

#### **3.16 Provisions**

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

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

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **3.17 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.

#### **3.18 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

#### **3.19 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 for at least the next twelve months from the date of these consolidated financial statements, management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations on an ongoing basis and its expansionary plans. The key inputs used by the Company in this process include forecasted capital deployment, results from the exploration and development of its properties and general industry conditions. Changes in these inputs may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern (refer to Note 1).

# **AZARGA RESOURCES LIMITED**

## **Notes to the Consolidated Financial Statements**

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

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Valuation of derivatives**

Certain derivatives issued by the Company are valued using the Black Scholes Option Pricing Model. The Black Scholes Option Pricing Model is a formula that is used to determine the fair value of a call or put option based on factors such as underlying stock volatility, days to expiration, and others. The key inputs used by the Company in its Black Scholes Option Pricing Model are further disclosed in Note 9.2. Changes in the inputs to the valuation model could impact the carrying value of the derivatives and the amount of unrealized gains or losses are recognized in profit or loss.

#### **Valuation of convertible loans**

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

#### **Review of carrying value of assets and impairment charges**

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

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

#### **Useful lives and depreciation rates for property, plant and equipment**

Depreciation expense is allocated based on estimated property, plant and equipment useful lives and depreciation rates. Therefore, changes in the useful life or depreciation rates from the initial estimate could impact the carrying value of property, plant and equipment and an adjustment would be recognized in profit or loss.

# **AZARGA RESOURCES LIMITED**

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Income taxes and recoverability of deferred tax assets**

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

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

# AZARGA RESOURCES LIMITED

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### 4. SEGMENTED INFORMATION

The Company's one reportable business segment is its Kyrgyzstan Uranium Division. The Company's chief operating decision maker reviews the Kyrgyzstan Uranium Division's discrete financial information in order to make decisions about resources to be allocated to the segment and to assess its performance.

The carrying amount of the Company's assets, liabilities, exploration and evaluation assets, long-term investments and net income/(loss) analyzed by operating segment are as follows:

	Kyrgyzstan Uranium	Unallocated <sup>(i)</sup>	Consolidated Total
<b>Segment assets</b>			
As at December 31, 2013	\$ 10,932,709	\$ 15,129,718	\$ 26,062,427
As at December 31, 2012	\$ 9,078,136	\$ 24,250	\$ 9,102,386
<b>Segment liabilities</b>			
As at December 31, 2013	\$ 1,842,636	\$ 7,185,512	\$ 9,028,148
As at December 31, 2012	\$ 1,661,258	\$ 8,513,963	\$ 10,175,221
<b>Exploration and evaluation assets (Note 7)</b>			
As at December 31, 2013	\$ 10,719,770	\$ 1,698,995	\$ 12,418,765
As at December 31, 2012	\$ 8,940,995	\$ -	\$ 8,940,995
<b>Long-term investments (Note 9)</b>			
As at December 31, 2013	\$ -	\$ 10,344,230	\$ 10,344,230
As at December 31, 2012	\$ -	\$ -	\$ -
<b>Net income/(loss)</b>			
Year ended December 31, 2013	\$ (1,092,302)	\$ (3,220,533)	\$ (4,312,835)
Period ended December 31, 2012	\$ (483,195)	\$ (451,343)	\$ (934,538)

- (i) The unallocated amount contains all amounts associated with the corporate division in the British Virgin Islands; all other assets in the unallocated amount are less than 10% of the consolidated assets

Emerging markets such as the Kyrgyz Republic (location of the Kyrgyzstan Uranium Division) are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Kyrgyz Republic continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Kyrgyz Republic is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

### 5. BUSINESS ACQUISITION

On July 27, 2012, Azarga acquired 80% of the charter capital of UrAsia through the Share Transfer Agreement and the Agreement of Participants (the "Purchase Agreements") for an upfront cash payment of \$200,000 and a deferred payment of \$5,800,000. The deferred payment was payable upon: 1) completion of a successful capital raise of not less than \$5,800,000 by the Company; 2) extension of UrAsia's exploration license for the Kyzyl Ompul License; 3) delivery of an auditor's report confirming that UrAsia had no outstanding debts other than those disclosed; 4) completion of an assignment of the creditor's right on the pre-existing shareholder loan to Azarga and forgiving \$5,077,513 of the assigned debt.

The above conditions (1-4) have been satisfied; however, the Company and the original sellers of UrAsia subsequently amended the Purchase Agreements to change the payment terms surrounding the \$5,800,000 deferred payment (see "modification of the deferred payment" below).

Under the terms of the Purchase Agreements, the original sellers of UrAsia have the right to sell the remaining 20% of UrAsia's charter capital to Azarga for 1) \$2,000,000 in cash; or 2) \$2,000,000 of Azarga's shares after July 27, 2014.

The following table summarizes the consideration paid for UrAsia, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

	<u>As at July 27, 2012</u>
Cash	\$ 200,000
Deferred consideration	5,178,571
Assigned loan, net of forgiveness	(338,182)
<b>Total consideration transferred</b>	<b>5,040,389</b>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Cash and cash equivalents	3,324
Other current assets	7,445
Exploration and evaluation assets	8,092,630
Property, plant and equipment	449
Loan payable to related parties	(122,968)
Trade and other payables	(93)
Loan payable to Azarga	(338,182)
Deferred tax liabilities	(1,342,119)
<b>Total identifiable assets</b>	<b>6,300,486</b>
<b>Less: non-controlling interest</b>	<b>(1,260,097)</b>
<b>Total</b>	<b>\$ 5,040,389</b>



# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

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### 5. BUSINESS ACQUISITION (Continued)

If Azarga had completed the acquisition of UrAsia at Inception, the effect on the profit and loss of the Company would have been insignificant.

No goodwill was recognized as a result of the transaction. Acquisition-related costs of \$42,883 have been charged to administration expense in 2012.

Deferred consideration of \$5,178,571 has been recognized representing the present value of the \$5,800,000 deferred payment. The present value of the deferred payment has been calculated using a discount rate of 12% and assuming payment conditions were satisfied on July 27, 2013.

The assigned loan, net of forgiveness, resulted from one of the original sellers of UrAsia assigning the loan between the original seller and UrAsia to Azarga. A portion of the assigned loan to Azarga was then forgiven. The assigned loan, net of forgiveness represents the portion of the loan not forgiven by Azarga; thus, reducing the amount of consideration.

The fair value of the non-controlling interest in UrAsia, an unlisted company, was estimated at its proportionate share of the recognized amount of the identifiable net assets of the acquired business.

The Company accounted for the issuance of the put option on the non-controlling interest of UrAsia at the present value of its redemption amount. The Company recorded an initial present value of \$1,594,389. As at December 31, 2013, the carrying value of the put option on the non-controlling interest of UrAsia was \$1,872,592 (2012: \$1,671,957). The Company recorded an interest expense of \$200,635 on the put option on the non-controlling interest of UrAsia for the year ended December 31, 2013 (2012: \$77,569).

#### **Modification of the deferred payment**

In 2013, the Company and the original sellers of UrAsia amended the payment terms surrounding the \$5,800,000 deferred payment. Instead of settling the entire deferred payment in cash, the Company issued the original sellers of UrAsia 6,250,000 Azarga shares to settle \$2,500,000 of the obligation. Further, a payment schedule was agreed between the Company and the original sellers of UrAsia in which all outstanding cash payments would be satisfied by July 27, 2014.

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

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### 5. BUSINESS ACQUISITION (Continued)

The Company accounted for the amendments as a modification of the liability and calculated a new effective interest rate as of the dates of the amendments based on the then carrying value of the payable and the revised future cash flows. The new effective interest rates were used to account for the liability on a prospective basis. As at December 31, 2013, the Company had deferred consideration payable of \$1,741,080 (2012: \$5,437,265) and recorded an interest expense of \$253,815 (2012: \$258,693). The Company made a cash payment of \$1,450,000 to partially settle the deferred consideration during the year ended December 31, 2013 (2012: \$nil).

#### Subsequent to year-end

On February 12, 2014, an additional amendment was signed between the Company and the original sellers of UrAsia to further revise the payment schedule. The remaining cash payments will be settled by December 31, 2017.

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

### 6. NON-CONTROLLING INTEREST

The non-controlling interest in UrAsia as at December 31, 2013 was \$992,238 (2012: \$1,199,900).

Set out below is the summarized financial information for 100% of UrAsia's net assets, total comprehensive loss and cash and cash equivalents. The information is presented before considering inter-company eliminations. Refer to Note 5 for the non-controlling interest arising from the UrAsia acquisition in 2012.

	As at December 31,	
	2013	2012
Current		
Assets	\$ 197,465	\$ 160,409
Liabilities	137,942	142,652
Total current net assets	59,523	17,757
Non-current		
Assets	4,233,893	2,279,941
Liabilities	1,609,548	1,125,284
Total non-current net assets	2,624,345	1,154,657
Net assets	\$ 2,683,868	\$ 1,172,414

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

### 6. NON-CONTROLLING INTEREST (Continued)

	Period ended December 31,	
	2013	2012
Net loss before tax	\$ (834,306)	\$ (286,464)
Deferred income tax expense	(29,143)	(7,456)
Net loss	(863,449)	(293,920)
Other comprehensive loss	(69,901)	(7,066)
Total comprehensive loss	\$ (933,350)	\$ (300,986)

	Period ended December 31,	
	2013	2012
Net cash used in operating activities	\$ (772,806)	\$ (312,953)
Net cash used in investing activities	(2,066,267)	(784,946)
Net cash generated from financing activities	2,769,494	1,172,764
Net (decrease)/increase in cash and cash equivalents	(69,579)	74,865
Cash and cash equivalents at beginning of year	93,709	3,324
Exchange gains on cash and cash equivalents	2,450	15,520
Cash and cash equivalents at end of year	\$ 26,580	\$ 93,709

### 7. EXPLORATION AND EVALUATION ASSETS

	As at December 31, 2013		
	UrAsia	Centennial Project	Total
Opening balance	\$ 8,940,995	\$ -	\$ 8,940,995
Drilling/engineering	1,169,992	-	1,169,992
Ecological monitoring	19,734	-	19,734
Capitalized VAT on exploration and evaluation assets	142,488	-	142,488
Salaries and consulting	339,228	-	339,228
Rehabilitation costs	12,574	-	12,574
License fees	156,335	-	156,335
Acquisition of Centennial Project (Note 7.1)	-	1,698,995	1,698,995
Share-based compensation (Note 20)	50,011	-	50,011
Other	3,694	-	3,694
Currency translation effect	(115,281)	-	(115,281)
Total exploration and evaluation assets	\$ 10,719,770	\$ 1,698,995	\$ 12,418,765

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

### 7. EXPLORATION AND EVALUATION ASSETS (Continued)

	As at December 31, 2012		
	UrAsia	Centennial Project	Total
Opening balance, at Inception	\$ -	\$ -	\$ -
Business acquisition (Note 5)	8,092,630	-	8,092,630
Drilling / engineering	635,692	-	635,692
Capitalized VAT on exploration and evaluation assets	69,073	-	69,073
Salaries and consulting	123,098	-	123,098
Rehabilitation costs	28,451	-	28,451
Other	6,596	-	6,596
Currency translation effect	(14,545)	-	(14,545)
Total exploration and evaluation assets	\$ 8,940,995	\$ -	\$ 8,940,995

#### 7.1 Centennial Project

On December 20, 2013, the Company acquired a 60% interest in the Centennial Project ("Centennial Project") located in Weld County, Colorado from Powertech for total purchase consideration of \$1,500,000 to be paid over two years. The Centennial Project is comprised of approximately 3,600 acres of surface rights and approximately 7,100 acres of mineral rights.

Powertech retained a 40% interest in the Centennial Project. As at December 31, 2013, the Company had paid \$1,000,000 in cash and \$500,000 by way of a promissory note with \$250,000 payable on or before 12 months after closing and \$250,000 payable on or before 24 months after closing (December 20, 2015). The present value of the promissory note payable 24 months after closing was \$199,980 as at December 31, 2013.

In addition, the purchase agreement provided Powertech with a put option to sell its remaining 40% interest in the Centennial Project to the Company after January 1, 2017 for \$250,000. As at December 31, 2013, the fair value of the put option was \$177,835. The purchase agreement also provided the Company with a call option to purchase the remaining 40% interest in the Centennial Project after January 1, 2017 for \$7,000,000, or within ten days of the occurrence of a change of control of Powertech for \$1,000,000. The call option has not been factored into the initial measurement of this instrument due to its future conditional element that is indeterminable at this time.

The Company has determined that the Centennial Project was an acquisition of a mineral property for total purchase consideration of \$1,698,995. The purchase consideration consisted of cash consideration of \$1,000,000, the fair value of the promissory note of \$449,298, the fair value of the put option of \$177,228, as well as transaction costs of \$72,469.

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

### 8. PROPERTY, PLANT AND EQUIPMENT

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

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

	Equipment	Office equipment	Furniture and fixtures	Vehicles	Building	Total
<b>Cost</b>						
Opening balance, at Inception	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business acquisition (Note 5)	526	-	-	-	-	526
Additions	1,412	13,031	2,678	12,474	-	29,595
Currency translation effect	(12)	(83)	(17)	(80)	-	(192)
As at December 31, 2012	\$ 1,926	\$ 12,948	\$ 2,661	\$ 12,394	\$ -	\$ 29,929
<b>Accumulated depreciation</b>						
Opening balance, at Inception	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business acquisition (Note 5)	(77)	-	-	-	-	(77)
Charge for the period	(159)	(723)	(167)	(208)	-	(1,257)
Currency translation effect	2	5	1	1	-	9
As at December 31, 2012	\$ (234)	\$ (718)	\$ (166)	\$ (207)	\$ -	\$ (1,325)
<b>Carrying amount</b>						
As at December 31, 2012	\$ 1,692	\$ 12,230	\$ 2,495	\$ 12,187	\$ -	\$ 28,604

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

### 9. LONG-TERM INVESTMENTS

#### 9.1 Investment in associates

Set out below are the associates of the Company as at December 31 2013:

Name of entity	Place of business/country of incorporation	% of ownership (voting right)	Measurement method	
			2013	2012
Powertech	Canada	45.1	Equity	
Black Range	Australia	22.2	Equity	
			<b>As at December 31,</b>	
			<b>2013</b>	<b>2012</b>
Investments in Powertech		\$ 5,788,794	\$ -	
Investments in Black Range		2,816,836	-	
Investment in associates		\$ 8,605,630	\$ -	
			<b>Period ended December 31,</b>	
			<b>2013</b>	<b>2012</b>
Equity income pick-up from Powertech		\$ 11,130	\$ -	
Equity loss pick-up from Black Range		(579,544)	-	
Share of equity loss from associates		\$ (568,414)	\$ -	

#### Investment in Powertech

Powertech is a mineral exploration and development company which, through its wholly-owned subsidiary, Powertech (USA), Inc. is focused on the exploration and development of uranium properties in the United States. Powertech's principal assets are comprised of mineral properties in Colorado, South Dakota, and Wyoming. The properties have been acquired through purchase agreements, lease agreements or staking claims. Powertech's common shares are listed for trading on the Toronto Stock Exchange (TSX: PWE) and the Frankfurt Stock Exchange.

On July 22, 2013, the Company purchased a 16.5% interest in Powertech. The Company also acquired 1,500,000 currently exercisable stock warrants with an exercise price of Canadian ("C")\$0.20. Each warrant enables the holder to exercise one warrant for one Powertech share. The fair value of the warrants upon initial recognition and as at December 31, 2013 was insignificant. The Company accounted for its investment in Powertech as FVTPL upon initial recognition.

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

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### 9. LONG-TERM INVESTMENTS (Continued)

On July 31, 2013, the Company purchased a convertible debenture in the principal sum of C\$514,350 (\$500,000) convertible at the option of both the parties (Note 10.1). However, the Company's conversion right only applied upon an approval of a change of control at Powertech by the Powertech Board or after an event of default.

On October 18, 2013, the C\$514,350 (\$500,000) convertible debenture was converted into 8,450,035 common shares of Powertech at C\$0.07 per share (see Note 10.1). The Company's ownership stake in Powertech increased to 22.2% and the Company determined that it was now able to exercise significant influence over Powertech. Therefore, the Company commenced accounting for its investment in Powertech under the equity method. An initial carrying value of \$2,408,560 was recognized.

On November 7, 2013 and November 12, 2013, the Company acquired additional shares of Powertech at a price of C\$0.0966 per share and increased its ownership stake in Powertech to 29.8% and 45.1%, respectively. The Company accounted for the step purchases of Powertech in accordance with IAS 28.

As at December 31, 2013, the market capitalization of the Company's interest in Powertech was \$5,161,142 based on the quoted market price available on the TSX and the carrying amount of the Company's interest was \$5,788,794. The Company assessed that there was no impairment to the carrying value of its investment in Powertech as at December 31, 2013 based on the following:

- Powertech continues to hold the mining rights and mining claims required to explore its exploration projects, including its most significant asset, Dewey Burdock;
- Exploration expenditures have been budgeted for Powertech's exploration projects, including its most significant asset, Dewey Burdock; and
- Powertech has identified commercially viable quantities of mineral resources for its exploration projects, including its most significant asset, Dewey Burdock. Further, the carrying value of Dewey Burdock is supported by a preliminary economic assessment prepared by independent experts.

# AZARGA RESOURCES LIMITED

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### 9. LONG-TERM INVESTMENTS (Continued)

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

	<u>Period from</u> <u>October 18 to December 31, 2013</u>
Investment costs in Powertech as at October 18, 2013	\$ 2,408,560
Investment costs in Powertech acquired on November 7, 2013	965,951
Investment costs in Powertech acquired on November 12, 2013	2,403,153
Equity income pick-up	11,130
Balance, end of year	\$ 5,788,794

Set out below is the summarized financial information for Powertech:

	<u>As at</u>	
	<u>December 31,</u> <u>2013</u>	<u>October 18,</u> <u>2013</u>
<b>Assets</b>		
Total current assets	\$ 449,467	\$ 416,471
Total non-current assets	38,928,454	39,578,787
Total assets	39,377,921	39,995,258
<b>Liabilities</b>		
Total current liabilities	2,621,485	3,515,037
Total non-current liabilities	744,828	717,425
Total liabilities	3,366,313	4,232,462
Net assets	\$ 36,011,608	\$ 35,762,796

	<u>Period from</u> <u>October 18 to December 31, 2013</u>
Income from operations	\$ 248,812
Total comprehensive income	\$ 248,812

### Investment in Black Range

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



# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

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### 9. LONG-TERM INVESTMENTS (Continued)

On March 14, 2013, the Company acquired a 19.7% interest in Black Range. On initial recognition, the Company accounted for its investment in Black Range as FVTPL.

On July 2, 2013, the Company entered into an agreement with Black Range to provide an Australian ("A")\$2,000,000 convertible loan ("First Black Range Convertible Loan")(Note 10.2). The Company determined that, in conjunction with its existing ownership stake (19.7%) and the First Black Range Convertible Loan, that the Company had significant influence over Black Range on July 2, 2013. Therefore, the Company commenced accounting for its investment in Black Range under the equity method. An initial carrying value of \$2,722,804 was recognised.

On October 26, 2013, the Company and Black Range amended the First Black Range Convertible Loan agreement to convert A\$638,000 into shares of Black Range at a conversion price of A\$0.01 per share (See Note 10.2). The Company obtained an additional 63,800,000 shares of Black Range through the conversion, increasing its equity holding to 22.2% in Black Range. The Company accounted for the step purchase of Black Range in accordance with IAS 28.

On December 31, 2013, the market capitalization of the Company's interest in Black Range was \$4,183,046 based on the quoted market price available on the ASX and the carrying amount of the Company's interest was \$2,816,836. The Company assessed that there was no impairment on its investment in Black Range as at December 31, 2013.

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

	<u>Period from</u> <u>July 2 to December 31, 2013</u>
Investment costs in Black Range as at July 2, 2013	\$ 2,722,804
Investment costs in Black Range acquired on October 26, 2013	673,576
Equity loss pick-up	<u>(579,544)</u>
Balance, end of year	<u>2,816,836</u>

# AZARGA RESOURCES LIMITED

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

### 9. LONG-TERM INVESTMENTS (Continued)

Set out below is the summarized financial information for Black Range:

	<u>December 31,</u> <u>2013</u>	<u>July 2,</u> <u>2013</u>
<b>Assets</b>		
Total current assets	\$ 148,654	\$ 465,826
Total non-current assets	19,558,784	18,761,669
<b>Total assets</b>	<b>19,707,438</b>	<b>19,227,495</b>
<b>Liabilities</b>		
Total current liabilities	3,262,981	637,050
<b>Total liabilities</b>	<b>3,262,981</b>	<b>637,050</b>
<b>Net assets</b>	<b>\$ 16,444,457</b>	<b>\$ 18,590,445</b>
	<b>Period from</b>	
	<b>July 2 to December 31, 2013</b>	
Interest revenue		\$ 135,553
Loss from continuing operations		(2,998,471)
Other comprehensive income		113,138
<b>Total comprehensive loss</b>		<b>\$ (2,885,333)</b>

Subsequent to December 31, 2013, the Company sold 41,888,824 Black Range shares at approximately A\$0.008 per share reducing the Company's interest to 20.2%. The Company continued to account for the investment in Black Range under the equity method.

### 9.2 Investment in Anatolia Energy Limited

Throughout 2013, the Company acquired 27,209,573 shares (12.0% of the issued and outstanding shares) of Anatolia, a company listed on the Australian Stock Exchange (ASX: AEK), for total consideration of \$1,771,953. Anatolia is 100% owner of the Temrezli Uranium Project in Turkey and its primary focus is its advanced exploration and development projects in the central Anatolian region of Turkey. The Company accounted for the investment in Anatolia as FVTPL. For the year ended December 31, 2013, the Company recognized an unrealized loss of \$33,353 related to its investment in Anatolia.

On October 1, 2013, the Company signed a put option agreement with Anatolia. Under the put option agreement, Anatolia can issue a total of 16,666,667 shares to the Company at an issue price of A\$0.12 per share in tranches of 8,333,333 shares ("Tranche 1") and 8,333,334 shares ("Tranche 2"). The exercise period for Tranche 1 is between January 31, 2014 and December 31, 2014 and for Tranche 2 is between March 31, 2014 and December 31, 2014, subject to certain conditions precedent being satisfied. All conditions precedent were satisfied as at December 31, 2013.

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

### 9. LONG-TERM INVESTMENTS (Continued)

During the year ended December 31, 2013, the Company recorded an unrealized loss on the put option for \$818,523 (Note 17).

#### Valuation assumptions

The assumptions used in the Company's valuation models are as follows:

	As at	
	December 31, 2013	October 1, 2013
Underlying share price	\$ 0.064	\$ 0.084
Expected exercise price	\$ 0.107	\$ 0.112
Expected life in years	0.08-0.67	0.33 - 0.75
Annualized volatility	74% - 121%	121% - 123%
Risk free rate of return	2.47% - 2.48%	2.40% - 2.42%

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

Subsequent to December 31, 2013, Anatolia exercised Tranche 1 of the put option agreement with the Company to raise \$1,000,000 at A\$0.12 per share. As a result, Anatolia has issued 8,333,333 shares to the Company, increasing the Company's shareholding to 15.1% of issued and outstanding shares.

### 10. CONVERTIBLE LOAN RECEIVABLES

	As at December 31,	
	2013	2012
Current convertible loan issued by Powertech	\$ 460,375	\$ -
Current convertible loan receivables	\$ 460,375	\$ -
Non-current convertible loans issued by Black Range	\$ 2,320,675	\$ -
Non-current convertible loan receivables	\$ 2,320,675	\$ -

#### 10.1 Convertible loans issued by Powertech

On July 31, 2013, the Company acquired a convertible debenture from Powertech in the amount of C\$514,350 (\$500,000) repayable in cash or shares at C\$0.07 per share, pursuant to the terms and conditions of a private placement agreement dated July 31, 2013 ("Powertech Convertible Debenture"). Other key commercial terms of the debenture as follows:

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

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### 10. CONVERTIBLE LOAN RECEIVABLES (Continued)

- Term - matures on July 31, 2015 (the "CD Maturity Date");
- Early repayment option - Powertech may repay the loan, in whole or in part, before the CD Maturity date;
- Repayment/conversion amount - 115% or 130% of the face value of the Powertech Convertible Debenture if the repayment/conversion occurs on or before 12 months or after 12 months of issuing the Powertech Convertible Debenture, respectively;
- Powertech's conversion right - Powertech, at its option before the CD Maturity Date, in whole or in part, may convert the Powertech Convertible Debenture into common shares of Powertech;
- Azarga's conversion right - Azarga, upon an Powertech's board of directors approving a change of control or after an event of default, may convert the Powertech Convertible Debenture into common shares of Powertech, in whole or in part; and
- Other - the Powertech Convertible Debenture is non-interest bearing and is unsecured.

On October 18, 2013, the Powertech Convertible Debenture was converted into 8,450,035 common shares at C\$0.07 share.

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

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

### 10. CONVERTIBLE LOAN RECEIVABLES (Continued)

As at December 31, 2013, Powertech had drawn \$1,025,000 under the Powertech Convertible Loan. Subsequent to December 31, 2013, Powertech has drawn an additional \$1,350,000.

The Powertech Convertible Debenture and Powertech Convertible Loan were both hybrid instruments, containing a loan asset component and three embedded derivatives – the issuer’s prepayment option, the investor’s conversion option and issuer’s conversion option (the “embedded derivatives”). Both financial instruments were classified as FVTPL and all changes in fair value are recorded in profit or loss. During the year ended December 31, 2013, the changes in fair value recorded in profit or loss for the Powertech Convertible Debenture and the Powertech Convertible Loan were \$73,884 and \$564,625, respectively (Note 17,18).

<b>Powertech Convertible Debenture</b>	<b>As at December 31,</b>	
	<b>2013</b>	<b>2012</b>
Opening balance	\$ -	\$ -
Principal drawdown	500,000	-
Increase in fair value of the convertible debenture	73,884	-
Conversion of the convertible debenture	(573,884)	-
<b>Balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

<b>Powertech Convertible Loan</b>	<b>As at December 31,</b>	
	<b>2013</b>	<b>2012</b>
Opening balance	\$ -	\$ -
Principal drawdown	1,025,000	-
Decrease in fair value of the convertible loan	(564,625)	-
<b>Balance, end of year</b>	<b>\$ 460,375</b>	<b>\$ -</b>

#### **Fair value measurement**

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

# AZARGA RESOURCES LIMITED

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

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### 10. CONVERTIBLE LOAN RECEIVABLES (Continued)

#### Valuation assumptions

The assumptions used in the Company's valuation models are as follows:

	As at December 31,	
	2013	2012
Conversion price	\$ 0.092	N/A
Volatility	75.0%	N/A
Risk free rate of return	1.35%	N/A
Foreign exchange spot rate (US\$ to C\$)	1.0694	N/A
Underlying share price	\$ 0.0725	N/A
Market interest rate	12.0%	N/A

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

### 10.2 Convertible loans issued by Black Range

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

- Term - 24 months from the date of the first draw down (the "First CL Maturity Date");
- Early repayment option - Black Range may repay the loan, in whole or in part, before the First CL Maturity Date;
- Automatic redemption - occurs when Black Range raises an aggregate of more than A\$13,000,00 in debt and equity, other than any financing where no proceeds are received by Black Range;
- Conversion - If not repaid, the loan is automatically converted to shares of Black Range at the First CL Maturity Date;
- Conversion/redemption amount - 110%, 115% or 130% of the principal sum being repaid/converted if the repayment/conversion occurs before 6 months, not less than 6 months and not more than 12 months, or more than 12 months from issuing the First Black Range Convertible Loan, respectively; and
- Other - the First Black Range Convertible Loan is non-interest bearing and unsecured.

As at December 31, 2013, Black Range had fully drawn the First Black Range Convertible Loan.

# AZARGA RESOURCES LIMITED

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

### 10. CONVERTIBLE LOAN RECEIVABLES (Continued)

On October 26, 2013, the Company and Black Range amended the First Black Range Convertible Loan to convert the amount of \$612,343 (A\$638,000) into shares of Black Range at a conversion price of A\$0.01 per share. The conversion of the \$612,343 (A\$638,000) was an enticement to the execution of an A\$1,500,000 convertible loan agreement ("Second Black Range Convertible Loan") issued by Black Range.

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

- Term - 24 months from the date of the first draw down (the "Second CL Maturity Date");
- Early repayment option - Black Range may repay the loan, in whole or in part, before the Second CL Maturity Date;
- Automatic redemption - occurs when Black Range raises an aggregate of more than A\$11,500,000 in debt and equity, other than any financing where no proceeds are received by Black Range;
- Conversion - If not repaid, the loan is automatically converted to shares of Black Range at the Second CL Maturity Date;
- Conversion/redemption amount - 110%, 115% or 130% of the principal sum being repaid/converted if the repayment/conversion occurs before 6 months, not less than 6 months and not more than 12 months, or more than 12 months from issuing the Second Black Range Convertible Loan, respectively; and
- Other - the Second Black Range Convertible Loan is non-interest bearing and unsecured.

The Company determined that the incremental loss on the modification of the First Black Range Convertible Loan was insignificant as at October 26, 2013.

Subsequent to December 31, 2013, Black Range has fully drawn the facility. Further, on February 25, 2014, Black Range and the Company agreed to enter into an additional A\$2,000,000 loan facility, of which A\$350,000 has been drawn to date.

The movements of the amounts due under the convertible loans are as follows:

First Black Range Convertible Loan	As at December 31,	
	2013	2012
Opening balance	\$ -	\$ -
Principal drawdown	1,823,756	-
Increase in fair value of the convertible loan	170,506	-
Conversion of a portion of the convertible loan	(612,343)	-
Balance, end of year	\$ 1,381,919	\$ -

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

### 10. CONVERTIBLE LOAN RECEIVABLES (Continued)

Second Black Range Convertible Loan	As at December 31,	
	2013	2012
Opening balance	\$ -	\$ -
Principal drawdown	931,220	-
Increase in fair value of the convertible loan	7,535	-
Balance, end of year	\$ 938,755	\$ -

Both convertible loans issued by Black Range are hybrid instruments, containing a loan asset component and two embedded derivatives - the mandatory conversion option and the issuer's early repayment option (the "embedded derivatives"). The entire financial instrument is classified as FVTPL and all changes in fair value are recorded in profit or loss. During the year ended December 31, 2013, the changes in fair value recorded in profit or loss for the First Black Range Convertible Loan and the Second Black Range Convertible Loan were \$170,506 and \$7,535, respectively (Note 17,18). The Company applied a 12% discount rate to both the First and Second Black Range Convertible Loans when determining the fair values of the loan asset component.

### 11. LOAN PAYABLE TO SHAREHOLDERS

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

- Interest – 10% per annum payable on each anniversary date of the Shareholders Loan Agreement;
- Term – 3 years, commencing July 31, 2012;
- Conversion price – based on the Company's most recent sale of shares to an outside third party;
- Founding shareholders' conversion right – to convert the outstanding balance of the loan plus accrued interest, in whole or in part, into ordinary shares of the Company at the conversion price;
- Extension of the term – the Company has the option, on maturity, to extend the term of the loan for an additional three years. Upon exercise of this option, the annual interest rate increases to 15% per annum;
- Early repayment option – the Company has the right, but not the obligation, to repay the whole balance of the loan plus accrued interest at any time out of the proceeds of a capital raising or if the loan is refinanced or replaced by a new loan on or before the maturity; and
- Other - the Shareholders Loan Agreement is unsecured.



# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

### 11. LOAN PAYABLE TO SHAREHOLDERS (Continued)

The convertible loan is a hybrid instrument, containing a debt host component and three embedded derivatives - the investor's conversion option, early repayment option, and the issuer's term extension right (the "embedded derivatives"). The debt host component is classified as other-financial-liabilities and is measured at amortized cost using the effective interest rate method and the embedded derivatives are classified as FVTPL and all changes in fair value are recorded in profit or loss. The difference between the debt host component and the principal amount of the loan outstanding is accreted to profit or loss over the expected life of the convertible debenture. The fair values of the embedded derivatives were insignificant upon initial measurement and as at December 31, 2013 and 2012.

The movement of the amounts due under the convertible loan is as follows:

	As at December 31,	
	2013	2012
Opening balance	\$ 1,354,741	\$ -
Principal drawdown	456,000	1,320,000
Interest expense	171,068	34,741
Interest paid	(135,278)	-
Balance, end of year	\$ 1,846,531	\$ 1,354,741
Current portion of the convertible loan	70,531	34,741
Non-current portion of the convertible loan	\$ 1,776,000	\$ 1,320,000

As at December 31, 2012, the Company had drawn a total of \$1,320,000 under the Shareholders Loan Agreement. As at December 31, 2013, the Company had drawn \$1,776,000 under the Shareholders Loan Agreement. During the year ended December 31, 2013, the Company recorded an interest expense of \$171,068 (2012: \$34,741). The Company also made an interest payment of \$135,278 in the year ended December 31, 2013 (2012: \$nil).

On February 12, 2014, the Shareholders Loan Agreement was amended to extend the term to 5 years.

### 12. TRADE AND OTHER PAYABLES

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

### 12. TRADE AND OTHER PAYABLES (Continued)

	As at December 31,	
	2013	2012
Less than 1 month	\$ 191,985	\$ 59,855
1-3 months	84,486	29,871
3-6 months	110,000	36,976
More than 6 months	-	50,000
<b>Total trade and other payables</b>	<b>\$ 386,471</b>	<b>\$ 176,702</b>

Included in trade and other payables are amounts due to related parties, which are further disclosed in Note 23.

### 13. OTHER LIABILITIES

	As at December 31,	
	2013	2012
Promissory note payable (Note 7.1)	\$ 250,000	\$ -
Put option on non-controlling interest of UrAsia (Note 5)	1,872,592	-
Put option held by Anatolia (Note 9.2)	818,523	-
Loan to related party	-	2,882
Other liabilities	30,442	13,068
<b>Total current liabilities</b>	<b>\$ 2,971,557</b>	<b>\$ 15,950</b>
Put option held by Powertech on Centennial Project (Note 7.1)	\$ 177,835	\$ -
Promissory note payable (Note 7.1)	199,980	-
Put option on non-controlling interest of UrAsia (Note 5)	-	1,671,957
<b>Total non-current liabilities</b>	<b>\$ 377,815</b>	<b>\$ 1,671,957</b>

### 14. DEFERRED INCOME TAX

#### 14.1 Deferred income tax

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

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

### 14. DEFERRED INCOME TAX (Continued)

#### 14.2 Deferred income tax expenses

	Period ended December 31,	
	2013	2012
Net loss before income tax	\$ (4,095,542)	\$ (753,506)
Tax at statutory rate	0%	0%
Income tax recovery based on BVI statutory rate	\$ -	\$ -
Effect of zero tax rate applicable to Azarga	162,631	28,646
Unrecognized deferred tax asset attributable to tax losses	(58,775)	(20,425)
Unrecognized deferred tax asset attributable to temporary differences	(10,763)	(104,963)
Effect of permanent differences	(310,386)	(84,290)
Income tax expenses	\$ (217,293)	\$ (181,032)

#### 14.3 Deferred tax balances

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

	As at December 31,	
	2013	2012
Tax loss carry forward	\$ 155,097	\$ -
Deferred tax asset	\$ 155,097	\$ -
Exploration and evaluation assets	\$ 752,785	\$ 708,454
Property, plant and equipment	9,385	-
Inter-company loans eliminated on consolidation	1,097,621	810,152
Deferred tax liabilities	\$ 1,859,791	\$ 1,518,606
Net deferred tax liabilities	\$ 1,704,694	\$ 1,518,606

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

	Period ended December 31,	
	2013	2012
Opening balance	\$ 1,518,606	\$ -
Acquisition of UrAsia (Note 5)	-	1,342,119
Deferred tax expenses	217,293	181,032
Currency translation differences	(31,205)	(4,545)
Deferred tax liabilities	\$ 1,704,694	\$ 1,518,606



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

### 15. ADMINISTRATION EXPENSES

	Period ended December 31,	
	2013	2012
Salaries and benefits	\$ 860,203	\$ 175,808
Consulting and professional fees	251,372	119,821
Corporate administration	648,541	73,247
Depreciation	11,521	1,257
Share-based compensation	169,087	-
Administration expenses	\$ 1,940,724	\$ 370,133

For the year ended December 31, 2013, a depreciation expense of \$8,500 was capitalized to exploration and evaluation assets (2012: \$nil), the remaining expense of \$11,521 was expensed as administration expense (2012: \$1,257).

### 16. FINANCE COSTS

	Period ended December 31,	
	2013	2012
Interest expense on loan to related party	\$ -	\$ 2,533
Interest expense on deferred consideration (Note 5)	253,815	258,693
Interest expense on put option on non-controlling interest of UrAsia (Note 5)	200,635	77,569
Interest expense on loan payable to shareholders (Note 11)	171,068	34,741
Interest expense on equity instrument issued to Powerlite (Note 19.3)	348,493	-
Other interest expenses	1,307	865
Finance costs	\$ 975,318	\$ 374,401

### 17. UNREALIZED LOSS ON FINANCIAL INSTRUMENTS

	Period ended December 31,	
	2013	2012
Loss on convertible loan issued by Powertech (Note 10.1)	\$ 564,625	\$ -
Gain on convertible loan issued by Black Range (Note 10.2)	(102,277)	-
Loss on revaluation of put option on Anatolia shares (Note 9.2)	818,523	-
Loss on revaluation of investment in Anatolia (Note 9.2)	33,353	-
Unrealized loss on financial instruments, net	\$ 1,314,224	\$ -

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## Notes to the Consolidated Financial Statements

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### 18. REALIZED GAIN ON FINANCIAL INSTRUMENTS

	Period ended December 31,	
	2013	2012
Gain on investment in Powertech	\$ 146,485	\$ -
Gain on investment in Black Range	407,368	-
Gain on convertible debenture issued by Powertech (Note 10.1)	73,884	-
Gain on convertible loan issued by Black Range (Note 10.2)	75,764	-
<b>Realized gain on financial instruments</b>	<b>\$ 703,501</b>	<b>\$ -</b>

### 19. EQUITY/(DEFICIT)

#### 19.1 Share capital/contributed surplus reserve/(deficit)

As at December 31, 2013, the Company was authorized to issue a maximum of 200,000,000 shares of one class with a par value of \$0.004 per share. As at December 31, 2013, the Company had 75,583,274 (2012: 50,000,000) common shares outstanding. The share capital balance was \$302,333 (2012: \$200,000). As at December 31, 2013, the Company's founders, Alexander Molyneux, Curt Church and Pacific Advisers Pte Ltd. held the following ownership interests: 25.0% (2012: 37.5%), 25.5% (2012: 37.5%) and 13.3% (2012: 25%), respectively.

The movement schedule of the contributed surplus reserve/(deficit) is as follows:

	As at December 31,	
	2013	2012
Opening balance	\$ (1,594,389)	\$ -
Issuance of common shares	10,130,978	-
Equity instrument issued to Powerlite (Note 19.3)	12,348,493	-
Less: transaction costs (Note 23)	(300,000)	-
Issuance of put option on non-controlling interest (Note 5)	-	(1,594,389)
<b>Balance, end of year</b>	<b>\$ 20,585,082</b>	<b>\$ (1,594,389)</b>

For the period from Inception to December 31, 2012, the Company issued 50,000,000 common shares for total proceeds of \$200,000 at an average price of \$0.004 (par value). For the year ended December 31, 2013, the Company issued 25,583,274 common shares for total proceeds of \$10,233,311, before transaction costs of \$300,000 (share capital of \$102,333 plus contributed surplus of \$10,130,978), at an average price of \$0.40. Of which, 2,500,000 common shares were issued to settle the deferred payment to the original sellers of UrAsia and the remaining number of common shares were issued pursuant to investor subscription agreement.

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### 19. EQUITY/(DEFICIT) (Continued)

On April 1, 2013, the Company entered into share subscription agreements with investors to subscribe for 4,250,000 shares for total subscription proceeds of \$1,700,000 at \$0.40 per share. As at December 31, 2013, the investors had paid subscription deposits totaling \$283,310. Upon receipts of subscription payments, the Company shall allot and issue the subscription shares to the investors.

In addition, the Company recorded \$12,348,493 to contributed surplus for the equity instrument issued to Powerlite (Note 19.3).

The Company's volume weighted average share price for the year ended December 31, 2013 was \$0.14 (2012: \$0.004).

Subsequent to December 31, 2013, the Company increased its authorized share capital to issue a maximum of 2,500,000,000 shares of one class with a par value of \$0.004 per share. In addition, the Company issued 1,029,386 shares for proceeds of \$361,755.

#### 19.2 Accumulated deficit and dividends

As at December 31, 2013, the Company has accumulated retained earnings of \$6,403,277 (2012: deficit of \$875,754). No dividends have been paid or declared by the Company since inception.

#### 19.3 Equity instrument issued to Powerlite Ventures Limited

On May 22, 2013, the Company issued an equity instrument to Powerlite Ventures Limited ("Powerlite") ("Powerlite Facility") for \$15,000,000 ("Facility Limit"). In accordance with the agreement, the outstanding principal and interest accrued under the agreement will be settled through the issuance of Azarga shares at \$0.50 per share. As a result, the financial instrument has been classified as equity. Accrued interest has been recorded to interest expense with the offset being recorded as equity. Other key commercial terms of the financing include:

- Interest - 10% per annum, payable on conversion of each note (the Powerlite Facility can be drawn over multiple drawings, each a separate note);
- Maturity - May 22, 2023;
- Conversion price - \$0.50 per Azarga share;
- Powerlite's conversion right - to convert the outstanding notes plus accrued interest into the Company's shares after the date of issue;
- Company's conversion right - to convert the outstanding notes plus accrued interest at the earlier of six months from the issuance date of each note or an event causing conversion of any Black Range convertible loans (Note 10.2) held by the Company;
- Mandatory conversion - all outstanding notes plus accrued interest will automatically convert to Azarga shares within 10 business days of the maturity; and

# AZARGA RESOURCES LIMITED

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### 19. EQUITY/(DEFICIT) (Continued)

- Other – the Powerlite Facility is unsecured.

As at December 31, 2013, the Company had drawn a total of \$12,000,000 under the Powerlite Facility. Subsequent to the year-end, the Company had drawn an additional \$3,200,000. During the year ended December 31, 2013, the Company recognized interest expense of \$348,493 (Note 16). The offsetting amounts were recorded to equity.

On August 28, 2013 and February 12, 2014, the facility limit was amended to \$21,000,000 and \$26,000,000, respectively. The incremental facility amount of \$5,000,000 agreed on February 12, 2014 can only be drawn in 2015 and is subject to a mutually agreed upon draw down schedule.

### 20. SHARE-BASED PAYMENTS

#### 20.1 Stock option plan

The Company has a stock option plan which permits the board of directors of the Company to grant options to acquire common shares of the Company at a price not less than one hundred percent of the fair market value on the date of grant. The Company is authorized to issue stock options for a maximum of 15% of the issued and outstanding 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, the general terms of stock options granted under the plan include an exercise period of 5 years or such greater or lesser duration as the board of directors may determine at the date of grant; and a vesting period of 2 years with 33% of the grant vesting on the date of grant, 33% vesting on the first anniversary of the grant and 34% vesting on the second anniversary of the grant. 100% of the option will be exercisable at any time after the second anniversary of the grant. The options are non-transferable.

For the year ended December 31, 2013, the Company granted 1,150,000 stock options (2012: Nil) to officers, employees, directors and other eligible persons at exercise prices of \$0.40 and \$0.50 with expiry dates ranging from May 1, 2018 to November 4, 2018. The weighted average fair value of the options granted in the year ended December 31, 2013 was estimated at \$0.31 per option at the grant date using the Black-Scholes Option Pricing Model.

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



# AZARGA RESOURCES LIMITED

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### 20. SHARE-BASED PAYMENTS (Continued)

	As at December 31,	
	2013	2012
Risk free rate of return	1.15% - 1.77%	N/A
Expected life	5 years	N/A
Expected volatility (i)	105% -106%	N/A
Expected dividend per share	Nil	N/A

- i Expected volatility has been calculated based on the historical volatility of the Company's publicly traded peer group over a period equal to the expected life of the options

A share-based compensation expense of \$352,066 for the options granted in the year ended December 31, 2013 (2012: Nil) will be amortized over the vesting period, of which \$219,098 was recognized in the year ended December 31, 2013 (2012: Nil).

Share-based compensation expense of \$169,087 has been allocated to administration expenses and \$50,011 has been allocated to evaluation and exploration assets (Note 15 and 7, respectively).

#### 20.2 Outstanding stock options

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

	Year ended December 31, 2013		Period ended December 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	-	\$ -	N/A	N/A
Options granted	1,150,000	0.41	N/A	N/A
Balance, end of year	1,150,000	\$ 0.41	N/A	N/A

The stock options outstanding and exercisable as at December 31, 2013 are as follows:

Exercise price	Options Outstanding			Options Exercisable		
	Options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Options outstanding and exercisable	Weighted average exercise price	Weighted average remaining contractual life (years)
\$0.40-\$0.50	1,150,000	\$ 0.41	4.42	379,500	\$ 0.41	4.42
	1,150,000	\$ 0.41	4.42	379,500	\$ 0.41	4.42

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## Notes to the Consolidated Financial Statements

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

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### 20. SHARE-BASED PAYMENTS (Continued)

#### 20.3 Share option reserve

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

	Period ended December 31,	
	2013	2012
Balance, beginning of year	\$ -	\$ -
Share-based compensation capitalized to exploration and evaluation assets	50,011	-
Share-based compensation charged to operations	169,087	-
Balance, end of year	\$ 219,098	\$ -

### 21. CAPITAL RISK MANAGEMENT

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

The Company depends on external financing to fund its activities and there can be no guarantee that external financing will be available at terms acceptable to the Company. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt or acquire or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including capital deployment, results from the exploration and development of its properties and general industry conditions. The annual and updated budgets are approved by the board of directors. For the year ended December 31, 2013, 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, 2013, the Company's capital structure consists of convertible debt (Note 11) and the equity of the Company (Note 19).

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

## 22. FINANCIAL INSTRUMENTS

### 22.1 Categories of financial instruments

	As at December 31,	
	2013	2012
<b>Financial assets</b>		
Loans and receivables		
Cash and cash equivalents	\$ 282,013	\$ 117,959
Restricted cash	21,151	-
Fair value through profit or loss		
Investment in Anatolia (Note 9.2)	1,738,600	-
Convertible loans issued by Black Range (Note 10.2)	2,320,675	-
Convertible loan issued by Powertech (Note 10.1)	460,375	-
<b>Total financial assets</b>	<b>\$ 4,822,814</b>	<b>\$ 117,959</b>

	As at December 31,	
	2013	2012
<b>Financial liabilities</b>		
Other financial liabilities		
Trade and other payables (Note 12)	\$ 386,471	\$ 176,702
Loan payable to shareholders (Note 11)	1,846,531	1,354,741
Deferred consideration (Note 5)	1,741,080	5,437,265
Put option on non-controlling interest of UrAsia (Note 5)	1,872,592	1,671,957
Promissory note on Centennial Project (Note 7.1)	449,980	-
Put option held by Powertech on Centennial Project (Note 7.1)	177,835	-
Fair value through profit or loss		
Put option held by Anatolia (Note 9.2)	818,523	-
<b>Total financial liabilities</b>	<b>\$ 7,293,012</b>	<b>\$ 8,640,665</b>

### 22.2 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:

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### 22. FINANCIAL INSTRUMENTS (Continued)

- The fair value of financial instruments that are traded on an active liquid market are determined with reference to the quoted market prices. The fair value of the Company's investment in the shares of Anatolia is determined using this methodology. The investments in shares of Powertech and shares of Black Range were measured as FVTPL prior to the investments being accounted for as associates under the equity method.
- 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 from prices) observable.
  - The fair value of the put option held by Anatolia is determined using a Black Scholes Pricing Model.
- The fair value of financial instruments that are not traded in an active market are determined using generally accepted valuation models using inputs that are not directly (i.e. prices) or indirectly (i.e. derived from prices) observable.
  - The fair values of the embedded derivatives within the convertible loans issued by Powertech (Note 10.1) are determined using a Binomial Pricing Model. The loan asset components for both Powertech and Black Range are valued based on the present value of expected future cash flows at the discount rate that would have applied to the financial assets without conversion or other embedded derivative features. None of the fair value change in the convertible loans for the year ended December 31, 2013 is related to a change in the credit risk of the convertible loans. All of the change in fair value is associated with changes in market conditions.

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

The Company's cash and cash equivalents, restricted cash and other financial liabilities are carried at amortized cost.

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

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

### 22. FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Investment in Anatolia	\$ 1,738,600	\$ -	\$ -	\$ 1,738,600
Convertible loans issued by Black Range	-	-	2,320,675	\$ 2,320,675
Convertible loan issued by Powertech	-	-	460,375	\$ 460,375
<b>Total financial assets at fair value</b>	<b>\$ 1,738,600</b>	<b>\$ -</b>	<b>\$ 2,781,050</b>	<b>\$ 4,519,650</b>
Put option on non-controlling interest of UrAsia	\$ -	\$ 1,872,592	\$ -	\$ 1,872,592
Put option held by Powertech on Centennial Project	-	177,835	-	\$ 177,835
Put option held by Anatolia	-	818,523	-	\$ 818,523
<b>Total financial liabilities at fair value</b>	<b>\$ -</b>	<b>\$ 2,868,950</b>	<b>\$ -</b>	<b>\$ 2,868,950</b>

As at December 31, 2012	Level 1	Level 2	Level 3	Total
Put option on non-controlling interest of UrAsia	\$ -	\$ 1,671,957	\$ -	\$ 1,671,957
<b>Total financial liabilities at fair value</b>	<b>\$ -</b>	<b>\$ 1,671,957</b>	<b>\$ -</b>	<b>\$ 1,671,957</b>

There were no transfers between Level 1, 2 and 3 in 2013 and 2012.

### 22.3 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. The Company's risk exposure and the impact on the Company's financial instrument 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.

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### 22. FINANCIAL INSTRUMENTS (Continued)

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

	<u>KGS</u>	<u>C\$</u>	<u>A\$</u>	<u>HK\$</u>
<b>10% increase in foreign exchange rate</b>				
Changes to balances as at December 31, 2013	\$ (8,546)	\$ (77)	\$ 324,075	\$ (1,345)
Changes to balances as at December 31, 2012	\$ (12,880)	\$ -	\$ -	\$ -
	<u>KGS</u>	<u>C\$</u>	<u>A\$</u>	<u>HK\$</u>
<b>10% decrease in foreign exchange rate</b>				
Changes to balances as at December 31, 2013	\$ 8,546	\$ 77	\$ (324,075)	\$ 1,345
Changes to balances as at December 31, 2012	\$ 12,880	\$ -	\$ -	\$ -

#### 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 considered significant.

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

#### **Credit risk**

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

The Company is exposed to credit risk associated with its cash and cash equivalents, and convertible loans acquired from Black Range and Powertech. The Company's maximum exposure to credit risk is equal to the carrying amount of its cash and cash equivalents and the nominal amount of the convertible loans.

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### 22. FINANCIAL INSTRUMENTS (Continued)

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

The Company seeks to manage its credit risk on the convertible loans acquired from Black Range and Powertech by including mechanisms that provide protection should Black Range or Powertech not be able to repay the convertible loans, e.g. the conversion feature. The Company also has board representation to ensure that the Company is fully apprised of the financial environment at Black Range and Powertech

#### Liquidity risk

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

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

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

### 22. FINANCIAL INSTRUMENTS (Continued)

As at December 31, 2012	0 to 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables	\$ 89,726	\$ 86,976	\$ -	\$ 176,702
Loan payable to shareholders	-	34,741	1,320,000	\$ 1,354,741
Deferred consideration	-	5,800,000	-	\$ 5,800,000
Other current liabilities	2,882	-	-	\$ 2,882
Other non-current liabilities	-	-	2,000,000	\$ 2,000,000
	\$ 92,608	\$ 5,921,717	\$ 3,320,000	\$ 9,334,325

### 23. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of Azarga Resources Limited and its significant subsidiaries and associates listed in the following table:

Name	Country of Incorporation	% equity interest As at December 31,	
		2013	2012
Azarga Resources (Hong Kong) Limited	Hong Kong	100%	N/A
Azarga Resources Canada Ltd.	Canada	100%	N/A
Azarga Resources USA	United States of America	100%	N/A
UrAsia	Kyrgyz Republic	80%	80%
Powertech	Canada	45%	0%
Black Range	Australia	23%	0%

As at December 31, 2013, the Company held significant influence investments in Black Range (Note 9.2) and Powertech (Note 9.1). Black Range and Powertech became associates of Azarga on July 2, 2013 and October 18, 2013, respectively.

During the year ended December 31, 2013 and for the period from May 30, 2012 to December 31, 2012, the Company had related party transactions with the Company's directors, shareholders, management and significant influence investees including:

- Subscription agreements were signed with the founding shareholders and key management personnel;
- A founder of the Company received commission of \$300,000 for brokering private placements; this amount was recorded to equity;
- The founders of the Company entered into the Shareholders Loan Agreement with the Company (Note 11);
- The acquisition of the Centennial Project from Powertech (Note 7.1);
- The purchase of convertible loans issued by Powertech (Note 10.1); and
- The purchase of convertible loans issued by Black Range (Note 10.2).



# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

### 23. RELATED PARTY TRANSACTIONS (Continued)

#### Related party assets

	As at December 31,	
	2013	2012
Convertible loans issued by Black Range	\$ 2,320,675	\$ -
Convertible loan issued by Powertech	460,375	-
Centennial Project with Powertech	1,698,995	-
Investment in Powertech	5,788,794	-
Investment in Black Range	2,816,836	-
Total assets with related parties	\$ 13,085,675	\$ -

#### Related party liabilities

	As at December 31,	
	2013	2012
Loan payable to shareholders	\$ 1,846,531	\$ 1,354,741
Loan payable to related party	-	2,882
Promissory note issued to Powertech for Centennial Project	449,980	-
Put option held by Powertech on Centennial Project	177,835	-
Total liabilities with related parties	\$ 2,474,346	\$ 1,357,623

#### Related party expenses

	Period ended December 31,	
	2013	2012
Interest expense on loan payable to shareholders	\$ 171,068	\$ 34,741
Interest expense on promissory note issued to Powertech for Centennial Project	682	-
Interest expense on put option held by Powertech on Centennial Project	606	-
Interest expense on loan payable to related party	-	2,533
Equity loss pick-up from Black Range	579,544	-
Unrealized loss on Powertech convertible loan	564,625	-
Total related party expenses	\$ 1,316,525	\$ 37,274

#### Related party income

	Period ended December 31,	
	2013	2012
Realized gain upon equity accounting for Powertech	\$ 220,369	\$ -
Realized gain upon equity accounting for Black Range	483,132	-
Equity income pick-up from Powertech	11,130	-
Unrealized gain on Black Range convertible loans	102,277	-
Total related party income	\$ 816,908	\$ -

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

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### 23. RELATED PARTY TRANSACTIONS (Continued)

#### 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:

	Period ended December 31,	
	2013	2012
Share-based compensation	\$ 169,087	\$ -
Salaries, fees and other benefits	481,308	126,672
Key management personnel compensation	\$ 650,395	\$ 126,672

### 24. SUPPLEMENTAL CASH FLOW INFORMATION

#### Non-cash financing and investing activities

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

- Settled \$2,500,000 deferred payment with issuance of 6,750,000 shares to original sellers of UrAsia (2012: \$Nil)
- Share based compensation expense of \$50,011 and depreciation expense of \$8,500 were capitalized as exploration and evaluation assets (2012: \$Nil)

The Company and Black Range also agreed to convert a portion of the First Black Range Convertible Loan, an amount of \$528,889 (cash amount of investment prior to factoring in the conversion amount). This amount was treated as an investing activity for cash flow purposes based on the fact that the Company ultimately acquired additional shares and increased its investment in Black Range as a result of the partial conversion.

### 25. COMMITMENTS FOR EXPENDITURE

#### Operating expenditure commitments

As at December 31, 2013 and 2012, the Company's commitments for operating expenditures that have not been disclosed elsewhere in the consolidated financial statements are as follow:

# AZARGA RESOURCES LIMITED

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2013 and for the period from May 30, 2012 (date of inception) to December 31, 2012

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

### 25. COMMITMENTS FOR EXPENDITURE (Continued)

	As at December 31,	
	2013	2012
Less than 1 year	\$ 19,111	\$ 6,223
Later than 1 year and not later than 5 years	-	-
Total operating expenditure commitments	\$ 19,111	\$ 6,223

#### Capital commitments

As at 31 December 2013 and 2012, the Company had no capital commitments.

### 26. SUBSEQUENT EVENTS

#### 26.1 Reverse Takeover of Powertech

On February 26, 2014, the Company and Powertech entered into a share purchase agreement pursuant to which Powertech will acquire all of the issued and outstanding common shares of the Company in exchange for common shares of Powertech. The Company currently owns 68,991,571 common shares of Powertech, representing approximately 45.1% of the issued and outstanding Powertech shares.

Upon completion of the Transaction:

- The Company would become a wholly-owned subsidiary of Powertech and the current Azarga shareholders would become Powertech shareholders holding approximately 77% of the issued and outstanding Powertech shares;
- Powertech would continue to carry on the Company's business and change its name to "Azarga Uranium Corp."; and
- Powertech's board of directors would be reconstituted to include the members of the existing Powertech board with the addition of certain representatives of the existing Azarga board, with the board expected to consist of Alexander Molyneux (Chairman), Richard Clement, Curtis Church, Douglas Eacrett, Malcom Clay, Paul Struijk, Matthew O'Kane and Joseph Havlin.

**SCHEDULE "I"**  
**PRO-FORMA FINANCIAL STATEMENTS**

See Attached Document



**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)

PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Stated in United States Dollars)

**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)  
**PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**  
As at December 31, 2013  
(Stated in United States Dollars)

	Powertech Uranium Corp. December 31, 2013	Azarga Resources Limited December 31, 2013		Adjustments	Pro Forma December 31, 2013
<b>ASSETS</b>					
Current					
Cash and cash equivalents	\$ 133,510	\$ 282,013		\$ –	\$ 415,523
Receivable	29,891	–		–	29,891
Deposits	20,857	–		–	20,857
Note receivable	250,000	460,375	A.	(250,000)	–
			B.	(460,375)	–
Prepaid expenses	15,209	–		–	15,209
Other assets	<u>–</u>	<u>20,856</u>		<u>–</u>	<u>20,856</u>
	449,467	763,244		(710,375)	502,336
Non-current					
Restricted cash	208,030	21,151		–	229,182
Note receivable	250,000	2,320,675	A.	(250,000)	2,320,675
Investments	–	10,344,230	C.	(5,788,794)	4,555,436
Mineral properties	38,375,502	12,418,765	D.	(177,228)	50,617,039
Building and equipment	94,922	171,232		–	266,154
Other non-current assets	<u>–</u>	<u>23,130</u>		<u>–</u>	<u>23,130</u>
Total assets	<u>\$ 39,377,921</u>	<u>\$ 26,062,427</u>		<u>\$ (6,926,397)</u>	<u>\$ 58,513,951</u>
<b>LIABILITIES</b>					
Current					
Accounts payable and accrued liabilities	\$ 1,401,155	\$ 386,471		\$ –	\$ 1,787,626
Current portion of long-term debt	435,000	70,531	E.	–	505,531
Warrant liability	376,821	–		–	376,821
Loan facility	408,509	–	F.	(408,509)	–
Deferred consideration payable	–	1,741,080		–	1,741,080
Other current liabilities	<u>–</u>	<u>2,971,557</u>		<u>(250,000)</u>	<u>2,721,557</u>
	2,621,485	5,169,639		(658,509)	7,132,615
Non-current					
Agreements payable	744,828	1,776,000	E.	(199,980)	2,320,848
Deferred income tax liabilities	–	1,704,694		–	1,704,694
Other non-current liabilities	<u>–</u>	<u>377,815</u>	D.	<u>(177,835)</u>	<u>199,980</u>
Total liabilities	3,366,313	9,028,148		(1,036,324)	11,358,137
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	73,850,105	302,333	G.	(73,850,105)	30,056,510
			H.	29,754,177	
Contributed surplus	8,298,355	20,585,082	F.	(601,590)	20,585,082
			G.	(7,696,765)	
Reserve		149,533			149,533
Retained earnings/(deficit)	<u>(46,136,852)</u>	<u>(4,994,907)</u>	G.	46,136,852	<u>(4,627,549)</u>
			IS change	<u>367,358</u>	
	<u>36,011,608</u>	<u>16,042,041</u>		<u>(5,890,073)</u>	<u>46,163,576</u>
Non-controlling interest	<u>–</u>	<u>992,238</u>		<u>–</u>	<u>992,238</u>
Total liabilities and shareholder's equity	<u>\$ 39,377,921</u>	<u>\$ 26,062,427</u>		<u>\$ (6,926,397)</u>	<u>\$ 58,513,951</u>

SEE ACCOMPANYING NOTES

**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)  
**PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)**  
(UNAUDITED)  
for the year ended December 31, 2013  
(Stated in United States Dollars)

	<b>Powertech Uranium Corp. Year Ended December 31, 2013</b>	<b>Azarga Resources Limited Year Ended December 31, 2013</b>	<b>Adjustments</b>	<b>Pro forma Year Ended December 31, 2013</b>
General and administrative expenses				
General and administrative expenses	\$ 2,358,487	\$ 1,941,087	\$ —	\$ 4,299,574
Loss from operations	(2,358,487)	(1,941,087)	-	\$ 4,299,574
Other income/(expense)				
Interest income	3,712	-	-	3,712
Interest expense	(74,510)	-	I. 74,510	-
Effective interest expense	(139,540)	-	-	(139,540)
Unrealized gain/(loss) on financial instruments	-	(1,314,224)	J 564,625	(749,599)
Realized gain/(loss) on financial instruments	-	703,501	K (220,369)	483,132
Finance costs	-	(975,318)	-	(975,318)
Gain on re-measurement of financial and derivative liability	40,278	-	L (40,278)	-
Gain on re-measurement of warrant liability	389,283	-	-	389,283
Gain on sale of database	60,000	-	-	60,000
Net equity loss from associates	-	(568,414)	K (11,130)	(579,544)
Impairment charges	<u>(12,344,868)</u>	<u>-</u>	<u>-</u>	<u>(12,344,868)</u>
	(12,065,645)	(2,154,455)	367,358	(13,852,742)
Net income/(loss) before income taxes	(14,424,132)	(4,095,542)	367,358	(18,152,316)
Deferred income tax expense	<u>-</u>	<u>(217,293)</u>	<u>-</u>	<u>(217,293)</u>
Net income/(loss) after income tax	<u>(14,424,132)</u>	<u>(4,312,835)</u>	<u>367,358</u>	<u>(18,369,609)</u>
Other comprehensive loss				
Foreign currency translation adjustment	<u>-</u>	<u>(80,953)</u>	<u>-</u>	<u>(80,953)</u>
Total comprehensive income/(loss)	<u>\$ (14,424,132)</u>	<u>\$ (4,393,788)</u>	<u>\$ 367,358</u>	<u>\$ (18,450,562)</u>

SEE ACCOMPANYING NOTES

**POWERTECH URANIUM CORP.**  
(An Exploration Stage Company)  
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1     Basis of Presentation

These unaudited pro forma condensed consolidated financial statements have been prepared in connection with the proposed acquisition by Powertech Uranium Corp. ("Powertech") of all of the outstanding shares of Azarga Resources Ltd. ("Azarga") (the "Acquisition").

The unaudited pro forma condensed consolidated statement of financial position of Powertech as at December 31, 2013 and the unaudited pro forma condensed consolidated statement of comprehensive income/(loss) for the year ended December 31, 2013 have been prepared, for illustrative purposes only, to give effect to the proposed acquisition of Azarga by Powertech pursuant to the assumptions described in Notes 2 and 3 of these unaudited pro forma condensed consolidated financial statements. These unaudited pro forma condensed consolidated financial statements have been prepared based on financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and have been compiled from the following historical information:

- 1) An unaudited pro forma condensed consolidated statement of financial position combining:
  - a. The audited consolidated statement of financial position of Powertech as at December 31, 2013 and
  - b. The audited consolidated statement of financial position of Azarga as at December 31, 2013.
- 2) An unaudited pro forma condensed consolidated statement of comprehensive income/(loss) for the year ended December 31, 2013 combining:
  - a. The audited consolidated statement of comprehensive income/(loss) of Powertech for the year ended December 31, 2013 and
  - b. The audited consolidated statement of comprehensive income/(loss) of Azarga for the year ended December 31, 2013.

The unaudited pro forma condensed consolidated statement of financial position as at December 31, 2013 has been prepared as if the transaction described in Note 2 had occurred on December 31, 2013. The unaudited pro forma condensed consolidated statement of comprehensive income/(loss) for the year ended December 31, 2013 has been prepared as if the transaction described in Note 2 had occurred on January 1, 2013.

The unaudited pro forma condensed consolidated financial statements are not intended to reflect the financial performance or the financial position of Powertech, which would have actually resulted had the transactions been effected on dates indicated. Actual amounts recorded upon consummation of the agreement will likely differ from those recorded in the unaudited pro forma condensed consolidated financial statement information. Further, the pro forma financial information is not necessarily indicative of the financial performance that may be obtained in the future.

It is management's opinion that these unaudited pro forma condensed consolidated financial statements present fairly in all material respects, the transaction described in note 2 in accordance with IFRS. The accounting principles used in the preparation of these consolidated financial statements are consistent with Powertech's accounting policies for the year ended December 31, 2013.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Powertech and Azarga for the year ended December 31, 2013, and notes thereto.

References to C\$ are references to Canadian dollars and \$ references to Unites States dollars.



Note 2 Azarga Acquisition

Powertech and Azarga entered into a share purchase agreement on February 25, 2014 (the "Acquisition Agreement"). The Acquisition Agreement sets out the terms and conditions on which Powertech and Azarga intend to complete the Acquisition and the related transactions.

In accordance with the Acquisition Agreement, Powertech has agreed to acquire all of the 76,612,661 issued and outstanding Azarga common shares in exchange for a total of 279,636,213 Powertech common shares ("Powertech Shares") to be issued to Azarga Shareholders in exchange for their Azarga common shares ("Azarga Shares") in accordance with the Acquisition Agreement; (the "Consideration Shares") on the basis of 3.65 Powertech Shares for each Azarga Share; (the "Exchange Ratio"). In addition, Powertech has agreed to replace the outstanding Azarga stock options with Powertech stock options also on the basis of the Exchange Ratio. The Powertech stock options issued as part of the Acquisition will be exercisable at C\$0.12 per Powertech Share, with the exception of 150,000 stock options to be issued as part of the Acquisition which will be exercisable at C\$0.15 per Powertech Share.

The Acquisition Agreement sets out a number of conditions to completion of the Acquisition including, without limitation, receiving the requisite approvals from: the Powertech Shareholders for the Acquisition; the Azarga Shareholders for the Acquisition; the Toronto Stock Exchange for the Acquisition and related transactions; and any necessary regulatory approvals and third party consents. In addition, as Azarga also owns approximately 20.2% of the shares of an Australian Stock Exchange listed company, Black Range Minerals Limited ("Black Range"), in order to permit the 'downstream acquisition' of more than 20% of the voting shares of Black Range by Powertech, the Acquisition will also require either receipt of approval of the shareholders of Black Range or a modification of the terms of the Australian Corporations Act from the Australian Securities and Investments Commission.

Powertech and Azarga have also agreed, pursuant to the Acquisition Agreement, to be bound by certain non-solicitation provisions, subject to a superior proposal being received by either party, in accordance with the terms of the Acquisition Agreement. The Acquisition Agreement also provides for Powertech and Azarga to be reimbursed by the other party for certain expenses related to the Acquisition in certain circumstances in accordance with the Acquisition Agreement.

The Acquisition Agreement may be terminated by: (i) mutual written agreement of Powertech and Azarga; (ii) either Azarga or Powertech, if: (a) the Acquisition has not been completed on or before December 31, 2014 (provided that the right to terminate shall not be available to any party whose failure to fulfill any of its obligations or whose breach of any of its representations and warranties under the Acquisition Agreement has been the cause or, or directly resulted in, the failure of the completion of the Acquisition).

Upon completion of the Acquisition:

- Azarga will become a wholly-owned subsidiary of Powertech, and the former Azarga Shareholders will become Powertech Shareholders owning approximately 77% of the issued and outstanding Powertech Shares;
- Powertech is expected to continue to carry on its business and Azarga's business and change its name to "Azarga Uranium Corp.";
- Richard F. Clement, Jr., Powertech's President and CEO, and John Mays, Powertech's COO, will each remain in their respective roles, and Curtis Church and Blake Steele, currently members of Azarga's senior management team, will be added to Powertech's senior management team as Vice-President International Operations and CFO, respectively; and
- the Board will be reconstituted, assuming approval of the Director Election Resolution, to include the members of the existing Board with the addition of certain representatives of the existing Azarga board, with the Board expected to consist of Alexander Molyneux (Chairman), Richard F. Clement, Jr., Curtis Church, Douglas E. Eacrett, Apolonius (Paul) Struijk, Matthew O'Kane and Joseph Havlin.

Note 2 Azarga Acquisition – (cont'd)

On a pro forma basis, Powertech expects to have approximately 364 million issued and outstanding Powertech Shares on an undiluted basis, of which approximately 23% would be held by current Powertech Shareholders and approximately 77% would be held by former Azarga Shareholders; and stock options and warrants to issue up to an additional 55 million Powertech Shares would be outstanding.

Note 3 Pro Forma Assumptions and Adjustments

The unaudited pro forma condensed consolidated statement of financial position reflects the following adjustments as if the Azarga Acquisition had occurred on December 31, 2013.

- A) To eliminate Powertech's note receivable from Azarga associated with Azarga's purchase of a 60% interest in Powertech's Centennial project.
- B) To eliminate Azarga's fair value calculation associated with the Azarga's loan facility receivable from Powertech.
- C) To eliminate Azarga's equity investment in Powertech Shares.
- D) To eliminate Azarga's fair value calculation related to Azarga's put option associated with Azarga's purchase of a 60% interest in Powertech's Centennial project.
- E) To eliminate Azarga's note payable associated with Azarga's purchase of a 60% interest in Powertech's Centennial project.
- F) To eliminate Powertech's fair value calculation associated with the loan facility payable to Azarga.
- G) To eliminate Powertech's equity accounts.
- H) To record the net equity issuance associated with the Azarga Acquisition.

The unaudited pro forma consolidated statement of comprehensive income/(loss) for the year ended December 31, 2013 reflect the following adjustments as if the Azarga Acquisition had occurred on January 1, 2013.

- I) To eliminate Powertech's interest expense associated with the debenture payable to Azarga.
- J) To eliminate Azarga gain/(losses) associated with the fair value adjustments related to debt receivables from Powertech.
- K) To eliminate Azarga gain/(losses) associated Azarga's equity interest in Powertech.
- L) To eliminate Powertech gain/(losses) associated with the fair value adjustments related to debt obligations to Azarga.

## SCHEDULE “J”

### POWERTECH URANIUM CORP.

#### National Instrument 58-101 Disclosure of Corporate Governance Policy

The disclosure noted below is in accordance with National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”). The section references are to Form 58-101F1 in accordance with National Instrument 58-101.

#### 1. Board of Directors

- (a) Douglas E. Eacrett, Malcolm F. Clay, Matthew O’Kane and Apolonius (Paul) Struijk are considered to be “independent” as defined by NI 58-101. If elected at the Powertech Meeting, Joseph Havlin will be considered independent.
- (b) Richard F. Clement, Jr. is not considered to be “independent” as defined by NI 58-101 as Powertech’s President and Chief Executive Officer. If elected at the Powertech Meeting, Alexander Molyneux and Curtis Church will not be considered “independent” as defined by NI 58-101 as each of them is a senior executive officer of Powertech. Alexander Molyneux will be the Chairman and Curtis Church will be the VP International Operations.
- (c) Four of the five current directors are independent, so the Board has a majority of independent directors. The Board currently consists of Richard F. Clement, Jr., Douglas E. Eacrett, Malcolm F. Clay, Matthew O’Kane and Apolonius (Paul) Struijk.
- (d) The following table sets out the directors and nominees that are currently the directors of other reporting issuers in all Canadian and foreign jurisdictions:

Name of Director or Nominee	Name of Reporting issuer	Exchange	Term
Richard F. Clement, Jr.	None		
Douglas E. Eacrett	Regent Ventures Ltd.	TSX Venture Exchange	May 2002 to present
	Baroyeca Gold and Silver Inc.	TSX Venture Exchange	December 2010 to present
Malcolm F. Clay	Minco Gold Corporation	TSX	November 2007 to present
	Oakmont Capital Corp.	TSX Venture Exchange	February 2011 to present
	Wolverine Minerals Corp.	TSX Venture Exchange	February 2012 to present
Matthew O’Kane	Celsius Coal Limited	Australian Stock Exchange	May 2013 to present

Name of Director or Nominee	Name of Reporting issuer	Exchange	Term
Apolonius (Paul) Struijk	None		

- (e) Powertech does not hold regularly scheduled meetings at which non-independent directors are not in attendance. However, Powertech’s independent directors do communicate outside of formal meetings of the Board. Further, the independent directors have very strong governance backgrounds. Mr. Eacrett is a practicing securities lawyer who is also qualified as a chartered accountant, Mr. Clay served as a partner at KPMG LLP for almost thirty years, Mr. O’Kane has served as a CFO of several public and private companies and Mr. Struijk has served as a managing director. As a result, they are acutely aware of the important roles independent directors have.
- (f) The Board does not currently have a designated Chair. The Board provides leadership for its independent directors by giving the independent directors unrestricted access to Powertech’s auditors and external legal counsel and by having Powertech’s external legal counsel attend meetings of the Board to facilitate communication among independent and non-independent directors.
- (g) All directors attended all meetings of the Board during the year ended December 31, 2013, with the exception of the following:
- Malcolm Clay was absent for a meeting on January 30, 2013; and
  - Thomas Doyle, a former director, was absent for a meeting on October 18, 2013.

## 2. Board Mandate

The Board does not have a written mandate. The Board delineates its role and responsibilities through discussions among the members of the Board. In directing the affairs of Powertech and delegating to management the day-to-day business of Powertech, the Board endorses the guidelines for responsibilities of the Board as set out by regulatory authorities on corporate governance in Canada.

## 3. Position Descriptions

- (a) The Board has not developed written position descriptions for the chair and the chair of each committee of the Board. The Board delineates the role and responsibilities of each such position by discussing the role of the chair and by adopting written charters for each committee which delineate the role and responsibilities for the chair of each such committee.
- (b) The Board and CEO have not developed a written position description for the CEO. The Board delineates the role and responsibilities of the CEO by discussing the role of the CEO at meetings of the Board.

#### **4. Orientation and Continuing Education**

- (a) The Board briefs all new directors with respect to the policies of the Board and other relevant corporate and business information.
- (b) The Board does not provide continuing education for its directors. Each director is responsible to maintain the skills and knowledge necessary to meet his or her obligations as a director of Powertech.

#### **5. Ethical Business Conduct**

- (a) Effective July 24, 2007, the Board adopted a Code of Ethics and Business Conduct (the “Code”).
  - (i) A copy of the Code can be obtained by written request to Adria Hutchison, Chief Financial Officer, at 5575 DTC Pkwy #140, Greenwood Village, CO 80111.
  - (ii) The Board conducts annual assessments of its performance, including the extent to which the Board and each director comply with the Code. The Board also assesses mechanisms by which it can monitor compliance with the Code in an efficient manner.
  - (iii) There has been no conduct of any director or officer that would constitute a departure from the Code, and therefore, no material change reports have been filed in this regard.
- (b) The directors are instructed to declare any conflicts of interest in matters to be acted on by the Board, to ensure that such conflicts are handled in an appropriate manner, and to disclose any contracts or arrangements with Powertech in which the director has an interest. Any director expressing a conflict or interest in a matter to be considered by the Board is asked to leave the meeting for the duration of the discussion related to the matter at hand, and to abstain from voting with respect to such matter.
- (c) The Board encourages and promotes a culture of ethical business conduct through the adoption and monitoring of the Code, the insider trading policy and such other policies that may be adopted from time to time. The Board conducts regular reviews with management for compliance with such policies.

#### **6. Nomination of Directors**

- (a) The Board is responsible for identifying new director nominees. In identifying candidates for membership on the Board, it takes into account all factors it considers appropriate, which may include strength of character, mature judgment, career specialization, relevant technical skills, diversity and the extent to which the candidate would fill a present need on the Board. As part of the process, the Board is responsible for conducting background searches, and is empowered to retain search firms to assist in the nominations process. Once candidates have gone through a screening process

and met with a number of the existing directors, they are formally put forward as nominees for approval by the Board.

- (b) The Board does not have a nominating committee and nominating functions are currently performed by the Board as a whole. The Board believes that it is able to encourage an objective nominating process as any individual director is able to bring to the attention of the Board potential new directors.

## **7. Compensation**

- (a) The Board has appointed a Compensation Committee, which is responsible for, among other things, developing Powertech's approach to executive compensation and periodically reviewing the compensation of the directors. The Compensation Committee reviews and approves annual salaries, bonuses and other forms and items of compensation for our senior officers and employees. Except for plans that are, in accordance with their terms or as required by law, administered by the Board or another particularly designated group, the Compensation Committee also administers and implements all of our stock option and other stock-based and equity-based benefit plans (including performance-based plans), recommends changes or additions to those plans, and reports to the Board on compensation matters.
- (b) The Compensation Committee is composed of a majority of independent directors, which ensures an objective process for determining the compensation for Powertech's directors and officers.
- (c) The responsibilities, powers and operation of the Compensation Committee are detailed in its charter, which is attached as Schedule B to the Information Circular.
- (d) No compensation consultant or advisor has been retained since the beginning of Powertech's most recently completed financial year to assist in determining compensation for any of the director and officers.

## **8. Other Board Committees**

The Board also has a Disclosure Committee. The purpose of the Disclosure Committee is to ensure that Powertech complies with its timely disclosure obligations as required under applicable Canadian and other applicable securities laws and that all material information is reviewed before it is disclosed to the public.

## **9. Assessments**

The Board intends that individual director assessments be conducted by other directors, taking into account each director's contributions at Board meetings, service on committees, experience base, and their general ability to contribute to one or more of Powertech's major needs. The Board recently conducted assessments of the performance of each of the directors, whereby each director undertook a self-evaluation that was discussed by the Board as a group. Going forward, the Board intends to conduct such assessments on a routine basis.

**SCHEDULE "K"**  
**VALUATION OF SALMAN PARTNERS INC.**

See Attached



February 20, 2014

**STRICTLY CONFIDENTIAL**

Special Committee of the Board of Directors  
Powertech Uranium Corp.  
C/O Suite #140 - 5575 DTC Parkway  
Greenwood Village, Colorado  
USA 80111

To the Members of the Special Committee of the Board of Directors of Powertech Uranium Corp:

Salman Partners Inc. (“Salman”) understands that on January 12, 2014, Azarga Resources Limited (“Azarga”), communicated to Powertech Uranium Corp (“Powertech”, “PWE”, or the “Corporation”) its interest in having Powertech acquire all of the common shares (“Azarga Shares”) of Azarga (the “Transaction”). We further understand that a committee of the Board of Directors of Powertech (the “Special Committee”) has been constituted to address the January 12, 2014 communication from Azarga. The Special Committee has requested that Salman prepare a formal valuation of the common shares of Azarga (the “Shares”) in accordance with the requirements of Multilateral Instrument 61-101 (“M.I. 61-101”) of the Ontario Securities Commission and the Québec Autorité des marchés financiers (the “Valuation”).

This Valuation has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada but that Organization has not been involved in the preparation or review of this Valuation.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise.

**1.0 Engagement**

Salman was initially contacted regarding this assignment on January 16, 2014 and Salman was formally engaged by the Special Committee through an agreement dated as of January 21, 2014 between the Special Committee and Salman (the “Engagement Agreement”). The terms of the Engagement Agreement provide for the payment by Powertech of fees to Salman of \$100,000 as a retainer fee upon execution of the Engagement Agreement, and \$115,000 upon delivery to the Special Committee of the Valuation. The fees to be paid to Salman under the Engagement Agreement were agreed between Salman and the Special Committee of Powertech. None of the fees payable to Salman are contingent upon the conclusions reached by Salman in the Valuation or on the



completion of the Transaction. In the Engagement Letter, Powertech has agreed to indemnify Salman in respect of certain liabilities that might arise out of its engagement and to reimburse it for its reasonable expenses.

Subject to the terms of the Engagement Agreement, Salman consents to the inclusion of the Valuation in its entirety and a summary thereof in an information circular, takeover bid circular or similar disclosure document (“Disclosure Document”) as may be necessary in connection with the Transaction, and the filing of the Valuation with the applicable Canadian securities regulatory authorities.

## **2.0 Relationship with Interested Parties**

Neither Salman nor any of its affiliated entities (as defined in M.I. 61-101): (i) is an “issuer insider”, “associated entity” or “affiliated entity” (as those terms are defined in M.I. 61-101) of Powertech; (ii) is an advisor to any “Interested Party” (within the meaning of M.I. 61-101) in connection with the Transaction; (iii) is manager or co-manager of a soliciting dealer group for the Transaction or a member of a soliciting dealer group for the Transaction; or (iv) has a material financial interest in the completion of the Transaction. There are no commitments, agreements or understandings involving Powertech or any of its associated entities or affiliated entities under which Salman or any of its affiliates has a material financial interest in future business. Salman or its affiliates may, in the future, in the ordinary course of their respective businesses, perform financial advisory or investment banking or other services to Powertech or any of its respective associated entities or affiliated entities.

Salman and its directors and officers own, in the aggregate, approximately 1% of the issued and outstanding common shares of Powertech, but Salman does not consider this shareholding to create a material financial interest in the completion of the Transaction for itself or any of its affiliated entities. In addition, Salman acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of Powertech and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, Salman conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to Powertech or the Transaction.

## **3.0 Credentials of Salman Partners Inc.**

Salman is an independent Canadian investment dealer whose business includes corporate finance, mergers and acquisitions, equity sales and trading and investment research. Salman has participated in a significant number of transactions, including valuations, in the mining industry generally and in the uranium industry in particular. This Valuation is the opinion of Salman and the form and content hereof has been reviewed and approved for release by a group of senior officers of Salman, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

#### **4.0 Scope of Review**

In connection with the Valuation, we have reviewed and relied upon or carried out, among other things, the following:

1. Draft Statement of Financial Position of Azarga Resources, as projected at February 21, 2014;
2. Draft Azarga Management Accounts (Unaudited) as at December 31, 2013;
3. Azarga 2014 Cash Flow Forecast;
4. Azarga Director and Shareholder Resolutions;
5. Azarga capital structure and share placement documentation;
6. Documentation relating to the Powerlite Convertible Loan, dated May 22, 2013, August 28, 2013, and February 12, 2014;
7. Documentation relating to the Founders' Loan agreement as well as representations of Azarga management thereto;
8. Internal summary reports prepared by Ravensgate Mining Industry Consultants regarding the Kyzylompul project dated May 20, 2012 and January 22, 2013;
9. Draft Block Model report of the Kok Moinok deposit prepared by Ravensgate Mining Industry Consultants dated February 5, 2014;
10. Draft Exploration Review of the Kyzylompul Project prepared by Ravensgate Mining Industry Consultants dated February 18, 2014;
11. Various documents pertaining to the acquisition of the UrAsia in Kyrgyzstan Limited Liability Company by Azarga;
12. Public information relating to the acquisition by Azarga of its interest in the Centennial Uranium Project, and related public technical information;
13. Various public and private documents relating to Azarga's investments in Black Range Minerals Limited;
14. Various public and private documents relating to Azarga's investments in Anatolia Energy Limited;
15. Various public and private documents relating to Azarga's investments in Powertech Uranium Corp.;
16. Communications with senior officers of Azarga;

17. Public information relating to the business, operations, financial performance and stock trading history of Powertech, Anatolia Energy Limited, Black Range Minerals Limited, and other selected public entities considered by us to be relevant;
18. Public information with respect to other transactions of a comparable nature considered by us to be relevant;
19. Public information regarding the uranium and energy industries;
20. Representations contained in certificates addressed to us, dated as of the date hereof, from senior officers of Azarga as to the completeness and accuracy of the information upon which the Valuation was based; and
21. Such other corporate, industry and financial market information, investigations and analyses as Salman considered necessary or appropriate in the circumstances.

Salman has not, to the best of its knowledge, been denied access by Powertech or Azarga to any information requested by Salman.

## **5.0 Prior Valuations**

Azarga has represented to Salman that there have not been any prior valuations (as defined in M.I. 61-101) of Azarga or its material assets or securities in the last twenty-four months.

## **6.0 Assumptions and Limitations**

With the Special Committee's approval and as provided for in the Engagement Agreement, Salman has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources, Azarga, Powertech, and their respective consultants and advisors (collectively, the "Information"). We have assumed that each of the agreements to which Azarga is a party, including the agreements relating to and evidencing the Powerlite Convertible Loan, has been duly authorized, executed and delivered by each of the parties thereto and that each of such documents constitute legal, valid and binding obligations of all parties thereto and are enforceable in accordance with their terms against all parties thereto. As at the date of this Valuation, Azarga was not able to provide audited financial statements. Salman did not meet with auditors of Azarga and has assumed the accuracy and fair presentation of, and relied upon, the unaudited financial statements provided by Azarga<sup>1</sup>. The Valuation is conditional upon the completeness, accuracy and fair presentation of such Information, including the

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<sup>1</sup> Subsequent to the date of this Valuation, Salman had the opportunity to review the audited financial statements of Azarga for the year ending December 31, 2013, and based on this review did not identify any reason to update the Valuation.

unaudited financial information relating to Azarga. Subject to the exercise of our professional judgement and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Azarga has represented to us, in certificates signed by two senior officers of the company as of the date hereof, and again as of May 14, 2014, among other things, that: (i) the Information provided orally or in writing by officers and employees of Azarga to Salman for purposes of preparing the Valuation (collectively, the “Provided Information”) was, at the date the Provided Information was provided to Salman, and is, complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of Azarga, Powertech, their subsidiary entities or the Transaction and did not and does not omit to state a material fact in respect of Azarga, its subsidiary entities or the Transaction necessary to make the Provided Information or any statement contained therein not misleading in light of the circumstances under which the Provided Information was provided or any statement was made; and (ii) since the dates on which the Provided Information was provided to Salman, except as disclosed in writing to Salman, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of Azarga or any of its subsidiary entities and no material change has occurred in the Provided Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Valuation.

With respect to the technical reports and project evaluations provided to us concerning Azarga’s assets and relied upon in our analysis, we have assumed (subject to the exercise of our professional judgement) that they have been prepared on bases reflecting the most reasonable assumptions, estimates and judgements of management of Azarga and its consultants.

The Valuation is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of Azarga and its subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to Salman in discussions with the management of Azarga and Powertech. In its analysis and in preparing the Valuation, Salman made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Salman or any party involved in the Transaction.

With the Special Committee’s permission and in accordance with its determination that the perceived detriment to the Corporation of the disclosure of certain sensitive information outweighs the potential benefit of the disclosure of such information to the readers of the Valuation, certain detailed information concerning Azarga has been aggregated and certain portions of our analysis have been presented in summary form for purposes of disclosure in this Valuation.

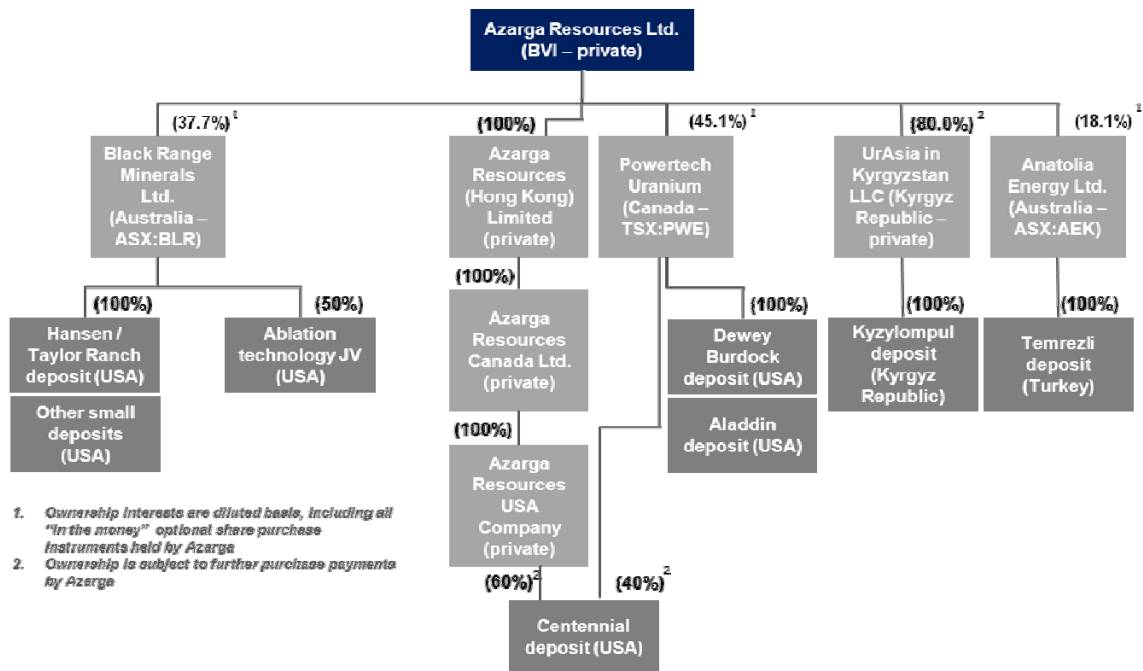
We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Transaction.

The Valuation has been provided for the use of the Special Committee and, other than as permitted by the Engagement Letter, may not be used by any other person or relied upon by any other person other than the Special Committee without the express prior written consent of Salman. The Valuation is given as of the date hereof and Salman disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Valuation which may come or be brought to Salman’s attention after the date hereof except as required by M.I. 61-101. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Valuation after the date hereof, Salman reserves the right to change, modify or withdraw the Valuation.

Salman believes that its analysis must be considered as a whole and that selecting portions of the analysis or the factors considered by it, without considering all factors and analysis together, could create a misleading view of the process underlying the Valuation. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Valuation should not be construed as a recommendation to any holder of Powertech shares as to whether to vote in favour of or tender their shares to the Transaction.

## 7.0 Overview of Azarga

Azarga is a private corporation incorporated in the British Virgin Islands. Azarga holds, directly and indirectly, various investments in the uranium business in North America, Asia and Europe as indicated below.



## 7.1 Uranium Assets

Azarga's business comprises acquisition and development of uranium assets. Azarga's ownership of these assets is through direct investments and via investments in public companies.

### 7.1.1 Kyzylompul

Azarga currently holds the right to purchase up to an 80% interest in UrAsia in Kyrgyzstan Limited Liability Company ("UrAsia"), as per an agreement dated July 27, 2012. To date, Azarga has paid US\$4.15M of the total US\$6M purchase price, with remaining payments due in each of 2014, 2015, 2016 and 2017. UrAsia's key asset is its 100% ownership of the Kyzylompul project in Kyrgyzstan, which covers an area of 424km<sup>2</sup> and contains a non-National Instrument 43-101 ("N.I. 43-101") and non-JORC-compliant resource totaling 25.8M lbs, as shown below (100% basis). Azarga acts as operator of the Kyzylompul project.

Resources According to Russian Classification System					
Prospect	Tonnes (M)	U3O8 (ppm)	U3O8 (Mlbs)	Nature	U3O8 (%)
Kok Moinok "Economic" <sup>1</sup>	15.13	225.2	7.51	Hydrothermal	0.0225%
Kok Moinok "Uneconomic"	21.81	214	10.29	Hydrothermal	0.0214%
Eastern	1.47	377	1.22	Hydrothermal	0.0377%
Usan-Sai	0.53	472	0.55	Hydrothermal	0.0472%
Bezvodny	4.04	354	3.15	Hydrothermal	0.0354%
Chotkara	0.08	330	0.06	Hydrothermal	0.0330%
Others	1.46	792	2.55	Hydrothermal	0.0792%
Tash-Bulak and Backe <sup>2</sup>	<u>8.08</u>	26.6	<u>0.47</u>	Placer	0.0027%
<b>Total</b>	<b>52.60</b>		<b>25.80</b>		<b>0.0223%</b>

Source: Independent Summary Due Diligence Report prepared by Ravensgate Mining Industry Consultants dated May 20, 2012

<sup>1</sup> This portion of the resource is inferred as per draft JORC report from Ravensgate Mining Industry Consultants dated February 5, 2014

<sup>2</sup> Top 6m of the deposits, per Russian resource estimate in 2003. We do not include the extensive additional placer resources identified under the Russian classification system

Since assuming operatorship of the property, Azarga has invested approximately US\$2.5M in exploration at Kyzylompul.

### 7.1.2 Centennial

Azarga also holds the right to purchase a 60% interest in the Centennial project from Powertech Uranium Corp. To date, Azarga has paid US\$1.00M of the total US\$1.50M purchase price, with remaining payments of US\$250,000 due in December of 2014 and 2015. The Centennial project is located in Weld County, Colorado, and contains N.I. 43-101 compliant resources as outlined below (shown on a 100% ownership basis).

Resources - PEA				0.20 GT Cut-off	
	Tonnes (mm)	Grade (% U3O8)	U3O8 (Mlb)	U3O8 (Mlb) *	
M&I	6.87	0.090	10.37	9.50	
Inferred	1.36	0.090	2.33	2.10	
Total	8.24	0.090	12.70	11.60	

Source: Preliminary Economic Assessment dated August 6, 2010, with further resource amendments in press release dated July 5, 2011

This project was the subject of a Preliminary Economic Assessment dated June, 2010 which indicated favourable economic results if approached as an in-situ-recovery project. However, as of November, 2011, Powertech elected to defer activities at Centennial in order to focus its efforts on the Dewey-Burdock Project exclusively.

### 7.1.3 Investments in Public Companies

Azarga has been acquiring interests in publicly-traded uranium companies since January, 2013. Azarga has acquired these positions through a combination of market purchases, private placements, private agreements with third-party shareholders, and the acquisition (and in some cases subsequent conversion to equity) of convertible debt instruments. The table below summarizes these investments.

Investment Assets Overview as at February 20, 2014					
	Black Range Minerals Limited			Anatolia Energy Limited	Powertech Uranium Corp
# of Shares Owned	392,795,000			27,209,573	68,991,571
Common Share O/S	1,736,431,551			226,407,836	152,946,130
% Ownership - Current	22.62%			12.02%	45.11%
Share Price (US\$)	\$ 0.0108			\$ 0.065	\$ 0.063
Equity Market Value (US\$)	\$ 4,232,515			\$ 1,759,161	\$ 4,352,035
Optional Share Purchase Instruments	Convertible Debenture 1	Convertible Debenture 2	Convertible Debenture 3	Put Option 16,666,667 shares	Convertible Debenture <sup>1</sup>
Option Principal (US\$)	\$ 1,275,086	\$ 1,346,922	\$ 897,948	\$ 1,795,896	\$ 3,600,000
Conversion Price (US\$)	\$ 0.0090	\$ 0.0108	3 month VWAP	\$ 0.1078	\$ 0.0922
In The Money ("ITM") Shares	163,300,000	141,666,667	115,000,000	16,666,667	-
Total # of Shares Owned - Diluted Basis	812,761,667			43,876,240	68,991,571
% Ownership - Diluted Basis	37.69%			18.05%	45.11%

<sup>1</sup> Facility limit: approx US\$1.7M drawn to date. Conversion price has a fixed exchange rate from SCAD to US\$ of 1.03 C\$/US\$

In respect of Black Range, Convertible Debenture 3 reflects the terms of well-advanced discussions between Azarga and BLR, however the provision of this funding had not been made public as of the date of this Valuation.

### Black Range Minerals Limited

The shares of Black Range Minerals Limited ("Black Range", or "BLR") are listed on the Australian Stock Exchange ("ASX") and trade under the symbol BLR. The following table sets forth, for the periods indicated, the high and low closing prices quoted and the volume traded on the ASX:



ASX:BLR			
Closing Price (A\$ per share)			
	High	Low	Total Volume
<b>2012</b>			
March	0.03	0.03	90,064,080
April	0.03	0.03	11,471,664
May	0.03	0.02	30,438,177
June	0.02	0.02	32,241,624
July	0.02	0.02	19,429,201
August	0.02	0.02	16,767,215
September	0.02	0.02	17,376,420
October	0.02	0.02	15,279,148
November	0.01	0.01	39,277,735
December	0.01	0.01	87,312,858
<b>2013</b>			
January	0.02	0.01	364,875,672
February	0.02	0.01	282,724,912
March	0.02	0.01	49,028,103
April	0.01	0.01	23,134,950
May	0.01	0.01	40,472,116
June	0.01	0.01	35,191,935
July	0.02	0.01	83,827,870
August	0.02	0.01	48,379,715
September	0.02	0.01	37,557,070
October	0.02	0.01	56,869,639
November	0.01	0.01	34,159,274
December	0.02	0.01	33,255,744
<b>2014</b>			
January	0.01	0.01	16,837,665
February	0.01	0.01	3,594,800

The 20 day volume-weighted average price (“20D VWAP”) of BLR at the date of this valuation is A\$0.0116, or US\$0.0104 per share after converting at an exchange rate of A\$1.1137/US\$.

### **Anatolia Energy Limited**

The shares of Anatolia Energy Limited (“Anatolia”, or “AEK”) are listed on the ASX and trade under the symbol AEK. The following table sets forth, for the periods indicated, the high and low closing prices quoted and the volume traded on the ASX:



ASX:AEK			
Closing Price (A\$ per share)			
	High	Low	Total Volume
<b>2012</b>			
March	0.15	0.10	251,519
April	0.10	0.09	151,952
May	0.09	0.07	305,578
June	0.08	0.06	738,489
July	0.07	0.07	641,379
August	0.07	0.07	789,171
September	0.05	0.04	1,573,046
October	0.05	0.05	1,426,856
November	0.06	0.05	512,809
December	0.08	0.06	1,633,647
<b>2013</b>			
January	0.08	0.06	1,136,481
February	0.08	0.06	891,349
March	0.07	0.06	1,308,602
April	0.07	0.06	664,687
May	0.06	0.05	381,845
June	0.06	0.03	964,794
July	0.09	0.05	1,256,446
August	0.09	0.06	18,049,855
September	0.10	0.09	1,095,073
October	0.08	0.06	4,804,064
November	0.07	0.07	2,399,675
December	0.07	0.07	1,277,874
<b>2014</b>			
January	0.07	0.07	1,160,164
February	0.07	0.07	1,278,430

The 20D VWAP of AEK at the date of this valuation is A\$0.068, or US\$0.061 per share after converting at an exchange rate of A\$1.1137/US\$.

### **Powertech Uranium Corp.**

The shares of Powertech Uranium Corp. (“Powertech”, or “PWE”) are listed on the Toronto Stock Exchange (“TSX”) and trade under the symbol PWE. The following table sets forth, for the periods indicated, the high and low closing prices quoted and the volume traded on the TSX:

	TSX:PWE		
	Closing Price (C\$ per share)		Total Volume
	High	Low	
<b>2012</b>			
March	0.19	0.17	664,688
April	0.17	0.13	1,692,926
May	0.14	0.12	815,990
June	0.14	0.12	1,066,418
July	0.13	0.10	639,143
August	0.13	0.11	1,279,360
September	0.17	0.13	1,349,383
October	0.13	0.10	2,225,209
November	0.13	0.10	6,940,915
December	0.15	0.10	6,648,278
<b>2013</b>			
January	0.14	0.10	2,715,533
February	0.13	0.10	2,442,784
March	0.12	0.10	2,844,276
April	0.10	0.07	3,568,713
May	0.07	0.06	2,130,956
June	0.08	0.06	864,693
July	0.09	0.06	2,650,889
August	0.10	0.08	1,702,732
September	0.10	0.08	1,403,623
October	0.09	0.07	2,682,720
November	0.10	0.08	847,216
December	0.08	0.06	2,082,905
<b>2014</b>			
January	0.09	0.08	4,198,243
February	0.07	0.07	3,371,770

The 20D VWAP of PWE at the date of this valuation is C\$0.077, or US\$0.069 per share after converting at an exchange rate of C\$1.1097/US\$.

## ***7.2 Financial Assets and Liabilities***

In determining the appropriate levels of debt in this Valuation, Salman used estimates of outstanding balances of debt, working capital, and other long term liabilities as at February 21, 2014 as provided by Azarga management. Debt levels were calculated including the outstanding balances of existing debt facilities and other applicable liabilities net of available cash balances and other appropriate near term assets outside of normal course working capital (“Net Debt”).

As at the date of this Valuation, Azarga had cash of US\$2.6M, and debt of US\$17.93M, reflecting US\$16.03M due under the terms of a convertible note (“Powerlite CD”), payable to Powerlite Ventures Ltd. (“Powerlite”), and US\$1.90M due under a the terms of a convertible note (“Founder CD”) payable to Azarga’s founders.

The amount due under the Powerlite CD represents principal amount of US\$15.5M<sup>2</sup>, and accrued interest of US\$0.53M. This Powerlite CD and accrued interest (10%) is convertible into Azarga Shares at Azarga's or Powerlite's election, at a price of US\$0.50 per Azarga Share. Total funding available under the note is US\$26M, although US\$5M of this amount cannot be drawn until 2015, and is subject to a mutually-agreed drawdown schedule to be agreed prior to year-end 2014 between Azarga and Powerlite.

The amount due under the Founder CD represents principle amount of US\$1.8M, and accrued interest of US\$0.1M. This Founder CD is convertible into Azarga Shares at the Founders' election, at a price of US\$0.40 per Azarga Share. Total funding available under the note is US\$1.8M, so it is fully drawn.

Salman has made adjustments to Net Debt to reflect any relevant changes to the estimated balances of debt and working capital as at February 20, 2014 as provided by Azarga management, as we considered appropriate.

## **8.0 Azarga Trading Information**

As Azarga is a private company, there is no public market for Azarga Shares. We do note, however, that Azarga has raised a total of US\$8.3M through equity placements at different times over the past year to insiders and some arms-length buyers at a value of US\$0.40 per share, and the company has satisfied a US\$2.5M payment to the vendors of the Kyzylompul project through the issuance of 6.25M shares at a deemed price of US\$0.40 per Azarga Share.

## **9.0 Definition of Fair Market Value**

For purposes of the Valuation, "fair market value" means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, each acting at arm's length with the other and under no compulsion to act. This Valuation provides a conclusion on a per share basis with respect to Azarga's "en bloc" value, being the price at which all of the Azarga Shares could be sold to one or more buyers at the same time. Salman has made no downward adjustment to the fair market value of the Azarga Shares to reflect the liquidity of the Azarga Shares, the effect of the Transaction on the Azarga Shares, or the fact that the Azarga Shares held by individual holders do not form part of a controlling interest.

## **10.0 Valuation Methodologies**

In determining the fair market "en bloc" value of the Shares, Salman considered several valuation methods, including the Net Asset Value ("NAV") approach, the comparable market trading ("Comparable Trading") approach, and the comparable precedent

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<sup>2</sup> Subsequent to the date of this Valuation, Salman learned that the drawdown amount at February 20, 2014 was US\$15.2M, but given the approach to valuing this financial asset, Salman did not identify any reason to update the Valuation.

transactions (“Precedent Transactions”) approach. Each of these approaches are described below. In addition, Salman reviewed historical trading data for shares of Black Range, Anatolia, and Powertech, as well as recent acquisition/divestiture agreements relating to certain assets.

### ***10.1 NAV Approach***

The NAV approach builds up a value by separately considering each operating, development, exploration and financial asset, whose individual values are estimated through the application of that methodology viewed as most appropriate in the circumstances, net of obligations and liabilities, including reclamation and closure costs, and the present value of corporate expenses that are not directly attributable to the operating and development assets. The NAV approach explicitly addresses the unique characteristics of each major asset, and where necessary adopts a prospective view in regard to commodity prices and foreign exchange rates.

In its application of the NAV approach, Salman reviewed the information available on each of Azarga’s assets, and then selected what we considered to be the most appropriate valuation methodology for each asset. In some cases we valued individual assets on the basis of more than one methodology, and then applied weightings to the outcome of each methodology according to our professional judgement. The three principal methodologies considered for each asset included (i) discounted cash flow (“DCF”) analysis, (ii) the Comparable Trading approach, and (iii) the Precedent Transactions approach. After determining a range of values for each individual asset, we aggregated the results of the individual asset valuations and made balance sheet adjustments in order to calculate a value for the Azarga Shares.

### ***10.2 Comparable Trading Approach***

Salman considered the application of the Comparable Trading approach to value Azarga Shares on an “en bloc” basis. This approach draws on the market valuations of similar companies to estimate the “en bloc” value of an asset or company.

### ***10.3 Precedent Transactions Approach***

Salman also considered the application of the Precedent Transactions approach as a methodology to determine the “en bloc” value of the Azarga Shares. The Precedent Transaction method considers transaction prices in the context of the purchase or sale of a comparable company or asset to estimate the “en bloc” value of a particular asset or company.

## 11.0 Valuation of the Azarga Shares

### *11.1 NAV Approach*

Salman considered DCF analysis as a methodology to determine the value of the mineral assets of Azarga. The DCF method of valuation involves projecting future cash flows over the life of asset and discounting the projected future cash flows using a discount rate to arrive at the net present value of the total expected cash flows of the asset.

Generally speaking, Salman believes DCF analysis is the most broadly used asset valuation methodology in the mining industry, as it reflects the growth prospects and risks inherent in mining operations by taking into account the future free cash flow generating capability of specific assets. However, we believe that neither the Kyzylompul nor the Centennial assets are good candidates for DCF analysis, as they are either not sufficiently advanced (Kyzylompul) or because the approach to and timing of mineral extraction is uncertain (Centennial). In addition, for these two assets we have the benefit of relatively recent acquisition agreements between arms-length parties which took place in an investment climate similar to that which exists today, and can therefore use these as a basis for value. In addition, we utilize the Comparable Trading approach to establish a value range for these assets.

Regarding Azarga's investments in Black Range, Anatolia, and Powertech, we considered the existing investment climate for junior uranium exploration and development companies, and concluded that it remains a very difficult financing market for such companies. As a result, we are of the view that sizeable equity positions can be established in these companies, and therefore treat Azarga's positions as investments and believe that recent trading activities in these companies, along with the conditions of Azarga's own investments in these companies, provide a reasonable guide to value the investments. In regard to the debt instruments held by Azarga, we used our judgement in determining whether these should be treated as equity or debt, largely dependent on the terms of the instruments and the current trading range of the debtor companies.

#### *11.1 (i) Kyzylompul*

Azarga has the right to acquire up to 80% of this project through its right to acquire up to an 80% interest in UrAsia. The project was the focus of significant work by Soviet geological groups in the 1950s and 1960s, with sporadic work since that time. The Soviet work resulted in a resource on the project defined in accordance with Russian standards at the time. Azarga has spent approximately US\$2.5M on the asset since it became the operator in July, 2012, including mapping, drilling, and data compilation amongst other things. Salman has reviewed internal Azarga reports regarding the asset, as well as a draft report prepared by an independent third party which indicates that a portion of the Soviet-classified resource could be re-defined as an inferred resource under JORC standards. The project has not been the subject of any economic studies, to the knowledge of Salman. Therefore, in assessing this asset, Salman draws on both market comparables as well as the terms of the transaction when Azarga purchased the asset in July 2012.

In applying the market comparables, Salman chose a selection from Appendix A which most closely represents the resources held by UrAsia, and then adjusts for a takeover premium of 40%, while also applying a discount given that the majority of the resources are not defined according to N.I. 43-101 or JORC standards. The outcome of this comparable company analysis is presented below:

Mlbs U <sub>3</sub> O <sub>8</sub> <sup>1</sup>	Metric Range (US\$/lb)	Value (US\$M)	
		Low	High
20.64	0.13 – 0.20	3.3	4.9

<sup>1</sup>Represents 80% of the resource and assumes Azarga completes the remaining US\$1.85M in payments to acquire a full 80% interest. The majority of this resource is not in accordance with N.I. 43-101 or JORC. This resource does not include additional placer resources which were defined by the Soviets but deemed too low grade for inclusion here.

In terms of Salman’s approach to the precedent transaction, Salman is comfortable using the terms of Azarga’s 2012 purchase of this asset as it is directly comparable, and the tenor of the uranium market has not changed substantially since the time of the acquisition. As previously stated, Azarga is acquiring the 80% interest for cash and shares totaling US\$6.0M, with the last payment due in December, 2017.

Combining and weighting this precedent transaction with our market comparables approach to valuation establishes an overall valuation range of US\$4.4M – US\$5.4M for this asset, assuming Azarga acquires the full 80% interest. Regarding the additional US\$1.85M remaining to be paid to acquire Azarga’s full 80% interest, Salman adjusts for this amount in its balance sheet adjustments described in section 11.1 (vii).

### *11.1 (ii) Centennial*

Azarga has the right to acquire up to 60% of this project through its acquisition agreement with Powertech which was entered into in July, 2013. Centennial has been the subject of significant work by Powertech, as Powertech established an N.I. 43-101 resource on the project and completed an N.I. 43-101 compliant Preliminary Economic Assessment (“PEA”) in June, 2010. The PEA evaluated Centennial as an in-situ-recovery project which would produce 700,000 lbs of yellowcake per year, and generate a project Net Present Value of US\$51.8M using a uranium price of US\$65/lb and an 8% discount rate.

However, since November 2011, Powertech has deferred activities at Centennial in order to focus on its Dewey-Burdock project. We note that Powertech no longer owns certain options to purchase a portion of the resource covered by the PEA, and that there is some uncertainty as to a time frame for advancement of an in-situ-recovery process at the project site. Therefore, in assessing this asset, Salman does not apply a discounted-cash flow approach, and instead draws on both market comparables as well as the terms of the transaction when Azarga purchased the asset in July, 2013.

In applying the market comparables, Salman chose a selection from Appendix A which most closely represents the Centennial resources, and then adjusts for a takeover premium of 40%. The outcome of this comparable company analysis is presented below:

<u>Mlbs U<sub>3</sub>O<sub>8</sub><sup>1</sup></u>	<u>Metric Range (US\$/lb)</u>	<u>Value (US\$M)</u>	
		<u>Low</u>	<u>High</u>
6.96	0.18 – 0.27	1.2	1.9

<sup>1</sup>Represents 60% of the resource and assumes Azarga completes the remaining payments to acquire a full 60% interest.

In terms of Salman’s approach to the precedent transaction, Salman is comfortable using the terms of Azarga’s 2013 purchase of this asset as it is directly comparable, and the tenor of the uranium market has not changed substantially since the time of the acquisition. As previously stated, Azarga is purchasing the 60% interest for US\$1.5M in cash, with the last payment due in December, 2015.

Combining and weighting this precedent transaction with our market comparables approach to valuation establishes an overall valuation range of US\$1.4M – US\$1.7M for this asset, assuming Azarga acquires the full 60% interest. Regarding the additional US\$0.5M remaining to be paid to acquire Azarga’s full 60% interest, Salman adjusts for this amount in its balance sheet adjustments described in 11.1 (vii).

#### *11.1 (iii) Black Range Minerals Limited*

Azarga presently holds an investment position in Black Range, in the form of equity and convertible debt. We believe that large equity positions are available in many junior uranium exploration and development companies, either from market participants or from the underlying companies themselves. The depressed nature of many of these companies’ current valuations is such that, generally speaking, sizeable equity positions can be acquired for relatively modest amounts of capital.

In valuing Azarga’s equity investment in Black Range, Salman considered the recent trading of BLR as well as the terms of Azarga’s various equity investments in the company. We considered the terms of Azarga’s convertible debenture investments, and determined to treat the convertible debt instruments as equity given the characteristics of the agreements. The outcome of this analysis is presented below.

<u>Azarga Equity (M)</u>	<u>20D VWAP (US\$)</u>	<u>Price Range (US\$)</u>		<u>Total Investment Value (US\$M)</u>		
		<u>Per Share</u>	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
812.76	\$0.0104		\$0.0094	\$0.0115	\$7.62	\$9.32



### 11.1 (iv) Powertech Uranium Corp.

Azarga presently holds an investment position in Powertech, in the form of equity and convertible debt. We believe that large equity positions are available in many junior uranium exploration and development companies, either from market participants or from the underlying companies themselves. The depressed nature of many of these companies' current valuations is such that, generally speaking, sizeable equity positions can be acquired for relatively modest amounts of capital.

In valuing Azarga's equity investment in Powertech, Salman considered the recent trading of PWE and made an upward adjustment of 24.2% to reflect the terms under which Azarga established its own position in Powertech. We considered the terms of Azarga's convertible debenture investment, and determined to treat the convertible debt instrument as debt given the characteristics of the agreement. The outcome of this analysis is presented below.

<b>Azarga Equity (M)</b>	<b>20D VWAP (US\$)</b>	<b>Adjustment</b>	<b>Price Range (US\$) Per Share</b>		<b>Equity Investment Value (US\$M)</b>	
			<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
68.99	\$0.069	24.2%	\$0.079	\$0.093	\$5.46	\$6.42

In terms of the value of Azarga's convertible debt instrument issued by Powertech, Salman adjusted the current drawn amount by the 15% conversion premium, and determined the current value to be US\$2M. This results in a total value of Azarga's investment in Powertech in the range of US\$7.44M – US\$8.40M.

### 11.1 (v) Anatolia Energy Limited

Azarga presently holds an investment position in Anatolia, in the form of equity and a "put option" held by Anatolia. We believe that large equity positions are available in many junior uranium exploration and development companies, either from market participants or from the underlying companies themselves. The depressed nature of many of these companies' current valuations is such that, generally speaking, sizeable equity positions can be acquired for relatively modest amounts of capital.

In valuing Azarga's equity investment in Anatolia, Salman considered the recent trading of AEK and made an adjustment to reflect the terms under which Azarga established its own position in Anatolia. We considered the terms of Azarga's "put option" undertaking with the company. This put option obliges Azarga to provide up to A\$2.0M of financing to AEK at a price of A\$0.12 per share, subject to Anatolia meeting certain obligations at the Temrezli uranium project in Turkey. As the put option strike price is above the current market price of Anatolia, and as we believe that Anatolia is going to meet the required project obligations, we treat this put option as equity and include the outcome in the table below.



Azarga Equity (M)	20D VWAP (US\$)	Adjustment	Price Range (US\$) Per Share		Total Investment Value (US\$M)	
			Low	High	Low	High
<b>43.88</b>	<b>\$0.061</b>	<b>14.7%</b>	<b>\$0.064</b>	<b>\$0.076</b>	<b>\$2.81</b>	<b>\$3.35</b>

#### *11.1 (vi) Benefits to Acquirer of Acquiring Azarga Shares*

In accordance with M.I. 61-101, Salman reviewed and considered whether any distinctive material benefit would accrue to the acquirer and its affiliates or any other purchaser of Azarga through the acquisition of 100% of the Shares.

Based upon discussions with Azarga management, Salman concluded that the synergies that could be realized by an in-market purchaser would include the reduction of certain administration costs. Azarga management provided Salman with an estimate of these costs, and these have been considered in the Valuation.

#### *11.1 (vii) NAV Valuation Summary*

The following table summarizes the value of Azarga's Shares under the NAV approach, after Salman has weighted the outcomes of individual asset values under the various methodologies discussed above:

	US\$M (except per share)	
	<b>Low</b>	<b>High</b>
UrAsia	\$ 4.37	\$ 5.35
Centennial	\$ 1.37	\$ 1.68
Black Range	\$ 7.62	\$ 9.32
Powertech	\$ 7.44	\$ 8.40
Anatolia	\$ 2.81	\$ 3.35
Less: Net Debt <sup>1</sup>	-\$ 2.41	-\$ 7.41
Less: G&A	<u>\$ 1.85</u>	<u>\$ 1.85</u>
Equity Value	\$ 24.18	\$ 33.66
Shares Issued (millions) <sup>1</sup>	120.23	130.73
<b>Equity Value per Share</b>	<b>\$ 0.20</b>	<b>\$ 0.26</b>

<sup>1</sup> Adjusted to reflect different assumptions relating to the Powerlite CD conversion: Low assumes that an additional US\$5.5M loan facility is available and subsequently converted (including accrued interest) to shares in accordance with the terms of the Powerlite CD, while High assumes that an additional US\$10.5M loan facility is available and subsequently converted to shares in accordance with the agreement (ie., the maximum currently expected to be available under the instrument contingent upon Azarga and Powerlite agreeing upon a drawdown schedule prior to year-end 2014).

In arriving at these values Salman considered the potential of each asset, the results of the Comparable Trading and Precedent Transactions methodologies applied above, as well as other factors such as the present financing climate for junior uranium companies and the

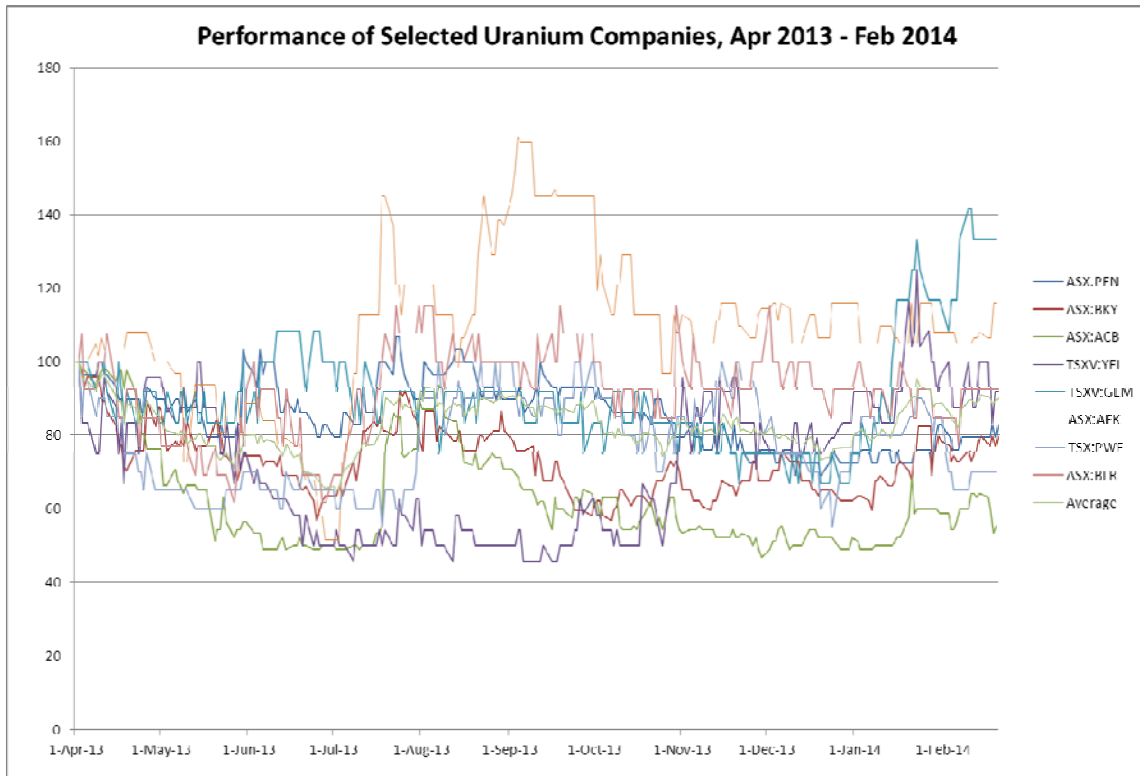
terms under which Azarga acquired its investment holdings in Powertech, Black Range and Anatolia.

Finally, to arrive at an equity value of Azarga, and subsequently an equity value per Share, Salman incorporates its assumptions with respect to Net Debt and estimated G&A costs going forward, discounted back to February 20, 2014. In arriving at a figure for Net Debt, we have considered the terms of the convertible debt agreement between Azarga and Powerlite Ventures, and made adjustments to both the net debt and issued shares as we considered appropriate.

### ***11.2 Comparable Trading Approach***

Applying this valuation methodology to Azarga's assets was complicated by the fact that many of Azarga's mineral assets are held indirectly through equity positions in public companies. In addition, we found that the typical approach to comparable company analysis resulted in Azarga values which were less than the prices at which Azarga has been raising equity capital from arms-length individuals in the private market.

In applying this valuation methodology, we reviewed the public market trading history of selected uranium companies, and considered their performance in the market between the time that Azarga last raised funds from arms-length parties, and the current date. We then applied this discount to the price at which Azarga raised money from arms-length parties (US\$0.40), in order to establish a notional Azarga share price as of this date, which in turn provided the basis for this approach. The chart below shows the performance of Azarga's equity comparables between April, 2013 and today. During this time, the share prices of these companies have declined by an average of 9.8%. We therefore applied this discount to Azarga's price to establish a valuation range for this metric.



Salman notes that no perfect comparable exists for Azarga, as they all differ in terms of resource base, jurisdiction, and access to financing. In addition, all of Azarga’s Share placements occurred in the private market, and were not broadly distributed beyond company insiders. As a result, Salman relied less on this approach than the NAV approach in determining the appropriate valuation range for Azarga.

### ***11.3 Precedent Transactions Approach***

In applying this valuation methodology to Azarga’s assets, we reviewed a range of precedent transactions in the uranium industry, but determined that in our view the transaction involving the acquisition of Powerlite by the Blumont Group in July 2013 provided the best indication of value for Azarga. Powerlite’s key asset was a 17.65% equity interest in Azarga. The Blumont Group, a company which trades on the Singapore Stock Exchange under the symbol “A33”, acquired Powerlite for US\$7.875M, including the assignment of loans to the Blumont Group in the amount of US\$4.5M. This precedent transaction is of interest, as it sets a value on the Azarga Shares at the time. However, we believe the valuations paid in the Singapore market at the time may not be highly transferable to the current date, and therefore we only give it minor weighting in the overall determination of value.

### ***Valuation Summary***

The table below presents a summary of the implied fair market value ranges for Azarga's Shares as generated by the various valuation methodologies:

	US\$/share	
	Low	High
NAV Approach	\$0.20	\$0.26
Market Comparable Approach	\$0.36	\$0.50
Precedent Transaction	<u>\$0.25</u>	<u>\$0.35</u>
Weighted Range	\$0.27	\$0.36

### ***Valuation Conclusion***

In arriving at an opinion of fair market value of the Azarga Shares, Salman has not attributed any particular weight to any specific factor but has made qualitative judgements based on experience in rendering such opinions and on circumstances prevailing as to the significance and relevance of each factor. Salman did, however, weight each valuation approach differently and ascribed the greatest amount of importance to the NAV approach.

Based upon and subject to the foregoing and such other factors as we considered relevant, Salman is of the opinion that, as of the date hereof, the fair market value of the Azarga Shares is in the range of US\$0.27 to US\$0.36 per Azarga Share.

Yours very truly,



**Salman Partners Inc.**

## Appendix A

February 20, 2014

Comparison of Uranium Producers							
Company	Ticker	Current Price (C\$)	Basic Shares O/S (M)	Market Cap (C\$M)	Enterprise Value (C\$M)	Total U <sub>3</sub> O <sub>8</sub> Resources (Mlbs)	EV/lb (C\$/lb)
Energy Metals Limited	ASX:EME	0.150	209.7	31.3	\$28.06	29.40	0.954
European Uranium Resources Ltd.	TSXV:EUU	0.120	52.3	6.3	\$5.60	57.64	0.097
Peninsula Energy Limited	ASX:PEN	0.023	3252.5	74.5	\$72.84	103.80	0.702
Berkeley Resources Ltd.	ASX:BKY	0.309	180.4	55.7	\$28.34	61.60	0.460
A-Cap Resources Limited	ASX:ACB	0.056	262.4	14.6	\$11.43	169.10	0.068
Macusani Yellowcake, Inc.	TSXV:YEL	0.110	159.5	17.5	\$15.67	61.56	0.255
Pele Mountain Resources Inc	TSXV:GEM	0.030	165.3	13.2	\$12.28	60.18	0.204

Average			611.7	30.5	\$24.89	77.61	0.391
Maximum			3252.5	74.5	\$72.84	169.10	0.954
75th Percentile			236.0	43.5	\$28.20	82.70	0.581
Median			180.4	17.5	\$15.67	61.56	0.255
25th Percentile			162.4	13.9	\$11.86	58.91	0.151
Minimum			52.3	6.3	\$5.60	29.40	0.060

<b>Anatolia Energy Limited</b>	<b>ASX:AEK</b>	0.072	226.4	16.2	\$14.12	17.42	<b>0.810</b>
<b>PowerTech Uranium Corp.</b>	<b>TSX:PWE</b>	0.075	152.9	11.5	\$15.16	17.25	<b>0.879</b>
<b>Black Range Minerals Limited</b>	<b>ASX:BLR</b>	0.012	1741.0	20.8	\$18.55	91.37	<b>0.203</b>