



**POWERTECH URANIUM CORP.**  
**(An Exploration Stage Company)**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**(November 6, 2012)**

**GENERAL**

The following discussion of performance, financial condition and future prospects should be read in conjunction with the condensed consolidated financial statements of Powertech Uranium Corp. (the "Company" or "Powertech") and notes thereto for the three and nine months ended September 30, 2012.

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). All dollar amounts are stated in United States' dollars unless noted. References to "CAD\$" refer to Canadian currency and "\$" to United States currency.

**DISCLAIMER FOR FORWARD LOOKING INFORMATION**

Certain statements in this MD&A 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 November 6, 2012. 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 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 affect public acceptance of nuclear energy and the Company's permitting timelines; (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) changes to the cost of commencing production and the time when production commences, and actual ongoing costs; (6) the occurrence of risks associated with the development and commencement of mining operations; (7) unforeseen or changed regulatory restrictions, requirements and limitations, including environmental regulatory restrictions and liability and permitting restrictions; (8) the failure to obtain governmental approvals and fulfill contractual commitments, and the need to obtain new or amended licenses and permits; (9) unforeseen changes in the costs of material inputs, including fuel, steel and other construction materials; (10) the loss of key employees; (11) the loss of, or defective title to, exploration and mining claims, rights, leases or licenses; (12) the number of competitors; (13) political and economic conditions in uranium producing and consuming countries; (14) failure to obtain additional capital at all or on commercially reasonable terms; (15) other factors beyond the Company's control; and (16) those factors described in the section entitled "Risk Factors and Uncertainties" in the Company's annual MD&A as filed on March 5, 2012.

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. 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 or incorporated by reference in this MD&A. The Company undertakes no obligation to

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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.

**OVERALL PERFORMANCE**

**Nature of Business**

The Company is a mineral exploration/development company which, through its wholly-owned subsidiary, Powertech (USA), Inc. ("Powertech USA") 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") (symbol "PWE") and the Frankfurt Stock Exchange.

**Industry Trends**

The earthquake and tsunami in Japan in March 2011, with the resultant damaging effect on that country's nuclear reactors, negatively affected public opinion regarding nuclear energy as a safe and viable source of power. Since the occurrence of these events, the Company and other companies engaged in uranium exploration and development have experienced a reduction in the trading prices of their shares on applicable stock exchanges. Further, a number of heads of government and their legislative bodies announced reviews and/or delays of plans to develop new nuclear power facilities. However, in recent months, certain governments have publicly announced intentions to proceed with nuclear projects. The United States Nuclear Regulatory Commission (the "NRC") recently approved the licensing of new nuclear reactors in the United States for the first time in 34 years, although 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. Government officials in India have recently announced that the Indian nuclear program has the potential to provide long-term energy security for that country and are planning a 14-fold expansion in nuclear power generation in the next twenty years from 4,800 MW to 63,000 MW. In Canada, Ontario Power Generation recently stated that it intends to proceed with the refurbishing and expansion of the Darlington, Ontario nuclear station, while incorporating lessons learned from Fukushima in the plans for such refurbishment and expansion. While the Company perceives these developments as favourable to the uranium industry, other relevant regulatory bodies may still react to the events in Japan, resulting in additional delays or barriers in permitting and licensing new uranium production operations. The Company has not yet determined 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.

**Resource Property Interests**

***South Dakota, USA***

**Dewey-Burdock Project – Custer and Fall River Counties**

The Company's Dewey-Burdock 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.

***Preliminary Economic Assessment***

On April 19, 2012, the Company announced that it had received the results of a revised Preliminary Economic Assessment dated effective April 17, 2012 (the "April 2012 PEA") for its Dewey-Burdock Project located in Fall River and Custer Counties, South Dakota, USA. The PEA was prepared in accordance with National Instrument 43-101 by SRK Consulting (U.S.), Inc. ("SRK") and Lyntek Incorporated ("Lyntek"). SRK and Lyntek are based in Lakewood, Colorado and are well known as providers of a full range of engineering and construction services for the global uranium sector.

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The purpose of the revised PEA was to provide an updated analysis of the economic viability of the Dewey-Burdock Project based on significant development work performed by the Company's engineers and consultants over the past two years. Most significantly, the Company's team and consultants have modified the mine planning sequence for the project and redesigned the well fields based on further detailed hydrologic studies. The Company has also obtained revised and much more favourable property tax incentives from the applicable tax authorities. As a result of this development work, the Company believes that the Project demonstrates significantly more favorable economics.

The following table identifies the updated economic parameters as reported in the April 2012 PEA and compares these parameters to the results of the original Preliminary Economic Assessment for the project filed in July 2010 (the "July 2010 PEA"):

July 2010 PEA	April 2012 PEA
NPV = US\$55.4 million @ 8% DCF; US\$65 U3O8	NPV = US\$109.1 million @ 8% DCF; US\$65 U3O8
IRR = 27%	IRR = 48%
Cash Operating Cost = US\$34.90/lb. - U3O8	Cash Operating Cost = US\$33.31/lb. - U3O8
Capital Cost (Phase I) = US\$65 million	Capital Cost (Phase I) = US\$54.3 million
Life of Mine 9 years, Producing 8.4 million lbs	Life of Mine 9 years, Producing 8.4 million lbs
Payback = 1st Quarter Production Year 4	Payback = 4th Quarter Production Year 2

The April 2012 PEA is available at [http://www.powertechuranium.com/i/pdf/2012-04-17\\_NI\\_43-101.pdf](http://www.powertechuranium.com/i/pdf/2012-04-17_NI_43-101.pdf) and on SEDAR at [www.sedar.com](http://www.sedar.com).

*Regulatory Agency Review*

The Company's business objectives are currently focused on obtaining the necessary permits and licenses for the Dewey-Burdock Project. In order to obtain such permits and licenses, the Company must:

- continue to interface with the Nuclear Regulatory Commission (the "NRC") regarding its license application, which was submitted in August 2009 and deemed complete in October 2009;
- continue to interface with the Bureau of Land Management (the "BLM") regarding its Plan of Operations which was submitted in October 2009 and considered administratively complete in March 2010;
- continue to interface with and respond to comments from the South Dakota Department of Environment and Natural Resources (the "DENR") regarding the in situ recovery ("ISR") large-scale mine permit application submitted to the DENR September 28, 2012, and the Groundwater Discharge permit application submitted to DENR March 9, 2012 and deemed complete May 1, 2012;
- continue to interface with the United States Environmental Protection Agency (the "EPA") regarding its underground injection control ("UIC") Class III and Class V permit applications, of which the Class III application was submitted in December 2008 and deemed complete in February 2009, and the Class V application was submitted in March 2010 and deemed complete in April 2010; and
- respond to any requests for additional information from the NRC and all other agencies necessary to obtain the necessary licenses and permits.

Recent submissions made by the Company with respect to the Dewey-Burdock Project include the following:

- A groundwater model was submitted to the NRC in February 2012;
- A groundwater discharge permit application was submitted to the DENR in March 2012;
- A cultural and historical evaluation report on 20 additional archeological sites was submitted to the NRC in April 2012;
- Two water rights permit applications were submitted to the DENR in June 2012; and

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- ISR large-scale mine permit application was submitted to the DENR in September 2012.

The NRC is expected to provide a draft Supplemental Environmental Impact Statement (“SEIS”) for the Dewey-Burdock Project in 2012. After a public comment period, the NRC will respond to any comments it may receive from other federal government agencies and the public, and then provide a final SEIS, which is expected in May 2013. The NRC is also preparing a Safety Evaluation Report (“SER”), which is scheduled to be final by January 2013.

The NRC provided its draft license to the Company for review and comment July 31, 2012. The Company anticipates that NRC will issue a revised license in 2012, which will be effective when the SEIS is complete and the remaining ancillary permits are issued. They are expected to be obtained in 2012 and 2013.

In its November 1, 2012 update to the Atomic Safety and Licensing Board Panel the NRC Staff noted that their current best estimate of completing the Dewey-Burdock licensing process as shown below.

<u>Report type</u>	<u>Estimated completion date</u>
Final SER	January 2013
Draft SEIS	November 2012
Final SEIS	May 2013

On January 2012, Powertech responded to the EPA on questions presented with respect to the Underground Injection Control Class V permit application for deep disposal injection. It is expected that the responses are sufficient to proceed to draft permit pending public comment.

Powertech’s preparation of several permit applications to the DENR of South Dakota is well advanced and Powertech has been focused on this activity during the past quarter. These applications include the groundwater discharge permit and the water rights permits which have been submitted, and the ISR large scale mine permit, which was submitted in September 2012. The applications were prepared with the assistance of WWC Engineering and have been discussed with the DENR staff during the past quarter.

Powertech has continued to work with the EPA on the UIC Class III permit application with assistance from WWC Engineering and Petrotek. This work includes updating the application submitted in January 2008. The update included information supplied to the NRC in June 2011 as well as a revised basis for the aquifer exemption boundary. The update was submitted in July 2012.

Details of the expenditures incurred on the Dewey-Burdock Project can be found under the heading entitled “Resource Property Interests – Capitalized Costs”.

***Colorado, USA***

Centennial Project – Weld County, Colorado

The Company’s Centennial Project is located in western 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.

During 2011, the Company elected to terminate two option agreements to acquire certain properties, together with associated mineral rights, related to the Centennial Project. As a result of the termination of these agreements, surface rights acreage decreased by approximately 3,600 acres and the mineral rights acres decreased by approximately 2,400 acres.

Powertech has completed a significant amount of work focused primarily on preparing the Centennial Project for ISR leach permitting and feasibility. This work has included drilling, recovery tests, water well tests and environmental studies. At the request of the Colorado Division of Reclamation, Mining and Safety (the “CDRMS”), the Company prepared and submitted an updated Site Characterization Plan in April 2009. All the required environmental surveys and studies have been completed and the draft reports have been received. Powertech completed its application to the EPA for a Class I UIC

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Permit in November 2010. In December 2010, the EPA informed the Company that the application was deemed complete. The Company has decided to forego additional permitting activities on Centennial until the completion of the permitting and licensing of Dewey-Burdock in order to conserve cash and focus activities on its most advanced project.

Details of the expenditures incurred on the Centennial Project can be found under the heading entitled “Resource Property Interests – Capitalized Costs”.

***Wyoming, USA***

**Aladdin Project – Crook County, Wyoming**

On June 25, 2012, the Company announced that it had completed its National Instrument 43-101 (“NI 43-101”) compliant technical report for the Aladdin Project, located in Crook County, Wyoming entitled “Technical Report on the Aladdin Uranium Project, Crook County, Wyoming” and dated effective June 21, 2012 (the “Aladdin Report”). The 10,831 acre project is 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 Report was authored by Jerry D. Bush, P.G., an independent professional geologist with uranium exploration experience in the Black Hills region. The purpose of the Aladdin Report was to classify total project uranium resources through the strict application of CIM Definition Standards for mineral resources and mineral reserves, as well as to estimate the overall uranium resource potential of the project area.

The Aladdin Report describes the results of the Company's confirmation drilling program and continued evaluation of historic exploration drilling data from Teton Exploration Company. The resource classification effort was based on detailed GT (Grade of mineralized intercept (%) x Thickness (ft)) contour mapping within six sandstone units of the Fall River Formation and seven individual mineralized units within the Chilson Member of the Lakota Formation. Using a 0.20 GT cut-off, Powertech has identified 1,038,023 pounds of Indicated Resources, contained in 466,232 tons averaging 0.111% U<sub>3</sub>O<sub>8</sub>. At the same cut-off, an additional 101,255 pounds of Inferred Resources were identified, contained in 42,611 tons averaging 0.119% U<sub>3</sub>O<sub>8</sub>.

The above-described classified resources are located in areas of close-spaced historic drilling. However, in over 80% of the project area, the density of exploration drilling is light. In these lightly explored areas, there is sufficient drill hole control for subsurface geochemical mapping, but drill hole density is inadequate for the delineation of classified resources. In the Aladdin Report, a range of (i) mineralized trend lengths, (ii) widths of mineralization and (iii) grades of mineralization were used to obtain an estimate of additional potential pounds of uranium within the project for 13 identified mineralized trends. At a GT cut-off of 0.20, a range of this 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 potential is conceptual in nature. There has been insufficient exploration within the portions of the Aladdin Project that contain this potential to define a mineral resource. It is uncertain if further exploration in the areas of this potential will result in the delineation of mineral resources.

The Aladdin property is 90 miles northwest of the Company's Dewey-Burdock Project. Uranium resources at the Aladdin Project have been developed within the same host rocks that contain the Dewey Burdock deposit.

The Aladdin Report is available on the SEDAR website at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.powertechuranium.com](http://www.powertechuranium.com).

Details of the expenditures incurred on the Aladdin Project can be found under the heading entitled “Resource Property Interests – Capitalized Costs”.

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**Resource Property Interests – Capitalized Costs**

Costs reflected in resource property interests for the year ended December 31, 2011 and the nine months ended September 30, 2012 are detailed below:

	<u>South Dakota</u>	<u>Wyoming</u>	<u>Colorado</u>	<u>Total</u>
Balance, December 31, 2010	\$24,440,434	\$3,274,191	\$17,170,151	\$ 44,884,776
Land services	21,000	21,000	21,000	63,000
Legal fees	239,271	–	(2,332)	236,939
Claims fees	54,960	161,401	–	216,361
Land/lease payments	141,889	76,947	37,116	255,952
Drilling/ Engineering	21,380	–	(1,043)	20,337
Permitting	1,285,087	–	–	1,285,087
Exploration	–	5,000	–	5,000
Impairment	(57,600)	(138,125)	(2,303,441)	(2,499,166)
Wages/Consulting	<u>911,386</u>	<u>60,750</u>	<u>222,375</u>	<u>1,194,511</u>
Balance, December 31, 2011	\$ 27,057,807	\$3,461,164	\$15,143,826	\$ 45,662,797
Land services	8,633	8,633	8,933	26,199
Legal fees	91,510	464	–	91,974
Claims fees	51,800	106,960	–	158,760
Land/lease payments	151,401	66,605	16,084	234,090
Drilling/ Engineering	63,534	–	1,550	65,084
Permitting	1,675,308	10,000	408	1,685,716
Wages/Consulting	<u>666,994</u>	<u>79,385</u>	<u>–</u>	<u>746,379</u>
Balance, September 30, 2012	<u>\$ 29,766,987</u>	<u>\$3,733,211</u>	<u>\$15,170,801</u>	<u>\$ 48,670,999</u>

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**SUMMARY OF QUARTERLY RESULTS**

The following tables provide selected financial information for the most recent eight quarters, stated in United States dollars in accordance with International Financial Reporting Standards (“IFRS”):

	<u>September</u> <u>30, 2012</u>	<u>June</u> <u>30, 2012</u>	<u>March</u> <u>31, 2012</u>	<u>December</u> <u>31, 2011</u>
<b>Income Statement</b>				
Interest income	\$ 8,618	\$ 893	\$ 42,290	\$ 5,627
Interest expense	-	-	-	-
Impairment charges	-	-	-	(195,725)
Gain on sale of equipment	-	-	214,527	-
Gain/ (loss) on re-measurement of liability	(140,403)	583,486	(788,784)	(170,119)
Gain on extinguishment of debt	-	-	-	-
G&A and other expenses	(509,448)	(679,764)	(531,565)	(658,977)
Future income tax benefit/ (expense)	77,789	(147,774)	227,817	223,505
Net income/(loss)	(563,444)	(243,159)	(835,715)	(795,689)
Net income/(loss) per share, basic	(0.01)	(0.00)	(0.01)	(0.01)

**Balance Sheet**

Cash and cash equivalents	613,554	1,909,097	3,213,895	4,057,505
Total assets	49,726,807	50,016,122	50,119,288	50,311,069
Working capital/(deficit)	(1,860,314)	(245,777)	2,967,980	3,844,279

	<u>September</u> <u>30, 2011</u>	<u>June</u> <u>30, 2011</u>	<u>March</u> <u>31, 2011</u>	<u>December</u> <u>31, 2010</u>
<b>Income Statement</b>				
Interest income	\$ 8,823	\$ 4,248	\$ 2,059	\$ 33,273
Interest expense	-	-	(375,913)	(488,659)
Impairment charges	-	(2,303,441)	-	(402,852)
Gain on sale of equipment	-	-	-	-
Gain (loss) on re-measurement of liability	926,986	753,376	1,456,159	(805,751)
Gain on extinguishment of debt	240,454	-	9,840,451	-
G&A and other expenses	(739,592)	(818,318)	(2,933,328)	(2,138,017)
Future income tax benefit/ (expense)	(149,990)	(277,383)	(434,936)	-
Net income/ (loss)	286,681	(2,641,518)	7,554,492	(3,802,006)
Net income/ (loss) per share, basic and diluted	0.00	(0.03)	0.12	(0.07)

**Balance sheet**

Cash and cash equivalents	5,015,196	7,085,313	9,131,986	1,857,358
Total assets	51,895,175	52,128,780	55,289,993	48,153,301
Working capital/(deficit)	4,905,337	6,307,137	8,438,255	(23,750,884)

**Three- and Nine-Month Periods Ended September 30, 2012 Compared to Three- and Nine-Month Periods Ended September 30, 2011**

During the three and nine months ended September 30, 2012, the Company continued to focus on development of its mineral property interests. Net loss during the three and nine months ended September 30, 2012 was \$563,444 and

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\$1,642,318, respectively, compared to net income of \$286,681 and \$5,199,655 for the three and nine months ended September 30, 2011.

Amortization and depreciation charges decreased to \$12,652 and \$44,457 for the three and nine months ended September 30, 2012, respectively, from \$28,484 and \$86,857 for the same period of 2011, respectively, due to the sale of equipment during March 2012 and certain items of buildings and equipment that have become fully depreciated.

During the first half of 2012, the Company continued its efforts to reduce its costs compared to the same period in 2011. As a result, Community and media relations and Investor relations and promotion costs were reduced as the Company discontinued its use of third-party consultants for these activities.

Audit and accounting fees, Filing fees, Legal fees, and Transfer agent fees were greater during the nine months ended September 30, 2011 as compared to those during the nine months ended September 30, 2012 primarily due to costs associated with a refinancing transaction (the "Refinancing Transaction") with Société Belge des Combustibles Nucléaires Synatom SA ("Synatom") and public offering undertaken during the first quarter of 2011, as previously disclosed by the Company. There were no such transactions during the first quarter of 2012.

Wages and benefits decreased to \$142,150 from \$302,519 for the three months ended September 30, 2012 and 2011, respectively, and to \$697,628 from \$873,152 for the nine months ended September 30, 2012 and 2011, respectively, primarily due to a reduction in employee related expenses due to a reduction in the number of employees compared to the prior period.

Interest expense decreased to \$nil from \$375,913 for the nine months ended September 30, 2012 and 2011, respectively, due to the Refinancing Transaction that was undertaken in the first quarter of 2011. Debt obligations outstanding as of September 30, 2012 are non-interest bearing.

Accretion expense for the three and nine months ended September 30, 2012 was significantly less compared to the three and nine months ended September 30, 2011, as a result of the Refinancing Transaction. For more information about the Refinancing Transaction, see Note 8 to the Company's interim financial statements, which are filed concurrently with this MD&A, or the Company's annual MD&A for the year ended December 31, 2011, both of which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Re-measurement of the derivative liability associated with debt obligations resulted in a loss of \$140,403 for the quarter ended September 30, 2012 compared to a gain of \$926,986 for the quarter ended September 30, 2011. Re-measurement of the derivative liability associated with debt obligations resulted in a loss of \$345,701 for the nine months ended September 30, 2012 compared to a gain of \$3,136,521 for the nine months ended September 30, 2011. See discussion in Note 5 to the Company's interim financial statements, which are filed as of the date of this MD&A and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Gain on extinguishment of debt was \$240,454 and \$10,080,905 for the three and nine months ended September 30, 2012, respectively, due to the Company's ability to settle a convertible promissory note in shares rather than cash in connection with the Refinancing Transaction, utilizing the closing share price as of March 31, 2011 and the repayment of debt obligations for less than the principle amount owed. See Note 5 to the Company's quarterly financial statements, which are filed as of the date of this MD&A and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

Future income tax benefit/(expense) was \$77,789 and \$157,832 for the three and nine months ended September 30, 2012, respectively, compared to \$(149,990) and \$(862,309) for the three and nine months ended September 30, 2011, respectively. As the Company has the option to settle the convertible promissory note issued in connection with the Refinancing Transaction through the issuance of shares rather than paying cash, this created a significant possible gain on the extinguishment of debt for the Company. As a result of this possible gain (loss), the Company has recorded the potential tax impact on that transaction. Subsequent to September 30, 2012, the Company settle the convertible promissory note and has determined that there will be no tax liability associated with this settlement. See Share Capital section below for further discussion of this transaction.



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**FINANCING, LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2012, the Company had cash and cash equivalents of \$613,554 and negative net working capital of \$1,860,314. Negative net working capital as of September 30, 2012 is due to the maturity of the convertible promissory note within the next 12 months, however, the Note was converted into common shares during November 2012 and did not result in a cash outflow. The principal amount of the Note was CAD\$7,500,000 compared to the fair value of \$1,880,340 at September 30, 2012. In addition to the Note settlement, the Company completed a non-brokered private placement for CAD\$1,000,000 during November 2012. See Share Capital section below for further discussion of these transactions.

Cash outflows from operations were \$1,111,697 and \$1,413,676 for the nine months ended September 30, 2012 and 2011, respectively. The decrease is primarily attributable to lower cash out flows for general and administrative expenses, which was partially offset by an increase in accounts payable and accrued liabilities.

Cash outflows from investing activities was \$2,350,404 for the nine months ended September 30, 2012 compared to \$2,811,515 for the nine months ended September 30, 2011. Field activities at Dewey-Burdock have decreased as many of the Company's permit applications have been completed and submitted, and are under review. This was partially, offset by an increase in costs associated with the review process. The Company has decided to forego additional permitting activities at its Centennial Project until the completion of the permitting and licensing of Dewey-Burdock. For further discussion of these Projects, see Resource Property Interests, above. The Company sold certain equipment for proceeds of \$243,000 during the nine months ended September 30, 2012.

Cash flows from financing activities such as share and debt issuances/repayments and accrued interest on said debt, (utilized)/provided cash of \$(45,000) and \$7,628,656 for the nine months ended September 30, 2012 and 2011, respectively.

Although the Company is in the permitting stage on two of its projects, Dewey-Burdock and Centennial, it is currently focusing its efforts on obtaining the necessary permits and licenses for its Dewey-Burdock Project, as discussed in the "Resource Property Interests" section above. In order to meet its on-going obligations, the Company successfully completed a financing transaction in March 2011 by way of short-form prospectus and a private placement transaction during November 2012, the terms of both transactions are discussed below in the Share Capital section.

Going concern: The Company is continually evaluating additional financing opportunities to meet its operational needs. Notwithstanding previous success in acquiring financing on acceptable terms, there is no guarantee that the Company will be able to obtain funding or on what terms any such capital may be available to the Company.

The Company will require further financing in addition to the recently completely private placement in order to fund its operational and administrative plans for the next 12 months. As a result, the Company will incur future losses, which cast doubt as to the Company's ability to continue as a going concern, which is dependent upon its ability to raise the necessary funds and/or to obtain the necessary financing to meet its debt obligations and repay its liabilities arising from normal business operations when they come due.

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**CONTRACTUAL COMMITMENTS**

Long-term Debt Obligations

The following table summarizes the contractual maturities of the Company's significant financial liabilities and capital commitments, including contractual obligations as of September 30, 2012:

	<b>Payments Due by Period</b>				
	<b><u>Less than 1 year</u></b>	<b><u>1 to 3 years</u></b>	<b><u>4 to 5 years</u></b>	<b><u>Thereafter</u></b>	<b><u>Total</u></b>
Lease obligations	\$ 268,429	\$ 1,200,512	\$ 360,281	\$ 245,977	\$ 2,075,199
Accounts payable and accrued liabilities	648,147	-	-	-	648,147
Agreements payable	45,000	1,305,000	60,000	-	1,410,000
Convertible promissory note <sup>(1)</sup>	<u>7,623,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,623,000</u>
	<u>\$ 8,584,576</u>	<u>\$ 2,505,512</u>	<u>\$ 420,281</u>	<u>\$ 245,977</u>	<u>\$ 11,756,346</u>

<sup>1</sup>As the promissory note is convertible into common shares it may not result in a cash outflow. The fluctuation in the face value is due to changes in foreign currency rates as the debt obligation is denominated in Canadian dollars. The fair value of this obligation was \$1,880,340 as of September 30, 2012. See Notes 5, 6 and 12 of the Company's September 30, 2012 financial statements as filed on SEDAR as of the date of this MD&A for discussion regarding the terms of debt, accounting treatment and settlement subsequent to September 30, 2012.

**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.

**LEGAL MATTERS**

The Company is subject from time to time to legal proceedings and claims, either asserted or unasserted, that arise in the ordinary course of business. While the outcome of these proceedings and claims cannot be predicted with certainty, the Company's management does not believe that the outcome of any of these legal matters will have a material adverse affect on its consolidated financial position, results of operations or cash flows.

**RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2012, the Company entered into certain transactions with related parties, which primarily related to the payment of salaries and consulting fees. The terms and conditions of the transactions with key management personnel, directors and other related parties, were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions with non-related parties on an arm's length basis. The following table sets out information about the related party transactions that the Company was party to during the nine months ended September 30, 2012:

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Name	Relationship to the Company	Business Purpose of Transaction	Amount
Richard F. Clement	President, CEO and Director	Salary	\$180,000
		Benefits	\$15,415
		Deferred compensation <sup>(1)</sup>	\$45,000
		Stock-based compensation	\$57,976
Thomas A. Doyle	Chief Financial Officer, VP – Finance and Director	Consulting Fees <sup>(2)</sup>	\$134,150 <sup>(3)</sup>
		Deferred compensation <sup>(1)</sup>	\$33,594 <sup>(3)</sup>
		Stock-based compensation	\$57,976
Greg C. Burnett	Secretary, VP – Administration and Director	Consulting Fees <sup>(2)</sup>	\$107,320 <sup>(4)</sup>
		Deferred compensation <sup>(1)</sup>	\$26,875 <sup>(4)</sup>
		Stock-based compensation	\$49,693
John Mays	VP - Engineering	Salary	\$112,500
		Benefits	\$10,810
		Stock-based compensation	\$41,411
Jim Bonner	VP – Exploration	Salary <sup>(1)</sup>	\$112,500
		Benefits	\$18,637
		Deferred compensation <sup>(1)</sup>	\$22,500
		Stock-based compensation	\$33,129
Richard Blubaugh	VP – Health, Safety and Environmental Resources	Salary <sup>(1)</sup>	\$112,500
		Benefits	\$22,826
		Deferred compensation <sup>(1)</sup>	\$22,500
		Stock-based compensation	\$33,129
Malcolm Clay	Director	Director Fees	\$13,438 <sup>(5)</sup>
		Stock-based compensation	\$24,846
John Dustan	Director	Director Fees	\$13,438 <sup>(5)</sup>
		Stock-based compensation	\$24,846
Douglas Eacrett	Director	Director Fees	\$13,438 <sup>(5)</sup>
		Stock-based compensation	\$24,846
Wallace Mays	Director	Director Fees	\$7,500

(1) Deferred compensation is salary/consulting fees earned but not paid per the respective deferred compensation agreements.

(2) Consulting fees were paid to a holding company, the shares of which the related party exercises control and direction over.

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- (3) Thomas A. Doyle earned CAD\$135,000 (deferred CAD\$33,750) for the nine months ended September 30, 2012, which was converted to US dollars for the purposes of this table at an average exchange rate of 0.99.
- (4) Greg C. Burnett earned CAD\$108,000 (deferred CAD\$27,000) for the nine months ended September 30, 2012, which was converted to US dollars for the purposes of this table at an average exchange rate of 0.99.
- (5) For the nine months ended September 30, 2012, each director was paid CAD\$13,500 which was converted into US dollars for the purposes of this table at an average exchange rate of 0.99.

**SHARE CAPITAL**

**Authorized:**

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value that are issuable in a series.

**Common Shares Issued:**

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus<sup>(b)</sup></u>
Balance, December 31, 2010	55,429,022	\$ 50,831,518	\$ 6,855,957
Share issuance <sup>(a)</sup>	47,872,340	23,105,250	–
Share issue costs	–	(1,626,094)	–
Agent's warrants	–	(360,619)	360,619
Stock-based compensation	–	–	8,100
	<u>–</u>	<u>–</u>	<u>8,100</u>
Balance, December 31, 2011	103,301,362	71,950,055	7,224,676
Stock-based compensation	–	–	418,253
	<u>–</u>	<u>–</u>	<u>418,253</u>
Balance, September 30, 2012	<u>103,301,362</u>	<u>71,950,055</u>	<u>7,642,929</u>

<sup>(a)</sup> On March 15, 2011, the Company completed a public offering of 47,872,340 units at a price of \$0.48 (CAD\$0.47) per unit to raise gross proceeds of \$23,105,250 (CAD\$22,500,000) pursuant to a short form prospectus dated March 2, 2011. Each unit was comprised of one common share and one-half of one share purchase warrant. On the same day, the Company closed its Refinancing Transaction with Synatom. See Note 9 of the Company's December 31, 2011 financial statements as filed on SEDAR ON March 5, 2012.

<sup>(b)</sup> Contributed surplus is comprised of the fair value of stock-based compensation and the fair value of agent's warrants.

During November 2012, the Company elected to prepay the principal amount of its CAD\$7,500,000 Note issued to Synatom on March 15, 2011. In accordance with the terms of the Note, it was repaid by the issuance of 12,500,000 common shares in the capital of Powertech (the "Conversion Shares") at a price of \$0.60 per Conversion Share.

The Conversion Shares issued to Synatom represent 9.9% of the outstanding shares of Powertech, calculated on a non-diluted basis but including the Shares sold by Powertech in the Financing. After the receipt of the 12,500,000 Conversion Shares referred to above, Synatom holds 23,390,000 Shares, representing approximately 18.6% of the outstanding Shares (calculated on a non-diluted basis but including the shares issued in the Financing). Synatom does not hold any other securities of Powertech.

In addition, During November 2012, the Company completed its non-brokered private placement financing (the "Financing") of 10 million units (each, a "Unit") at a price of CAD\$0.10 per Unit for gross proceeds of CAD\$1,000,000. Each Unit consisted of one common share of the Company (each, a "Share") and one-half of one share purchase warrant (each, a "Warrant"). One whole Warrant entitles the holder thereof to purchase one additional Share at a price of CAD\$0.20 per Share for a period of one year from closing of the Financing.

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The proceeds of Financing will be used for working capital and to continue the permitting process for Dewey Burdock.

The securities issued in connection with the closing of the Financing are subject to a restricted period that expires on March 7, 2013.

The Company did not pay any finders' fees with respect to the Financing.

As a result of these transactions, the Company issued a total of 22,500,000 common shares for a total of 123,801,362 common shares issued and outstanding as of the date of this MD&A.

**Share Purchase Warrants:**

At September 30, 2012 and November 6, 2012, there were 27,047,872 and 32,047,872 share purchase warrants outstanding, respectively. Changes in share purchase warrants for the nine months ended September 30, 2012 are as follows:

Expiration Date	Exercise Price (CAD)	Outstanding at December 31, 2011	Issued during the period	Expired during the period	Outstanding at September 30, 2012
March 15, 2013	\$0.60	23,936,170	-	-	23,936,170
March 15, 2013	<u>\$0.47</u>	<u>3,111,702</u>	<u>-</u>	<u>-</u>	<u>3,111,702</u>
Totals		<u>27,047,872</u>	<u>-</u>	<u>-</u>	<u>27,047,872</u>

During November 2012, the Company issued 5,000,000 warrants in connection with its Financing as discussed above.

**Convertible Promissory Note:**

During March 2011, the Company issued an unsecured non-interest bearing promissory note in the principal amount of \$7,701,750 (CAD\$7,500,000) (the "Note") to Synatom, which is repayable in cash or common shares at Powertech's election and is due on the earlier of: (i) six months after the last permit is obtained for the Company's Dewey-Burdock Project; and (ii) March 15, 2013. At the election of Powertech, the Note may also be prepaid in advance in cash at anytime, provided that such prepayment is for an amount not less than CAD\$250,000, or, after an initial period of 18 months, the Note may be repaid by the issuance of common shares to Synatom at a price per common share equal to the greater of CAD\$0.60 per common share or a 15% discount to the 20-day volume-weighted average price of the common shares on the TSX (or such other stock exchange on which the common shares may be listed at such time) at the time of payment. During November 2012, the Company fully converted the Note at CAD\$0.60, for which Synatom received 12,500,000 common shares of the Company.

**Stock Option Plan:**

Under its 2011 Stock Option Plan (the "2011 Plan"), the Company is authorized to grant share purchase options to directors, employees, contractors or consultants of the Company. The Company is permitted to grant options under the Plan equal to 10% of the issued and outstanding common shares of the Company until the 10th anniversary of the effective date of the 2011 Plan. The exercise price of options granted under the Plan may not be less than the fair market value of the Company's common shares at the date such options are granted. The Company's Board of Directors specifies a vesting period and expiry on a grant-by-grant basis.

At September 30, 2012 and November 6, 2012, there were 6,850,000 options outstanding entitling the holders thereof to purchase one common share for each option held. Share options outstanding as of September 30, 2012 were as follows:

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<u>Grant Date</u>	<u>Expiration Date</u>	<u>Exercise (CAD)</u>	<u>Outstanding at December 31, 2011</u>	<u>Granted during period</u>	<u>Expired/ Forfeited during period</u>	<u>Outstanding at September 30, 2012</u>	<u>Vested and exercisable</u>
February 15, 2007	February 15, 2012	\$3.00	400,000	–	(400,000)	–	–
May 14, 2007	May 14, 2012	\$3.20	125,000	–	(125,000)	–	–
August 30, 2007	August 30, 2012	\$1.50	900,000	–	(900,000)	–	–
September 4, 2007	September 4, 2012	\$1.60	100,000	–	(100,000)	–	–
January 14, 2008	January 14, 2013	\$1.50	200,000	–	–	200,000	200,000
February 7, 2008	February 7, 2013	\$1.00	400,000	–	–	400,000	400,000
June 18, 2008	June 18, 2013	\$1.50	1,600,000	–	(400,000)	1,200,000	1,200,000
May 15, 2012	May 15, 2017	\$0.20	–	5,050,000	–	5,050,000	5,050,000
Totals			<u>3,725,000</u>	<u>5,050,000</u>	<u>(1,925,000)</u>	<u>6,850,000</u>	<u>6,850,000</u>
Weighted average exercise price (CAD)			\$1.72			\$0.51	\$0.51
Weighted average life remaining (years)			1.00			3.56	3.56

As of November 6, 2012, the weighted average life of the stock options outstanding was 3.46 years with a weighted average exercise price of CAD\$0.51.

**SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise noted.

*Significant accounting judgments and estimates*

The preparation of these interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the interim condensed consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The interim condensed consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim condensed consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- The recoverability of amounts receivable and prepayments which are included in the consolidated statement of financial position.
- The estimated useful lives of building and equipment which are included in the consolidated statement of financial position and the related depreciation included in the statement of comprehensive loss.
- The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.
- Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.
- Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is

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uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

- The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility, forfeiture rate and dividend yield and making assumptions about them..
- The inputs used in determining the various commitments and contingencies accrued in the consolidated statement of financial position.
- Financial instruments (assets and liabilities) and most derivative instruments (financial and non-financial) are recorded on the balance sheet, at fair value. Those recorded at fair value must be re-measured at each reporting date and changes in the fair value will be recorded in either net loss or other comprehensive loss. Uncertainties, estimates and use of judgment inherent in applying the standards include: assessment of contracts as derivative instruments and for embedded derivatives, valuation of financial instruments and derivatives at fair value.

In determining whether a contract represents a derivative or contains an embedded derivative, the most significant area where judgment has been applied pertains to the determination as to whether the contract can be settled net, one of the criteria in determining whether a contract for a non-financial asset is considered a derivative and accounted for as such. Judgment is also applied in determining whether an embedded derivative is closely related to the host contract, in which case bifurcation and separate accounting are not necessary.

We have classified our debt instruments with conversion features as compound instruments and bifurcated the components between at the host debt and embedded derivative liabilities. All of these are therefore recorded on the balance sheet at fair value. Fair value represents point-in-time estimates that may change in subsequent reporting periods due to market conditions or other factors. Estimated fair values are designed to approximate amounts at which the financial instruments could be exchanged in a current transaction between willing parties. Multiple methods exist by which fair value can be determined, which can cause values (or a range of reasonable values) to differ. There is no universal model that can be broadly applied to all items being valued. Further, assumptions underlying the valuations may require estimation of share price volatility, discount rates, interest free rates, defaults and other relevant variables.

Fair value of our host debt is based on the comparable market debt without the conversion feature. The fair value of derivative liability which is not traded in an active market is determined by using valuation techniques, which requires estimation.

Standards require the use of a three-level hierarchy for disclosing fair values for instruments measured at fair value on a recurring basis. Judgment and estimation are required to determine in which category of the hierarchy items should be included. When the inputs used to measure fair value fall within more than one level of the hierarchy, the level within which the fair value measurement is categorized is based on our assessment of the lowest level input that is the most significant to the fair value measurement. The Company utilized levels 2 and 3 with regards to the fair value inputs.

Without hedge accounting, the company can face volatility in earnings, as derivative instruments are marked-to-market each period through net loss. The company does not employ hedge accounting.

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*Principles of Consolidation*

These interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Powertech (USA) Inc., a South Dakota corporation. All significant inter-company balances and transactions have been eliminated.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of bank deposits and guaranteed investment certificates. These investments are easily convertible to known amounts of cash, are subject to insignificant risk of change in value, and have maturities of three months or less when purchased.

*Restricted Cash*

Restricted cash consists of deposits held for collateral pursuant to bonds provided to State authorities in connection with mineral property activities.

*Rehabilitation Provisions*

The Company is subject to various government laws and regulations relating to environmental disturbances which are caused by exploration and evaluation activities. The Company records the present value for the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The Company has determined that there are no rehabilitation provisions at September 30, 2012 and December 31, 2011 as the Company has secured such estimated costs with the State agencies in which its activities are located.

*Building and Equipment*

On initial recognition, building and equipment ("B&E") are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability, as anticipated, is recognized within provisions.

B&E is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses.

When parts of an item of B&E have different useful lives, they are accounted for as separate items (major components) of B&E.

The cost of replacing part of an item of B&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of B&E are recognized in profit and loss as incurred.

Depreciation is provided using the double declining balance method at 40% per annum over a five year useful life for computer, field and office equipment and vehicles. Depreciation is recorded using the straight-line method over a 40 year useful life for buildings. Depreciation methods, useful lives, and residual values are reviewed at each financial year-end and adjusted as appropriate.

*Mineral Properties*

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



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*Exploration and evaluation expenditures* are capitalized in the period in which they occur 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 materials used, surveying costs, drilling costs, contractor payments, land payments, claims maintenance and certain employee costs. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur.

The Company may, at its discretion, enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

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 the statement of comprehensive loss.

Once the technical feasibility and commercial viability of extracting the resource has been determined, the property will be considered a mine under development and will be classified as “mines under construction.” Exploration and evaluation assets will also be tested for impairment at this point prior to transferring the assets to development properties.

Mineral exploration and evaluation expenditures are classified as intangible assets.

#### *Impairment of Long-lived Assets*

Long-lived assets and intangibles held and used by the Company are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset’s cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company considers each project and/or prospect to be a cash-generating unit separate from the other projects and/or prospects.

Impairment charges are recorded in statement of comprehensive loss in the period in which the evaluation was completed. See Notes 6 and 17 of the Company’s audited annual financial statements for the year ended December 31, 2011 as filed on SEDAR at [www.sedar.com](http://www.sedar.com) for further discussion.

#### *Income Taxes*

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for certain temporary differences. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. Annually, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### *Share-based payments*

When equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in net income (loss) and financial position over the vesting period,

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described as the period during which all vesting conditions are to be satisfied. The compensation charge directly attributable to the development and progression of the mineral properties are capitalized.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in statement of comprehensive loss, unless they are related to the issuance of common shares.

Amounts related to the issuance of common shares are recorded as a reduction of share capital. When the value of goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted based on management's best estimate, for the effects of transferability, exercise restrictions and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, common shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where the grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option valuation models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate. See Note 9 for discussion of the Company's stock option plan.

*Basic and Diluted Income (Loss) Per Common Share*

Basic income (loss) per common share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share reflect the potential dilution that could occur if potentially dilutive securities, such as convertible debt obligations, warrants, and stock options outstanding, were exercised or converted to common stock, only to the extent that they are not antidilutive.

*Share Capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial asset or financial liability. The Company's common shares, preferred shares and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share or options are shown in equity as a deduction from the proceeds.

*Foreign Currency Translation*

The Company's functional currency is US dollars. At the transaction date, each asset, liability, revenue and expense dominated in a foreign currency is translated to US dollars by the use of the exchange rate in effect at that date. Non-monetary assets and liabilities that are measured at historical cost are translated into US dollars by using the exchange rate in effect at the date of initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into US dollars by using the exchange rate at the date the value is determined and the related translation differences are recognized in statement of comprehensive loss.

*Financial Instruments*

Financial assets and financial liabilities, including derivatives, are measured at fair value through profit and loss on initial recognition and recorded on the balance sheet. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair valued, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities.

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Financial assets and liabilities at fair value through profit and loss are measured at fair value with changes in those fair values recognized in statement of comprehensive loss. Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive loss. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. The Company does not currently have any available-for-sale financial assets or investments in equity instruments.

Derivative instruments, including embedded derivatives, are measured 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. The disclosure of the Company financial instruments is further described in Notes 8 and 16 of the Company's audited annual financial statements for the year ended December 31, 2011 as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

Financial instruments recorded at fair value on the consolidated statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Receivables, deposits and restricted cash are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities, current portion of long-term debt, agreements payable and convertible debt payable are classified as other financial liabilities and are measured at amortized cost. The convertible promissory note payable is measured at fair value using the fair value option for financial instruments. Embedded derivatives and instruments measured at fair value are classified as fair value through profit or loss and measured at fair value.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

#### *Derivative Financial Instruments*

The Company may issue 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 comprehensive loss.

The difference between the fair value of the total compound instrument and the fair value of the embedded derivative is assigned to the host contract. Subsequent to initial recognition, the host contract liability is measured at amortized cost using the effective interest method. The effective interest method calculates the amortized cost of a financial instrument and allocates interest income or accretion expense over the corresponding period. The effective interest rate is the rate that discounts estimated future cash flows over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial liability on initial recognition.

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The embedded derivative is fair valued each reporting period using an appropriate fair value valuation model with changes in the fair value being recognized immediately in net loss and comprehensive loss.

*Future accounting changes*

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2012 or later periods. None of these pronouncements are expected to have a significant effect on the interim condensed consolidated financial statements, other than what is stated below.

- IFRS 9 “Financial Instruments”: IFRS 9 is part of the IASB’s wider project to replace IAS 39 “Financial Instruments: Recognition and Measurement.” IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on its financial position.
- IFRS 10 Consolidated Financial Statements: IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.
- IFRS 11 Joint Arrangements: IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.
- IFRS 12 Disclosure of Interests in Other Entities: IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.
- 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, which are largely aligned between IFRSs and US GAAP, 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 IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

*Statement of Compliance*

The Company’s interim condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s interim condensed consolidated financial statements should be read in conjunction with the Company’s audited condensed consolidated annual financial statements for the year ended December 31, 2011.

The Company’s interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 6, 2012.

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**FINANCIAL INSTRUMENTS**

The carrying values of cash, and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of those instruments. The current bank accounts and accounts payable are non-interest bearing. The majority of cash is held in short-term investments bearing interest of less than 2%. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company to date has not used any formal currency hedging contracts to manage currency risk.

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

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

**Disclosure Controls And Procedures**

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in provincial securities legislation. The Company evaluated its disclosure controls and procedures as defined under National Instrument 52-109 as of September 30, 2012. This evaluation was performed by the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") with the assistance of other employees to the extent necessary and appropriate. Based on this evaluation, the CEO and CFO concluded that the design and operation of the Company's disclosure controls and procedures were effective.

**Internal Control Over Financial Reporting**

The Company maintains internal control over financial reporting which has been designed to provide reasonable assurance of the reliability of external financial reporting in accordance with Canadian GAAP as required by National Instrument 52-109. The Company evaluated its internal control over financial reporting as of December 31, 2011. The evaluation was performed by the CEO and the CFO with the assistance of other employees to the extent necessary and appropriate. Based on this evaluation, the CEO and the CFO, concluded the Company's internal control over financial reporting was effective.

There were no changes in the Company's internal control over financial reporting that occurred subsequent to the Company's year ended December 31, 2011 to the date of this document that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

**OTHER INFORMATION**

This MD&A of the financial position and results of operations of the Company for the three and nine months ended September 30, 2012, and as of November 6, 2012, should be read in conjunction with the interim condensed consolidated financial statements of the Company for the three and nine months ended September 30, 2012. Additional information relating to the Company, including the Company's Annual Information Form, can be accessed at the Company's website at [www.powertechuranium.com](http://www.powertechuranium.com) or through the Company's public filings on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A has been reviewed and approved by Mr. Richard F. Clement, Jr., President and CEO of Powertech, under whose direction the Company's operations are being carried out. Mr. Clement, P.G., MSc. is a Qualified Person as defined by National Instrument 43-101.