



POWERTECH URANIUM CORP.
(An Exploration Stage Company)
MANAGEMENT DISCUSSION AND ANALYSIS
(August 11, 2014)

GENERAL

The following discussion of performance, financial condition and future prospects in this Management Discussion and Analysis ("MD&A") should be read in conjunction with the interim condensed consolidated financial statements of Powertech Uranium Corp. (the "Company" or "Powertech") and notes thereto for the three and six months ended June 30, 2014.

Additional information about the Company is available on SEDAR at www.sedar.com. All dollar amounts are stated in United States dollars unless noted. References to "C\$" 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 August 11, 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 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 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 in sufficient amounts or on commercially reasonable terms; (15) other factors beyond the Company's control; and (16) 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. 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 update forward-looking statements if management's beliefs, estimates and opinions or the Company's circumstances as at

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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 and continues to negatively affect 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, over approximately the last year, certain governments have publicly announced intentions to proceed with nuclear projects. The United States Nuclear Regulatory Commission (the “NRC”) 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 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 refurbishment and expansion of the Darlington, Ontario nuclear station, while incorporating lessons learned from Fukushima in the plans for such refurbishment and expansion. The current government in Japan has announced a review of the previous government’s nuclear phase-out and stated that nuclear reactors would be restarted if they passed safety tests. The current government also refused to rule out the construction of new nuclear reactors. 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 may have on the Company’s financial condition, results of operations or 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

Dewey-Burdock currently remains the Company’s primary focus for development. 10,580 acres of the project are currently licensed by the Nuclear Regulatory Commission (“NRC”). Powertech requires regulatory approvals from two additional major agencies prior to initiation of construction and operation of the project. These major approvals include the Class III and Class V Underground Injection Control permits from the United States Environmental Protection Agency (“EPA”) and three state permits to be issued by South Dakota (“SD”) Department of Environment and Natural Resources (“DENR”), including a large scale mine permit and two water rights permits. The state permits have been recommended for approval by the DENR staff to the Mining Board and Water Board, and are pending following receipt of the permits from the EPA.

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The company's primary focus most recently has been preparation for the evidentiary hearing scheduled for August 2014 in front of the Atomic Safety and Licensing Board ("ASLB") in regard to contentions raised by opponents to the development of the project. The ASLB granted a hearing on these limited contentions prior to the writing of the final supplemental environmental impact statement ("SEIS"). Hearings in front of the ASLB are undertaken after the NRC license is granted to determine if the NRC staff has considered all issues. Powertech is represented by experienced attorneys, with previous NRC licensing proceedings related to In-situ Recovery and has also assembled a team of expert witnesses who have worked extensively on the project and in the industry. The format of the proceeding is comprised of initial written testimony and rebuttal with oral questions from the ASLB to follow during a four day period in August. The written portions of the proceeding were completed as of August 1, 2014.

As allowed by regulation, a motion to stay the license was submitted by project opposition to the ASLB on April 14, 2014. Following brief oral arguments, this motion was denied by the ASLB on May 20, 2014 and the license currently remains in full effect while the hearing process proceeds. Upon receipt of the other required permits, previously discussed, the Company can immediately commence construction and then operation of the project.

The regulatory process is estimated to be completed by the second quarter of 2015, which would allow construction to commence at that time. In July 2014, the Company submitted its financial assurance estimate and initial construction plan to the NRC based upon a second quarter 2015 construction start date. However, Powertech remains cautious of this schedule in regard to the outstanding regulatory approvals still required because of factors outside the Company's control including a lack of specified regulatory deadlines for permit issuances and the logistics of scheduling and holding of regulatory hearings.

As additional preparation for the start-up of the project, the company recently purchased digital data from Energy Fuels Resources Inc. covering 2000 geophysical logs within and surrounding the project. The logs will supplement the over 4000 drill hole geophysical logs and data points in the Company's possession, and will provide additional important detail for initial well field development, which is expected to reduce delineation drilling costs.

In May 2014, the Company engaged TREC, LLC, an Engineering, Procurement, and Construction contractor to update the preliminary economic assessment with a revised mine plan including updated costs and a new schedule of project construction. TREC's experience includes recent projects in Wyoming constructing three separate uranium ISR projects. Their work included various assignments focused on project construction scheduling and cost estimation.

Regulatory Agency Review

The Company's business objectives currently focus on complying with its NRC license while obtaining the remaining permits necessary to commence construction and operation of the Dewey-Burdock Project. To comply with its NRC license and obtain the remaining permits required, the Company must:

- meet certain conditions of its NRC license SUA-1600;
- continue to interface with 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;
- continue to interface with the Bureau of Land Management (the "BLM") by responding to requests for information to gain approval its Plan of Operations, which was submitted in October 2009;
- continue to interface with DENR regarding (i) the in situ recovery ("ISR") large-scale mine permit ("LSM") application submitted to the DENR September 28, 2012 and recommended by the DENR for approval with conditions on April 15, 2013, (ii) the Groundwater Discharge Plan ("GDP") permit application submitted to the DENR March 9, 2012 and recommended by the DENR for approval with conditions on December 12, 2012, and (iii) the Water Rights ("WR") applications submitted to the DENR June 12, 2012 and recommended by the DENR for approval with conditions on November 8, 2012; and
- respond to requests for additional information from EPA and BLM as necessary to obtain remaining permits and approvals required.

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Recent submissions and pending activities to be completed by the Company with respect to the Dewey-Burdock Project include the following:

- a draft avian plan was submitted to the SD Game Fish and Parks and the SD Ecological Field Services Office in September 2013;
- a hearing before the SD Board of Minerals and Environment (“BME”) began in September 2013 and was postponed in November 2013 pending NRC and EPA rulings and setting of surety;
- a hearing before the SD Water Management Board (“WMB”) on the water rights and groundwater discharge plan permits began in October 2013 and was postponed in November 2013 pending NRC and EPA rulings and setting of surety;
- an updated technical report compiling the application and responses to NRC’s requests for additional information was submitted to the NRC in January 2014;
- a take permit application was submitted to U.S. Fish and Wildlife Service in January 2014;
- a Section 106 Programmatic Agreement (“PA”) was executed April 7, 2014;
- began preparing for submittal to the EPA a 40 CFR 61.07 Application for Approval of Construction or Modification (ponds) in compliance with the newly proposed Subpart W rule change that was promulgated April 17, 2014
- a report addressing supplemental air monitoring data was submitted to NRC July 1, 2014 to comply with a portion of License Condition (“LC”) 9.2;
- an annual wildlife monitoring report was submitted to DENR July 2, 2014;
- a revised decommissioning, decontamination and reclamation plan was submitted to NRC July 8, 2014 to comply with LC12.23;
- a financial assurance estimate was submitted to NRC July 8, 2014 to comply with LC 9.5;
- a response to a July 8, 2014 letter from BLM that requested additional information on the Company’s Plan of Operations is in preparation;

The NRC issued the final SEIS for the Dewey-Burdock Project January 31, 2014. The EPA issued a notice of receipt of the final SEIS February 7, 2014, starting a final 30-day review period, and subsequently issued final comments on the final SEIS March 10, 2014. The NRC also prepared a Safety Evaluation Report (“SER”), which was initially issued in March 2013, and a Section 106 Programmatic Agreement (“PA”), which was executed April 7, 2014 by the Advisory Council on Historic Preservation, NRC, the South Dakota State Historic Preservation Office, and the BLM. Upon execution of the PA, the NRC issued a revised SER and the Company’s Dewey-Burdock Source and Byproduct Materials License SUA-1600 on April 8, 2014. The ASLB issued a temporary stay of the license until oral arguments were heard by the ASLB concerning cultural resource protection on May 13, 2014. The stay was lifted May 20, 2014. The proceeding has currently progressed through the end of written testimony with oral argument to follow during August 2014. An initial ASLB decision is expected within 150 days of the end of the evidentiary hearing and the close of the hearing record.

The EPA continues to work on draft Class III and Class V UIC permits, which were scheduled for issuance in April 2014. The EPA has advised it is responding to a Freedom of Information Act (“FOIA”) request for the Dewey-Burdock Project and conducting various briefings while continuing to work on finalization of draft permits.

The BLM issued a letter to the Company July 8, 2014 requesting additional information on the Plan of Operations. The Company anticipates it will submit its responses in August 2014. The BLM will then prepare an environmental assessment (“EA”) and issue its Record of Decision (“ROD”).

South Dakota applications for GDP, WR and LSM permits were submitted to the DENR in 2012. All have been deemed complete and have been recommended for conditional approval by the DENR staff. The GDP and WR permits have been finalized subject to continuation of a hearing before the WMB, which began on October 28, 2013 and was continued on November 25, 2013 until such time as the NRC and EPA have 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 BME, which began the week of September 23, 2013 and was continued on November 5, 2013 until NRC and EPA have ruled and set the federal surety and until such time as the WMB has rendered a decision.

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The Company estimates the BLM approval of its Plan of Operations and issuance of an EA and ROD will occur during the first quarter of 2015. In addition, it anticipates draft Class III and V permits from EPA in 2014 and final EPA and DENR permits in 2015. However, due to lack of mandated regulatory timelines and uncertainty for scheduling of state hearings the dates may be subject to change.

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. 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. These results will be updated with the new PEA that is in progress.

The following table identifies the updated economic parameters as reported in the April 2012 PEA:

April 2012 PEA
NPV = US\$109.1 million @ 8% DCF; US\$65 U3O8
IRR = 48%
Cash Operating Cost = US\$33.31/lb. - U3O8
Capital Cost (Phase I) = US\$54.3 million
Life of Mine 9 years, Producing 8.4 million lbs
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 and on SEDAR at www.sedar.com.

Details of the risks that are reasonably likely to affect the Company can be found under the section titled “Risks and Uncertainties.”

Details of the expenditures incurred on the Dewey-Burdock Project can be found under the section titled “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, 2013 and the six months ended June 30, 2014 are detailed below:

	South Dakota	Wyoming	Colorado	Total
Balance, December 31, 2012	\$ 30,397,541	\$ 3,732,395	\$ 14,839,382	\$ 48,969,318
Legal fees	490,338	–	–	490,338
Claims fees	51,800	106,678	–	158,478
Land/lease payments	134,225	89,350	13,986	237,561
Permitting	1,693,675	–	–	1,693,675
Impairment	–	–	(12,344,868)	(12,344,868)
Sale of property	–	–	(1,600,000)	(1,600,000)
Wages	<u>690,000</u>	<u>81,000</u>	<u>–</u>	<u>771,000</u>
Balance, December 31, 2013	\$ 33,457,579	\$ 4,009,423	\$ 908,500	\$ 38,375,502
Land services	12,000	–	–	12,000
Legal fees	194,645	–	–	194,645
Land/lease payments	33,252	3,639	–	36,891
Engineering	14,455	–	–	14,455
Permitting	641,309	–	–	641,309
Wages	<u>363,000</u>	<u>38,250</u>	<u>–</u>	<u>401,250</u>
Balance, June 30, 2014	<u>\$ 34,716,240</u>	<u>\$ 4,051,312</u>	<u>\$ 908,500</u>	<u>\$ 39,676,052</u>

SUMMARY OF QUARTERLY RESULTS

The following tables provide selected financial information for the most recent eight quarters, stated in US dollars in accordance with IFRS:

	<u>June 30, 2014</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>	<u>September 30, 2013</u>
Income Statement				
Interest income	\$ –	\$ –	\$ –	\$ 4
Interest expense	–	–	(74,510)	–
Impairment charges	–	–	–	(12,344,868)
Gain/ (loss) on re-measurement of warrant liability	154,769	129,658	83,659	(21,473)
Gain/ (loss) on re-measurement of financial and derivative liability	(354,834)	85,532	82,701	(42,423)
Gain on extinguishment of debt	–	–	–	–
Gain on sale of property	–	–	60,000	–
G&A and accretion	(655,184)	(432,613)	(903,591)	(515,408)
Deferred tax recovery/ (expense)	–	–	–	–
Net income/(loss)	(855,249)	(217,423)	(751,741)	(12,924,168)
Net income/(loss) per share	(0.00)	(0.00)	(0.01)	(0.09)
Balance Sheet				
Cash and cash equivalents	1,424	68,616	133,510	306,366
Total assets	40,505,125	39,809,743	39,377,921	39,934,101
Working capital/deficit) ⁽¹⁾	(3,353,039)	(2,264,318)	(1,795,197)	(2,609,363)

⁽¹⁾ Working capital/deficit does not include the warrant liability which is a non-cash liability.

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	<u>June 30, 2013</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>September 30, 2012</u>
Income Statement				
Interest income	\$ 1,681	\$ 2,027	\$ 190	\$ 8,618
Interest expense	—	—	—	—
Impairment charges	—	—	(64,745)	—
Gain on re-measurement of warrant liability	291,459	35,638	—	—
Gain/(loss) on re-measurement of financial and derivative liability	—	—	345,701	(140,403)
Gain on sale of equipment	—	—	—	—
Loss on sale of property	—	—	(117,635)	—
Gain on extinguishment of debt			169,354	—
G&A and accretion	(516,309)	(562,719)	(525,642)	(509,448)
Deferred tax recovery/ (expense)	—	—	212,116	77,789
Net income/ (loss)	(223,169)	(525,024)	19,339	(563,444)
Net income/ (loss) per share	(0.00)	(0.00)	0.00	(0.01)
Balance sheet				
Cash and cash equivalents	101,581	951,115	649,828	613,554
Total assets	50,783,052	50,959,350	50,041,875	49,726,807
Working capital/(deficit) ⁽¹⁾	983,281	240,893	42,698	(1,860,314)

⁽¹⁾ Working capital/(deficit) does not include the warrant liability which is a non-cash liability.

RESULTS OF OPERATIONS – Three and Six Months Ended June 30, 2014 Compared to Three and Six Months Ended June 30, 2013

During the three and six months ended June 30, 2014, the Company continued to focus on development of its mineral property interests. Net loss during the three and six months ended June 30, 2014 was \$855,249 and \$1,072,672, respectively, compared to net loss for the three and six months ended June 30, 2013 of \$223,169 and \$748,223, respectively, and is discussed further below.

General and administrative and accretion expenses were \$655,514 for the three months ended June 30, 2014 compared to \$516,309 for the same period in 2013 primarily due to an increase in legal and audit fees associated with the Acquisition of Azarga Resources Limited (“Azarga”) (as defined below), partially offset by decrease in management and consulting fees as certain contracts were terminated during October 2013. General and administrative and accretion expenses of \$1,088,127 for the six months ended June 30, 2014 approximated those of \$1,079,028 for the same period in 2013.

Gain (loss) on re-measurement of warrant liability associated with equity obligations resulted in a gain of \$154,769 and \$284,427 for the three and six months ended June 30, 2014, respectively, and \$291,459 and \$327,097 for the three and six months ended June 30, 2013, respectively. The Company’s exercise price on certain share purchase warrants are denominated in a currency other than the Company’s functional currency, and as such, this instrument meets the definition of a financial liability and is measured at each reporting period at its fair value using the Black-Scholes option pricing model. The change in the fair value from period-to-period will result in a gain/(loss) in the Consolidated Statements of Comprehensive Income/(Loss).

Gain (loss) on re-measurement of derivative liability associated with debt obligations resulted in a loss of \$354,834 and \$269,302 for the three and six months ended June 30, 2014. During October 2013, the Company entered into a loan facility agreement, which has an option to convert the debt obligation to common shares under certain circumstances. The Company elected to measure the instrument at fair value through profit and loss due to its many embedded derivatives. The change in the fair value from period-to-period will result in a gain/(loss) in the Consolidated Statement of Comprehensive Income/(Loss).

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FINANCING, LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2014, the Company had cash and cash equivalents of \$1,424 and negative working capital of \$3,689,747, excluding the warrant liability of \$85,584, compared to cash and cash equivalents of \$133,510 and negative working capital of \$1,795,197, excluding the warrant liability of \$376,821, as of December 31, 2013.

Cash outflows from operating activities was \$102,450 for the six months ended June 30, 2014 compared to cash outflows of \$201,773 for the six months ended June 30, 2013. The decrease is primarily attributable to a decrease in non-cash adjustments partially offset by an increase in accounts payable and accrued liabilities.

Cash outflows from investing activities of \$1,600,550 for the six months ended June 30, 2014 approximated those of \$1,672,501 for the six months ended June 30, 2013. Permitting activities at the Dewey-Burdock Project are a result of the review process regarding the permit applications. For further discussion of the Dewey-Burdock Project, refer to the section titled “Resource Property Interests – South Dakota, USA”.

Net cash inflows from financing activities such as share and debt issuances/repayments, provided cash of \$1,575,000 and \$1,340,048 for the six months ended June 30, 2014 and 2013, respectively. During February 2013, the Company completed a private placement offering, which is discussed further below. During July and October 2013, the Company completed debt issuances, as discussed below.

On February 27, 2013, the Company completed a non-brokered private placement (“2013 Private Placement”) of 15,000,000 units (the “Units”) at a price of \$0.09 (C\$0.10) per Unit to raise gross proceeds of \$1,463,400 (C\$1,500,000). See Note 6 to the June 30, 2014 unaudited interim condensed consolidated financial statement for complete discussion.

On July 31, 2013, Azarga agreed to make a strategic investment in the Company and to form certain strategic alliances with the Company. The Company issued a debenture to Azarga in the principal amount of C\$514,350 (the “Debenture”) pursuant to the terms and conditions of a private placement agreement dated July 31, 2013 (the “Private Placement Agreement”) between the Company and Azarga. The Debenture did not bear interest and was unsecured. The Debenture was to mature on July 31, 2015 (the “Maturity Date”), and could have been prepaid by the Company, in whole or in part, during the first 12 months for an amount equal to 115% of the principal sum being repaid, and during the second 12 months, but on or before the Maturity Date, for an amount equal to 130% of the principal sum being repaid.

The Company, at its option and any time on or before the Maturity Date, had the right to convert all or a portion of the principal amount of the Debenture into common shares of the Company (each, a “Share”) at a price of C\$0.07 per Share, subject to adjustment in accordance with the terms of the Debenture (the “Conversion Price”). The amount of Shares to be issued if the conversion was in the first 12 months after issuance would be equal to the number of Shares as determined by dividing the amount which is 115% of the principal amount being converted by the Conversion Price, and if the conversion was in the second 12 months after issuance, would be equal to the number of Shares as determined by dividing the amount which is 130% of the principal amount being converted by the Conversion Price. The Debenture could have been converted by Azarga, at its option, at any time after the Company’s Board of Directors (the “Board”) recommended or approved a change of control of the Company or after the occurrence of an event of default under the terms of the Debenture which was not cured within any applicable grace periods.

The Company and Azarga also agreed to form certain strategic alliances pursuant to the Private Placement Agreement. In particular, the parties have agreed to share data and expertise, Azarga has agreed to provide certain advisory services to the Company and use its best efforts to support any equity financings undertaken by the Company and the Company agreed to appoint a representative of Azarga to the Board and to the Company’s audit committee for so long as Azarga and/or its affiliates own in the aggregate at least 10% of the issued and outstanding Shares.

In addition, Azarga purchased a 60% interest in the Company’s Centennial Project located in Weld County, Colorado for a total purchase price of \$1,500,000. The Company retained a 40% interest in the Centennial Project. For details of this transaction, refer to the section entitled “Resource Property Interests – Colorado, USA”.

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In accordance with the Company's accounting policy on mineral properties, discussed below, this transaction, once approved by the Company's shareholders, triggered management's assessment of the Centennial Project for impairment, which had a carrying value of \$14,844,868 as of June 30, 2013. As a result of this assessment, the Company incurred an impairment charge of \$12,344,868 for the year ended December 31, 2013.

Pursuant to the Loan Agreement (the "Loan Agreement") dated October 21, 2013, Azarga agreed to make available to the Company a loan facility (the "Loan Facility") in the amount of \$3,600,000 (the "Loan Amount"). The Loan Facility contains features providing for conversion into common shares of Powertech at a premium to the closing price on October 18, 2013.

Concurrent with the closing of the Loan Facility, the Company converted the Debenture into 8,450,035 common shares of the Company at C\$0.07 per share, appointed a new director to the Board, changed certain officers, terminated certain management contracts and proceeded with closing its Vancouver office.

The Loan Facility provides for Azarga to make one or more advances of the Loan Amount to the Company (each, an "Advance") provided that: (a) there shall be only one Advance in any calendar month, (b) if Azarga and the Company cannot agree on the applicable amount of the Advance, the amount of the Advance will be \$300,000, and (c) until such time as the Company has obtained disinterested shareholder approval for the Loan Facility (and the conversion right thereunder) (the "Shareholder Approval"), the aggregate amount of Advances shall be limited to \$2,450,000. The Company obtained the Shareholder Approval on December 18, 2013. Since the closing of the Loan Facility Azarga has advanced to the Company \$2,640,000 as at June 30, 2014 and \$3,390,000 as at the date of this MD&A.

The Loan Amount matures October 2015 (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 the Company, in whole or in part, prior to October 2014, for an amount equal to 115% of the Principal Amount being repaid, and after October 2014, 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 Shares as follows (each, a "Conversion"):

- by Azarga, at its option and any time after the earlier of (i) the Board approving a transaction (other than the Loan Facility transaction) which would result in a change of control of the Company or Powertech USA, (ii) a change of control of the Company 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;
- 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 under the Loan Facility;
- by the Company, in whole or in part, at any time on or before the Maturity Date; and
- automatically on the Maturity Date;

at a conversion price of C\$0.095 per Share (the "Facility Conversion Price"), subject to adjustment as provided for in the Loan Facility, or at such other higher price per Share as is provided in the Loan Facility.

The amount of Shares to be issued if the Conversion is prior to October 2014 will be equal to the number of Shares as determined by dividing the amount which is 115% of the outstanding Principal Amount by the Facility Conversion Price, and if the conversion is after October 2014, will be equal to the number of Shares as determined by dividing the amount which is 130% of the outstanding Principal Amount by the Facility 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 C\$1.03 per \$1.00 of Principal Amount.

As part of the closing of the Loan Facility, the Company agreed to settle all amounts owing to certain officers and directors in consideration of the issuance of 3,694,736 Shares at the rate of C\$0.095 per Share.

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Although the Company working to permit 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 section entitled “Resource Property Interests – South Dakota, USA”. In order to meet its on-going obligations, the Company successfully completed private placement transactions during February 2013 and July 2013 and the sale of interest in the Centennial Project in July 2013. The February 2013 private placement is discussed below in the section entitled “Share Capital”. The terms of the July 2013 private placement and the sale of interest in the Centennial Project are discussed above.

Going concern – Liquidity Risk:

The Company will incur future losses which casts significant 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 obligations and repay its liabilities arising from normal business operations when they come due.

The Company’s current plan for financing is the successful completion of the share purchase agreement discussed below in “Acquisition of Azarga”. If this transaction is not completed, the Company will be required to seek alternative sources of financing. Notwithstanding previous success in securing financing, there is no guarantee that the Company will be able to obtain alternative funding.

Acquisition of Azarga

Pursuant to a share purchase agreement dated February 25, 2014 (the “Share Purchase Agreement”), the Company has agreed to acquire all of the issued and outstanding common shares (each, an “Azarga Share”) of Azarga in exchange for Shares on an exchange ratio equal to 3.65 Shares for each Azarga Share (the “Purchase Transaction”). Immediately after completion of the Purchase Transaction, the Company intends to consolidate its outstanding shares on a basis to be agreed upon by the Company and Azarga. Upon completion of the Purchase Transaction, Azarga will become a wholly-owned subsidiary of the Company and current Azarga shareholders will become shareholders of the Company holding approximately 77% of the outstanding Shares. The resulting entity is expected to carry on both the Company’s and Azarga’s business and change its name to “Azarga Uranium Corp.”

On a pro forma, pre-consolidation basis, Powertech expects to have approximately:

- 364 million issued and outstanding common shares, of which approximately 23% would be held by Powertech’s current shareholders and approximately 77% would be held by Azarga’s shareholders; and
- 55 million outstanding stock options and warrants to issue up to an additional 55 million common shares.

In connection with the Purchase Transaction, additional nominees of Azarga will be added to the Board and management team such that the directors and officers of the Company upon completion of the Purchase Transaction will be: Alexander Molyneux, Non Executive Chairman; Richard F. Clement Jr., President, Chief Executive Officer and director; Curtis Church, VP International Operations and director; Douglas Eacrett, independent director; Paul Struijk, independent director; Matthew O’Kane, director; Joseph Havlin, director; Blake Steele, Chief Financial Officer; and John Mays, Chief Operating Officer. Messrs. Molyneux, Church, Havlin and Steele are new nominees of Azarga and Messrs. O’Kane and Struijk are current directors of the Company who were nominated by Azarga in connection with prior transactions within the past year.

Closing of the Purchase Transaction remains subject to, among other things, approval of the Toronto Stock Exchange and the satisfaction of the other conditions to closing set out in the Share Purchase Agreement, as amended. The Transaction was approved by the shareholders of Powertech at the annual general and special meeting of shareholders held on June 30, 2014.

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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 June 30, 2014:

	Payments Due by Period					Total
	Less than 1 year	1 to 3 years	4 to 5 years	Thereafter		
Lease obligations	\$ 239,826	\$ 1,211,255	\$ 534,195	\$ 363,040	\$ 2,348,316	
Accounts payable and accrued liabilities	1,697,632	–	–	–	1,697,632	
Deferred compensation ⁽¹⁾	381,718	–	–	–	381,718	
Agreements payable ⁽²⁾	435,000	890,000	–	–	1,325,000	
Loan Facility ⁽³⁾	–	2,640,000	–	–	2,640,000	
	<u>\$ 2,754,176</u>	<u>\$ 4,741,255</u>	<u>\$ 534,195</u>	<u>\$ 363,040</u>	<u>\$ 8,392,666</u>	

⁽¹⁾ The Company reached an agreement with certain employees and officers to settle deferred compensation in common shares thus the payment of the liability will not result in cash outflow.

⁽²⁾ The agreements have additional liabilities upon receipt of certain permits, not yet obtained as of the date of this filing, on our respective projects as follows: a) \$750,000 in increments of \$187,500 annually for four years, b) \$1,300,000 in increments of \$325,000 annually for four years, and c) \$2,000,000 due immediately. These contingent payments are similar to monthly rental payments which future unpaid rents are not considered off balance sheet liabilities.

⁽³⁾ The Loan Facility may be converted to common shares and may not result in a cash outflow. This amount represents the face value of the debt obligation not its fair value at the balance sheet date. See discussion in Notes 7 and 8 to the Company's audited annual consolidated financial statements.

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 effect on its consolidated financial position, results of operations or cash flows.

PROPOSED TRANSACTIONS

For details of the Purchase Transaction, see the section entitled "Financing, Liquidity and Capital Resources – Acquisition of Azarga".

RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2014, 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

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following table sets out information about the related party transactions that the Company was party to during the six months ended June 30, 2014:

Name	Relationship to the Company	Business Purpose of Transaction	Amount
Richard F. Clement	President, CEO and Director	Salary	\$120,000
		Benefits	\$5,945
		Deferred compensation ⁽¹⁾	\$30,000
Adria Hutchison	Chief Financial Officer	Salary	\$39,000
John Mays	Chief Operations Officer	Salary	\$100,000
		Benefits	\$8,725
		Deferred compensation ⁽¹⁾	\$25,000
Jim Bonner	Former VP – Exploration ⁽³⁾	Salary ⁽¹⁾	\$37,500
		Benefits	\$3,727
		Deferred compensation ⁽¹⁾	\$7,500
Richard Blubaugh	VP – Health, Safety and Environmental Resources	Salary ⁽¹⁾	\$75,000
		Benefits	\$2,186
		Deferred compensation ⁽¹⁾	\$15,000
Malcolm Clay	Director	Director Fees	\$8,353 ⁽²⁾
Douglas Eacrett	Director	Director Fees	\$8,353 ⁽²⁾
Matthew O’Kane	Director	Director Fees	\$8,353 ⁽²⁾
Paul Struijk	Director	Director Fees	\$8,353 ⁽²⁾

⁽¹⁾ Deferred compensation is salary/consulting fees earned but not paid per the respective deferred compensation agreements. These amounts are expected to be settled in the Company’s common shares and may not result in cash outflow.

⁽²⁾ For the six months ended June 30, 2014, these directors earned C\$1,500 monthly, which was converted into US dollars for the purposes of this table at an average exchange rate of \$0.93.

⁽³⁾ Mr. Bonner resigned as VP – Exploration of the Company on March 31, 2014.

⁽⁴⁾ Mr. Clay resigned as a director of the Company on June 30, 2014.

The transactions involving Azarga discussed under the headings “Financing, Liquidity and Capital” above were also considered related party transactions as Azarga has been a significant shareholder of the Company since October 2013.

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

There were 152,946,133 common shares outstanding at December 31, 2013 and June 30, 2014 and 154,692,035 as of August 11, 2014.

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During May 2014, Powertech entered into a Transfer, Bill of Sale and Assignment Agreement dated effective as of May 9, 2014 (the “Data Purchase Agreement”) with Energy Fuels Resources (USA) Inc. (“Energy Fuels”), whereby the Company has agreed to purchase certain data (the “Data”) concerning the Dewey Burdock uranium property located in Fall River and Custer Counties, South Dakota from Energy Fuels.

In consideration for the transfer and conveyance of the Data, the Company has agreed to pay to Energy Fuels a total purchase price of \$200,000 (the “Purchase Price”) on the terms and conditions of the Data Purchase Agreement, which Purchase Price was payable as follows: (a) a down payment of \$100,000 payable in common shares of the Company (collectively, the “Payment Shares”), with the number of Payment Shares to be allotted and issued calculated based on the volume weighted average price for the five trading days immediately preceding the date of payment or as otherwise required by the TSX, and (b) \$100,000 payable in cash no later than August 15, 2014, provided that if, at the end of the four month statutory hold period on the Payment Shares (the “Hold Period”) which commences on the date of issuance of the Payment Shares, the aggregate value of the Payment Shares, based upon the volume weighted average price for the five trading days immediately preceding the last day of the Hold Period (the “Share Value”), is less than \$100,000, then the Company shall promptly pay in cash to Energy Fuels the difference between \$100,000 less the Share Value.

During July 2014, the Company issued 1,745,902 Payment Shares at a deemed price of C\$0.061 per Payment Share and intends to pay \$50,000 to Energy Fuels in satisfaction of the Purchase Price no later than August 15, 2014 and \$50,000 no later than September 30, 2014 in accordance with the Data Purchase Agreement. The Payment Shares are subject to a Hold Period expiring on November 10, 2014. The Company and Energy Fuels have an arm’s length relationship. The Data Purchase Agreement and transactions contemplated thereby, including issuance of the Payment Shares, have been approved by the TSX.

The data being acquired consists of historical drill hole logs and maps prepared by the Tennessee Valley Authority from the 1970's and 1980's when the Dewey Burdock uranium deposit was originally discovered as well as digitized data generated from this work. This data is expected to assist Powertech's planning of wellfields for the Dewey Burdock uranium property by providing additional quality data to complement Powertech's existing database.

Share Purchase Warrants:

There were 20,849,800 share purchase warrants outstanding at December 31, 2013; June 30, 2014; and August 11, 2014. Of the 20,849,800 share purchase warrants outstanding, 5,000,000 warrants expire November 6, 2014 and 15,849,800 warrants expire February 27, 2016.

Stock Options

At June 30, 2014 and August 11, 2014, there were 3,050,000 and 2,750,000 options outstanding entitling the holders thereof to purchase one common share for each option held, respectively. Share options outstanding were as follows:

Grant Date	Expiration Date	Exercise (C)	Outstanding at December 31, 2013	Granted during period	Expired/Forfeited during period	Outstanding at June 30, 2014	Vested and exercisable
May 15, 2012	May 15, 2017	\$0.20	3,450,000	–	(400,000)	3,050,000	3,050,000
Weighted average exercise price (C)			\$0.20			\$0.20	\$0.20
Weighted average life remaining (years)			3.37			2.88	2.88

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments and estimates

The preparation of these consolidated financial statements in conformity with IFRS requires estimates and assumptions that affect the amounts reported in these consolidated financial statements.

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Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

- determination of categories of financial assets and financial liabilities involves assessments made by management;
- assessment of impairment, recoverability of the carrying value of the Company's exploration and evaluation assets;
- assessment of contracts as derivative instruments, identification of embedded derivatives and valuation techniques applied in valuing such instruments. 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; and
- determination of the point of time at which Azarga Resources Limited became a related party.

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

- Deferred income taxes - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the consolidated financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.
- Convertible loan facility – The Company has designated the convertible loan facility as a financial liability measured at fair value through profit or loss. There are significant estimates involved in measuring this complex instrument including selecting the appropriate valuation model. The valuation of this instrument requires making assumptions regarding the estimation of discount rates for comparable debt without a conversion feature, share price volatility, interest free rates, and other variables.

Principles of Consolidation

These 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

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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 December 31, 2013 and 2012, 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”) is 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.

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 consolidated statement of comprehensive income/(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 must 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.

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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 the statement of comprehensive income/(loss) in the period in which the evaluation was completed.

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 the consolidated statements of comprehensive income/ (loss) and financial position over the vesting period, described as the period during which all vesting conditions are to be satisfied. The compensation charges 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 the statement of comprehensive income/(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

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volatility. Changes in these assumptions can materially affect the fair value estimate. See Note 8 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 anti-dilutive.

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 and share warrants that have no derivative elements 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 the US dollar. 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. Monetary items are translated at a rate in effect at period end. 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 the statement of comprehensive income/(loss).

Financial Instruments

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

Financial assets and liabilities at fair value through profit and loss are carried at fair value with changes in those fair values recognized in the consolidated statement of comprehensive income/(loss). Financial assets and financial liabilities classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method.

Derivative instruments and instruments selected to be measured at fair value through profit or loss, 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. The disclosure of the Company's financial instruments is further described in Note 15.

Financial instruments carried 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); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The warrant liability and Loan Facility financial instrument use Level 3 inputs. There were no transfers between levels.

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Cash and cash equivalents, receivables, deposits and restricted cash are classified as loans and receivables and are carried at amortized cost. Accounts payable and accrued liabilities and agreements payable, are classified as other financial liabilities and are carried at amortized cost. Loan Facility measured at fair value through profit or loss and warrants issued in a private placement that have an exercise price different than the Company's functional currency are presented as liabilities and 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:

- 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. For the Loan Facility, the Company has decided to measure the entire instrument at its fair value and accordingly has not bifurcated between the host contract and the embedded derivative.

The Loan Facility is measured at fair value at each reporting period using an appropriate valuation model with changes in the fair value being recognized immediately in comprehensive loss.

Recent and future accounting changes

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRS Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2013 or later periods. None of these pronouncements are expected to have a significant effect on the consolidated financial statements, other than what is stated below.

IFRS 10 "Consolidated Financial Statements": *Consolidated Financial Statements* implements a single model based on control for the preparation and presentation of financial statements. It introduces a new definition of control, requiring power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of returns. This model also applies to investments in associates (IAS 28). This standard was adopted January 1, 2013. There has been no material impact to the financial position of the Company the year ended December 31, 2013. The Company will be reviewing this standard as it relates to future transaction as contemplated in the subsequent event Note 17.

IFRS 9 "Financial Instruments Recognition and Measurement": 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.

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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.

IAS 32 “Financial Instruments: Presentation”: The amendments to IAS 32 pertained to the application guidance on the offsetting of financial assets and financial liabilities, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts and the unit of account for applying the offsetting requirements. This standard has been deferred indefinitely. The Company is currently assessing the impact that the adoption of IAS 32 may have on its consolidated financial statements. The Company does not expect that initial adoption will have an impact on our consolidated financial statements, since it will be adopted retrospectively.

IFRS 7 “Financial Instruments: Disclosures”: Amended standard IFRS 7 Financial Instruments: Disclosures outlines the disclosures required when initially applying IFRS 7 Financial Instruments.

IFRIC 21, “Levies”: IFRIC 21 establishes guidance on accounting for levies imposed by governments. The Company will be adopting this pronouncement beginning January 1, 2014. The adoption of this pronouncement did not have an impact on our consolidated financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Statement of Compliance

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB.

The Company's unaudited interim condensed consolidated financial statements were authorized for issue by the Board on August 11, 2014.

FINANCIAL INSTRUMENTS

The carrying values of cash, receivables, note receivables and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of those instruments. The current bank accounts, note receivables and accounts payable are non-interest bearing. The Loan Facility is measured at fair value at each reporting period using an acceptable valuation model. 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 audited annual consolidated financial statements are the responsibility of the Company's management, and have been approved by the Board. The Company's audited annual consolidated financial statements were prepared by the Company's management in accordance with IFRS. The Company's audited annual consolidated financial statements include certain amounts based on the use of estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the Company's audited annual consolidated financial statements are presented fairly in all material respects.

DISCLOSURE CONTROLS AND PROCEDURES

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 June 30, 2014. 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,

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the CEO and CFO concluded that the design and operation of the Company's disclosure controls and procedures were effective.

INTERNAL CONTROLS 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 IFRS as required by National Instrument 52-109. The Company evaluated its internal control over financial reporting as of June 30, 2014. 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 June 30, 2014 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.

RISKS AND UNCERTAINTIES

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 events 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 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-

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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 adverse affect 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 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.

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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 key 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

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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 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.

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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 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

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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 Company's common shares in the public markets, or the potential for such sales, could decrease the trading price of the Company's common shares and could impair the Company's ability to raise capital through future sales of the Company's common shares. Substantially all of the Company's common 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.

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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 adverse affect 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.

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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 common shares of the Company, or the availability of such common shares for sale, could adversely affect the prevailing market prices for the Company's common shares. A decline in the market prices of the Company's common shares could impair its ability to raise additional capital through the sale of new common shares should the Company desire to do so.

The Market Price for Common 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 common 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 common 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 common shares of the Company for the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board.

OTHER INFORMATION

This management discussion and analysis of the financial position and results of operations of the Company for the three and six months ended June 30, 2014, and as of August 11, 2014, should be read in conjunction with the Company's interim condensed consolidated financial statements for the three and six months ended June 30, 2014. 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 or through the Company's public filings on SEDAR at 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.



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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2014
(Stated in United States Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements for Powertech Uranium Corp have been prepared by management in accordance with International Financial Reporting Standards. These interim condensed consolidated financial statements, which are the responsibility of management are unaudited and have not been reviewed by the Company's auditors. The Company's Audit Committee and Board of Directors has reviewed and approved these interim condensed consolidated financial statements.

The Company's independent auditor has not performed a review of these interim condensed consolidated financial statements in accordance with the disclosure requirements of National Instrument 51-102 released by the Canadian Securities Administrators.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
 June 30, 2014 and December 31, 2013
(Stated in United States Dollars)

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
ASSETS		
Current		
Cash and cash equivalents	\$ 1,424	\$ 133,510
Receivable	8,858	29,891
Deposits	16,090	20,857
Note receivable	250,000	250,000
Prepaid expenses	<u>8,106</u>	<u>15,209</u>
	284,478	449,467
Non-current		
Restricted cash	208,030	208,030
Note receivable	250,000	250,000
Mineral properties –Schedule 1	39,676,052	38,375,502
Building and equipment – Note 4	<u>86,565</u>	<u>94,922</u>
Total assets	<u>\$ 40,505,125</u>	<u>\$ 39,377,921</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,246,104	\$ 1,106,311
Deferred compensation – Note 7	381,718	294,844
Warrant liability – Note 6	85,584	376,821
Loan facility – Note 5	1,574,695	408,509
Current portion of agreements payable – Note 5	<u>435,000</u>	<u>435,000</u>
	3,723,101	2,621,485
Non-current		
Accounts payable	336,378	–
Agreements payable – Note 5	<u>761,583</u>	<u>744,828</u>
Total liabilities	4,821,062	3,366,313
SHAREHOLDERS' EQUITY		
Share capital – Note 6	73,850,105	73,850,105
Contributed surplus – Note 6	9,043,482	8,298,355
Deficit	<u>(47,209,524)</u>	<u>(46,136,852)</u>
	<u>35,684,063</u>	<u>36,011,608</u>
Total liabilities and shareholder's equity	<u>\$ 40,505,125</u>	<u>\$ 39,377,921</u>

APPROVED BY THE DIRECTORS:

“Richard F. Clement, Jr.”

Richard F. Clement, Jr.

Director

“Douglas Eacrett”

Douglas Eacrett

Director

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
(UNAUDITED)
 for the three and six months ended June 30, 2014 and 2013
(Stated in United States Dollars)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30,</u>	<u>2013</u>	<u>June 30,</u>	<u>2013</u>
General and administrative expenses				
Depreciation	\$ 3,998	\$ 6,570	\$ 8,357	\$ 16,484
Audit and accounting fees	35,287	14,282	60,159	14,282
Community and media relations	6,925	11,046	14,412	26,933
Director fees – Note 7	16,562	13,191	33,412	26,587
Filing fees	465	575	22,851	42,137
Foreign exchange (gain)/loss	57,719	39,545	15,431	34,202
Insurance	16,221	22,586	29,282	40,357
Investor relations and promotion	59,902	3,185	69,124	12,776
Legal fees	140,753	18,809	199,550	46,354
Management and consulting fees – Note 7	–	102,321	–	222,897
Office and miscellaneous	109,780	80,362	181,298	178,128
Transfer agent fees	11,258	1,643	15,889	4,808
Travel and accommodation	8,241	28,651	61,035	60,427
Wages and benefits – Note 7	<u>159,322</u>	<u>146,346</u>	<u>320,239</u>	<u>298,982</u>
Loss from operations	(626,433)	(489,112)	(1,031,039)	(1,025,354)
Finance income (costs)				
Interest income	–	1,681	–	3,708
Accretion – Note 5	(28,751)	(27,197)	(56,758)	(53,674)
Gain on re-measurement of warrant liability – Note 6	154,769	291,459	284,427	327,097
Loss on re-measurement of derivative liability – Note 4	<u>(354,834)</u>	<u>–</u>	<u>(269,302)</u>	<u>–</u>
	<u>(228,816)</u>	<u>265,943</u>	<u>(41,633)</u>	<u>277,131</u>
Loss and comprehensive loss for the period	\$ (855,249)	\$ (223,169)	\$ (1,072,672)	\$ (748,223)
Basic and diluted loss per common share – Note 9	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Basic and diluted weighted average number of shares outstanding – Note 9	<u>152,946,133</u>	<u>140,801,362</u>	<u>152,946,133</u>	<u>135,994,732</u>

POWERTECH URANIUM CORP.

(An Exploration Stage Company)

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
for the six months ended June 30, 2014 and 2013 and the period ended December 31, 2013
(Stated in United States Dollars)

	Number of Common Shares	Share capital	Contributed Surplus	Deficit	Total
Balance, December 31, 2012	125,801,362	\$ 72,291,985	\$ 7,642,929	\$ (31,712,720)	\$ 48,222,194
Share issuance	15,000,000	589,228	53,836	–	643,064
Total comprehensive loss for the period	–	–	–	(748,223)	(748,223)
Balance, June 30, 2013	140,801,362	\$ 72,881,213	\$ 7,696,765	\$ (32,460,943)	\$ 48,117,035
Share issuance, net	12,144,771	968,892	–	–	968,892
Loan Facility	–	–	601,590	–	601,590
Total comprehensive loss for period	–	–	–	(13,675,909)	(13,675,909)
Balance, December 31, 2013	152,946,133	\$ 73,850,105	\$ 8,298,355	\$ (46,136,852)	\$ 36,011,608
Loan Facility	–	–	745,127	–	745,127
Total comprehensive loss for the period	–	–	–	(1,072,672)	(1,072,672)
Balance, June 30, 2014	152,946,133	\$ 73,850,105	\$ 9,043,482	\$ (47,209,524)	\$ 35,684,063

SEE ACCOMPANYING NOTES

POWERTECH URANIUM CORP.
 (An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
 for the six months ended June 30, 2014 and 2013
(Stated in United States Dollars)

	<u>2014</u>	<u>2013</u>
Operating Activities		
Loss for the period	\$ (1,072,672)	\$ (748,223)
Adjustments to reconcile loss to net cash used in operating activities:		
Accretion	56,758	53,674
Depreciation	8,357	16,484
Loss on re-measurement of financial and derivative liability	269,302	–
Gain on warrant liability	(284,427)	(327,097)
Unrealized foreign exchange (gain)/loss	<u>24,407</u>	<u>(11,670)</u>
	(998,275)	(1,016,832)
Net change in non-cash working capital balances:		
Receivables	20,645	38,329
Deposits	4,650	–
Prepaid expenses	6,936	1,995
Accounts payable and accrued liabilities	<u>863,594</u>	<u>774,735</u>
Total cash outflows from operating activities	<u>(102,450)</u>	<u>(201,773)</u>
Investing Activity		
Mineral property interests	<u>(1,600,550)</u>	<u>(1,672,501)</u>
Total cash outflows from investing activity	<u>(1,600,550)</u>	<u>(1,672,501)</u>
Financing Activities		
Long-term debt repayment	(40,000)	(40,000)
Loan facility proceeds	1,615,000	–
Issuance of common shares	–	1,463,400
Costs of issuance of common shares	<u>–</u>	<u>(83,352)</u>
Total cash inflows from financing activities	<u>1,575,000</u>	<u>1,340,048</u>
Foreign exchange gain on cash	<u>(4,086)</u>	<u>(14,021)</u>
Total decrease in cash during the period	<u>(132,086)</u>	<u>(548,247)</u>
Cash and cash equivalents, beginning of the period	<u>133,510</u>	<u>649,828</u>
Cash and cash equivalents, end of the period	<u>\$ 1,424</u>	<u>\$ 101,581</u>
Non-cash Transactions – Note 8		

POWERTECH URANIUM CORP.
 (An Exploration Stage Company)
INTERIM CONDENSED CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES (UNAUDITED)
 for the six months ended June 30, 2014 and year ended December 31, 2013
(Stated in United States Dollars)

Schedule 1

	South Dakota	Wyoming	Colorado	Total
Balance, December 31, 2012	\$ 30,397,541	\$3,732,395	\$14,839,382	\$ 48,969,318
Legal fees	490,338	—	—	490,338
Claims fees	51,800	106,678	—	158,478
Land/lease payments	134,225	89,350	13,986	237,561
Permitting	1,693,675	—	—	1,693,675
Impairment	—	—	(12,344,868)	(12,344,868)
Sale of property	—	—	(1,600,000)	(1,600,000)
Wages	<u>690,000</u>	<u>81,000</u>	<u>—</u>	<u>771,000</u>
Balance, December 31, 2013	\$ 33,457,579	\$4,009,423	\$ 908,500	\$ 38,375,502
Land services	12,000	—	—	12,000
Legal fees	194,645	—	—	194,645
Land/lease payments	33,252	3,639	—	36,891
Engineering	14,455	—	—	14,455
Permitting	641,309	—	—	641,309
Wages	<u>363,000</u>	<u>38,250</u>	<u>—</u>	<u>401,250</u>
Balance, June 30, 2014	<u>\$ 34,716,240</u>	<u>\$4,051,312</u>	<u>\$ 908,500</u>	<u>\$ 39,676,052</u>

POWERTECH URANIUM CORP.

(An Exploration Stage Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2014 and 2013

(UNAUDITED)

Note 1 Nature of Operations

The Company was incorporated in British Columbia on February 10, 1984. The Company's shares are publicly traded on the Toronto Stock Exchange ("TSX") and the Frankfurt Stock Exchange. The Company's business is the exploration and development of uranium properties located in South Dakota, Wyoming, and Colorado, USA. During November 2013, the address of the Company's corporate office and principal place of business changed to 5575 DTC Parkway Suite 104, Greenwood Village, Colorado, United States.

The Company is in the process of evaluating its properties and has not yet determined whether these properties contain reserves that are economically recoverable. The success of the Company and the recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development of the reserves, and upon future profitable production or proceeds from disposition of the properties. The Company's success is subject to a number of risks including environmental risks, contractual risks, legal and political risks, fluctuations in the price of minerals and other factors beyond the Company's control.

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2014, the Company had not yet achieved profitable operations, had a deficit of \$47,209,524 and negative working capital of \$3,353,039, excluding the warrant liability of \$85,584. The Company will incur future losses which cast significant 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 obligations and repay its liabilities arising from normal business operations when they come due. The Company has had success in the past in raising equity and will continue to assess all alternatives if additional funds are required, however, there is no assurance that the Company will be able to raise additional funds in the future.

Note 2 Statement of Compliance

These 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").

These interim condensed consolidated financial statements should be read in conjunction with the Company's 2013 annual consolidated financial statements. There have been no changes to accounting policies during the six months ended June 30, 2014.

These interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 11, 2014.

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 (An Exploration Stage Company)
 Notes to the Interim Condensed Consolidated Financial Statements
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Note 3 Basis of Measurement

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and the Loan Facility (defined in Note 5) which are measured at fair value through profit and loss. These consolidated financial statements are presented in US dollars, which is also the Company's functional currency. References to "C\$" refer to Canadian currency and "\$" to United States currency.

The preparation of interim condensed consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. See Note 4 of our December 31, 2013 audited consolidated financial statements for more details on our critical accounting estimates and judgements.

Note 4 Building and Equipment

	<u>Building</u>	<u>Computer equipment</u>	<u>Field equipment</u>	<u>Office equipment</u>	<u>Vehicles</u>	<u>Total</u>
Cost						
Balance, December 31, 2013	\$ 92,628	\$ 230,916	\$ 127,923	\$ 55,435	\$ 30,505	\$ 537,407
Balance, June 30, 2014	\$ 92,628	\$ 230,916	\$ 127,923	\$ 55,435	\$ 30,505	\$ 537,407
Depreciation						
Balance, December 31, 2013	\$ 11,349	\$ 226,394	\$ 119,222	\$ 55,015	\$ 30,505	\$ 442,485
For the period	1,158	3,256	3,701	242	–	8,357
Balance, June 30, 2014	\$ 12,507	\$ 229,650	\$ 122,923	\$ 55,257	\$ 30,505	\$ 450,842
Carrying amount						
At December 31, 2013	\$ 81,279	\$ 4,522	\$ 8,701	\$ 420	\$ –	\$ 94,922
At June 30, 2014	\$ 80,121	\$ 1,266	\$ 5,000	\$ 178	\$ –	\$ 85,565

Note 5 Long-term Debt

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Agreements payable		
\$100,000 payable ^(a)	\$ 20,000	\$ 30,000
\$300,000 payable ^(b)	79,992	102,245
\$2,000,000 payable ^(c)	<u>1,096,594</u>	<u>1,047,583</u>
	1,196,586	1,179,828
Less current portion of agreements payable	(435,000)	(435,000)
Non-current portion of agreements payable	761,583	744,828
Loan facility ^(d)	<u>1,574,695</u>	<u>408,509</u>
Total debt	<u>\$ 2,336,278</u>	<u>\$ 1,153,337</u>

As of June 30, 2014, principal and interest payments due are as follows:

	<u>2014</u>	<u>2015-2017</u>	<u>2018-2019</u>	<u>Thereafter</u>	<u>Total</u>
Agreements payable	\$ 435,000	\$ 890,000	\$ nil	\$ nil	\$ 1,325,000
Loan Facility	\$ nil	\$ 2,640,000	\$ nil	\$ nil	\$ 2,640,000

- (a) Agreement payable of \$100,000, payable in annual instalments of \$10,000 of which \$80,000 (2013: \$70,000) has been paid to date. As of June 30, 2014, the balance owed is \$20,000. Of this amount, \$10,000 is due within the next 12 months. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default, the lender has the option to obtain the mineral property interest for \$1. Upon receipt of certain permits, the Company will owe an additional \$750,000 in increments of \$187,500 annually for four years.

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Note 5 Long-term Debt – (cont'd)

- (b) Agreement payable of \$300,000, payable in annual instalments of \$30,000 of which \$180,000 (2013: \$150,000) has been paid to date. As of June 30, 2014, the balance owed is \$150,000. Of this amount, \$30,000 is due within the next 12 months. The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default, the lender has the option to obtain the mineral property interest for \$1. In accordance with the accounting policy for financial instruments, the initial fair value was determined using a market interest rate applicable at that time. The difference between the period balance of \$79,992 at June 30, 2014 and the debt obligation of approximately \$120,000 is being accreted over the remaining life until maturity using amortized cost method. Upon receipt of certain permits, the Company will owe an additional \$1,300,000 in increments of \$325,000 annually for four years.

During the three and six months ended June 30, 2014, \$3,965 and 7,747, respectively, (three and six months June 30, 2013: \$4,464 and \$8,722, respectively), imputed effective interest expense has been charged to the consolidated statement of comprehensive income/(loss) and credited to agreements payable.

- (c) Agreement payable of \$2,000,000, payable in annual instalments ranging from \$5,000 to \$395,000 of which \$815,000 (2013: \$815,000) has been paid to date. Instalment payments are as follows: 2011 through 2013: \$5,000 and 2014 through 2016: \$395,000. As of June 30, 2014, the balance owing was \$1,185,000. Of this amount, \$395,000 is due within the next 12 months. Upon receipt of the regulatory permits and licenses on the Centennial Project, an additional \$2,000,000 will be due.

The loan does not bear interest and is secured by a first mortgage on a mineral property interest. In the event of default, the lender has the option to obtain the mineral property interest for \$1. In accordance with the accounting policy for financial instruments, the initial fair value was determined using a market interest rate applicable at that time. The difference between the period balance of \$1,096,594 at June 30, 2014 and the debt obligation of approximately \$1,185,000 is being accreted over the remaining life until maturity using amortized cost method.

During the three and six months ended June 30, 2014, \$24,786 and 49,011, respectively, (three and six months ended June 30, 2013: \$22,733 and \$44,952, respectively) of imputed effective interest expense has been charged to the consolidated statement of comprehensive income/(loss) and credited to agreements payable.

- (d) During July 2013, Azarga agreed to make a strategic investment in the Company and to form certain strategic alliances with the Company. The Company issued a debenture to Azarga in the principal amount of C\$514,350 (\$500,000) (the “Debenture”). The Debenture did not bear interest and was unsecured. The Debenture had a maturity date of July 31, 2015 (the “Maturity Date”), and could have been prepaid or converted by the Company, in whole or in part, during the first 12 months for an amount equal to 115% of the principal sum being repaid or converted. The instrument could also have been converted into shares of the Company at C\$0.07 per share. The conversion element was treated as a separate financial liability as the exercise price was denominated in a currency other than the Company’s functional currency. The fair value of this embedded derivative was \$250,904 at inception with the residual from the proceeds being allocated to the host debt. Subsequent to initial recognition, the host debt liability was measured at amortized cost using the effective interest rate method which resulted in imputed effective interest expense of \$30,638 for the year ended December 31, 2013. In October 2013 and in connection with the Loan Facility described below, the Company and Azarga agreed to convert the Debenture plus 115% premium of C\$591,502 into 8,450,035 common shares of the Company at C\$0.07 per share. The C\$77,152 (\$74,510) premium was treated as an interest expense and recorded to the consolidation statement of comprehensive income/(loss). On settlement of the debenture, an accumulated fair value gain in the derivative liability of \$42,401 was recorded to the consolidation statement of comprehensive income/(loss). The settlement is a non-cash transaction.

Powertech Uranium Corp.
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Note 5 Long-term Debt - (cont'd)

Also during October 2013, Azarga agreed to make available to the Company a loan facility (the “Loan Facility”) in the amount of \$3,600,000 (the “Loan Amount”). The Loan Facility contains features providing for conversion into common shares of the Company at a premium to the closing price on October 18, 2013.

The Loan Facility provides for Azarga to make one or more advances of the Loan Amount to the Company at the discretion of the Company (each, “Advance” or “Tranche”) provided that: (a) there shall be only one Advance in any calendar month, (b) if Azarga and the Company cannot agree on the applicable amount of the Advance, the amount of the Advance will be \$300,000, and (c) until such time as the Company has obtained disinterested shareholder approval for the Loan Facility (and the conversion right thereunder) (the “Shareholder Approval”), the aggregate amount of Advances shall be limited to \$2,450,000. The Company obtained Shareholder Approval on December 18, 2013. As at June 30, 2014, the Company has drawn down \$2,640,000 of the Loan Facility.

The Loan Facility matures October 2015 (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 Facility, and may be repaid by the Company, in whole or in part, during the first 12 months following the October 2013, 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 Company can convert the Principal Amount at its discretion provided that the amount of shares to be issued if the conversion is prior to October 2014 will be equal to the number of shares as determined by dividing the amount which is 115% of the outstanding Principal Amount by the Conversion Price, and if the conversion is after October 2014, the shares to be issued will be equal to the number of 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 C\$1.03 per \$1.00 of Principal Amount.

Azarga has the option to convert the Principal Amount after the date that is nine months after October 18, 2013. The amount of shares to be issued if the conversion is prior to October 2014 will be equal to the number of shares as determined by dividing the amount which is 115% of the outstanding Principal Amount by the Conversion Price, and if the conversion is after October 2014, the shares to be issued will be equal to the number of shares as determined by dividing the amount which is 130% of the outstanding Principal Amount by the Conversion Price. On maturity, there is a mandatory conversion to shares.

The Company elected under IAS 39 to use the fair value option since the instrument has multiple embedded derivatives. Under this approach, each Tranche is measured at fair value through profit or loss. On initial recognition, the fair value of each Tranche was recorded as a current loan facility with the excess from proceeds being credited to contributed surplus. See the table below for details.

Powertech Uranium Corp.
 (An Exploration Stage Company)
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Note 5 Long-term Debt - (cont'd)

	Loan Facility	Contributed Surplus	
Balance, December 31, 2013	\$ 408,509	\$ 601,590	
Fair value of \$300,000 Tranche 4, January 2014	162,698	137,302	
Fair value of \$300,000 Tranche 5, February 2014	148,715	151,285	
Fair value of \$300,000 Tranche 6, March 2014	207,567	92,433	
Fair value of \$220,000 Tranche 7, April 2014	94,122	125,878	
Fair value of \$230,000 Tranche 8, May 2014	114,101	115,899	
Fair value of \$265,000 Tranche 9, June 2014	139,438	122,330	
Fair value change on derivative liability and foreign currency translation at period end	299,545		-
 Balance, June 30, 2014	 \$ 1,574,695	 \$ 1,346,717	

The fair values of the tranches were estimated using an estimated market discount rate of a comparable plain vanilla debt instrument of approximately 30.5% and the Binomial pricing model. Assumptions used in the pricing model for the call and put options were as follows: exercise price of \$0.095 to \$0.1026; 41% to 79% volatility; 0.97 to 1.11% interest risk free rate; estimated life of 0.2,1 and 1.5 years; and 0% dividend yield.

Note 6 Share Capital and Contributed Surplus

Authorized:

Unlimited number of common shares without par value.
 Unlimited number of preferred shares without par value.

Common Shares Issued:

	<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus^(a)</u>
Balance, December 31, 2013	152,946,133	\$ 73,850,105	\$ 8,298,355
Loan Facility (Note 5)	-	-	745,127
 Balance, June 30, 2014	152,946,133	\$ 73,850,105	\$ 9,043,482

^(a) Contributed surplus is comprised of the fair value of stock-based compensation, the fair value of warrants associated with financing costs, and the equity portion of the Loan Facility (Note 5).

During February 2014, the Company announced that it has entered into a share purchase agreement pursuant to which the Company will acquire all of the issued and outstanding common shares of Azarga in exchange for common shares of Powertech (the “Merger”). Closing of the Merger remains subject to, among other things, approval of the Toronto Stock Exchange and the satisfaction of the other conditions to closing set out in the Share Purchase Agreement, as amended. The Transaction was approved by the shareholders of Powertech at the annual general and special meeting of shareholders held on June 30, 2014.

As at June 30, 2014, Azarga owns 68,991,571 common shares of Powertech, representing approximately 45% of the issued and outstanding shares of the Company.

Upon completion of the Transaction:

- Azarga would become a wholly-owned subsidiary of the Company and the current Azarga shareholders would own approximately 77% of the issued and outstanding shares of the Company;
- the Company would continue to carry on its and Azarga’s business and change its name to “Azarga Uranium Corp.”; and

Powertech Uranium Corp.
 (An Exploration Stage Company)
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Note 6 Share Capital and Contributed Surplus – (cont'd)

Common Shares Issued – (cont'd)

- the Company's Board of Directors would be reconstituted to include the members of the existing Board with the addition of certain representatives of the existing Azarga Board of Directors, with the board expected to consist of Alexander Molyneux (Chairman), Richard Clement, Curtis Church, Douglas Eacrett, Paul Struijk, Matthew O'Kane and Joseph Haylin.

See Note 10 for subsequent event discussion.

Share Purchase Warrants:

Share purchase warrant liability

	June 30, 2014	December 31, 2013
Balance, beginning of period	\$ 376,821	\$ 49,397
Fair value at inception, February 2013 ^(a)	–	738,546
Fair value change on derivative liability and foreign currency translation for the period	(291,237)	(411,122)
Balance, end of period	\$ 85,584	\$ 376,821

^(a) On February 27, 2013, the Company completed a non-brokered private placement of 15,000,000 units at a price of \$0.09 (C\$0.10) per unit to raise gross proceeds of approximately \$1,484,000 (C\$1,500,000). Each unit was comprised of one common share and one share purchase warrant. As a result, 15,849,800 whole share purchase warrants were issued. Each whole warrant entitles the holder to purchase one common share as follows: 15,000,000 warrants at an exercise price of C\$0.20 and 849,800 warrants at an exercise price C\$0.115 for three years following the closing of the offering under certain circumstances. The 15,000,000 warrants were considered a derivative liability as the exercise price is different than the functional currency of the Company. The fair value of the share purchase warrant liability of \$738,546 was estimated at inception using the Black-Scholes option pricing model. Assumptions used in the pricing model at inception, February 27, 2013 are as follows: 84.18% volatility, 1% interest risk free rate, estimated life of 3 years and 0% dividend yield. As at June 30, 2014, the fair value of the share purchase warrant liability was \$85,584. Assumptions used in the pricing model at June 30, 2014 are as follows: 78.98% volatility, 1% interest risk free rate, estimated life of 1.66 years and 0% dividend yield.

Changes in share purchase warrants for the six months ended June 30, 2013 are as follows:

Expiration Date	Exercise Price (C)	Outstanding at December 31, 2013	Issued during the period	Expired during the period	Outstanding at June 30, 2014
November 6, 2014	\$0.20	5,000,000	–	–	5,000,000
February 27, 2016	\$0.20	15,000,000	–	–	15,000,000
February 27, 2016	<u>\$0.115</u>	<u>849,800</u>	<u>–</u>	<u>–</u>	<u>849,800</u>
Totals		<u>20,849,800</u>	<u>–</u>	<u>–</u>	<u>20,849,800</u>

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

Powertech Uranium Corp.
 (An Exploration Stage Company)
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 (unaudited)

Note 6 Share Capital and Contributed Surplus – (cont'd)

Stock Option Plan - (cont'd)

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 June 30, 2014, there were 3,050,000 options outstanding entitling the holders thereof to purchase one common share for each option held. Share options outstanding were as follows:

<u>Grant Date</u>	<u>Expiration Date</u>	<u>Exercise (C)</u>	<u>Outstanding at December 31, 2013</u>	<u>Granted during period</u>	<u>Expired/Forfeited during period</u>	<u>Outstanding at June 30, 2014</u>	<u>Vested and exercisable</u>
May 15, 2012	May 15, 2017	\$0.20	3,450,000	–	(400,000)	3,050,000	3,050,000
Weighted average exercise price (C)			\$0.20			\$0.20	\$0.20
Weighted average life remaining (years)			3.37			2.88	2.88

See Note 10 for subsequent event discussion.

Stock-based Compensation:

The Company did not incur stock-based compensation expense during either of the three and six month periods ended June 30, 2014 or 2013.

Note 7 Related Party Transactions

Key management Compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprise:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Director fees and other compensation	\$ 16,562	\$ 13,191	\$ 33,412	\$ 26,587
Management compensation and short-term benefits	<u>212,831</u>	<u>272,547</u>	<u>429,583</u>	<u>534,298</u>
	<u>\$ 229,393</u>	<u>\$ 285,738</u>	<u>\$ 462,995</u>	<u>\$ 560,885</u>

As of June 30, 2014 and December 31, 2013, the Company had an accrued liability of approximately \$4,500 and \$9,000, respectively, to its directors for services rendered but not yet paid.

As of June 30, 2014, under the Company's deferred compensation arrangement with certain officers, the Company has a recorded liability of approximately \$381,700 in accrued liabilities (December 31, 2013: \$255,000) which has been included in management compensation and short-term benefits. During May 2014, the Company reached settlement agreements with certain officers and employees to settle its deferred compensation debts to said officers and employees in common shares pending TSX approval. Pursuant to the terms of the settlement agreement, the Company will allot and issue a maximum total of 2,977,970 common shares at a deemed floor price of C\$0.065 per common share. See Note 10 for settlement discussion.

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Note 7 Related Party Transactions – (cont'd)

The transactions involving Azarga discussed in Notes 5 and 6 were considered related party transactions as they are considered to be significant shareholders as of October 2013.

Note 8 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows were excluded from the statements of cash flows. The following transactions are excluded from the statements of cash flows:

- (a) Included in accounts payable and accrued liabilities is approximately \$300,000 (June 30, 2013: \$324,000) relating to mineral properties.
- (b) Fair value of the warrant liability, at inception, of \$743,000 in connection with the 2013 Private Placement.
- (c) Note receivable of \$500,000 is accrued and not paid.

Note 9 Loss per share

Basic loss per common share is computed by dividing income/ (loss) available to the Company's common stockholders by the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed similarly to basic earnings per common share except that weighted average common shares is increased to include the potential issuance of dilutive common shares

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Loss for the period	\$ (855,249)	\$ (223,169)	\$ (1,072,672)	\$ (748,223)
Weighted average common shares - basic and diluted	152,946,133	140,801,362	152,946,133	135,994,732
Loss per common share - basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

Note 10 Subsequent Events

Dewey-Burdock Project

During May 2014, Powertech entered into a Transfer, Bill of Sale and Assignment Agreement dated effective as of May 9, 2014 (the “Data Purchase Agreement”) with Energy Fuels Resources (USA) Inc. (“Energy Fuels”), whereby the Company has agreed to purchase certain data (the “Data”) concerning the Dewey Burdock uranium property located in Fall River and Custer Counties, South Dakota from Energy Fuels.

In consideration for the transfer and conveyance of the Data, the Company has agreed to pay to Energy Fuels a total purchase price of \$200,000 (the “Purchase Price”) on the terms and conditions of the Data Purchase Agreement, which Purchase Price was payable as follows: (a) a down payment of \$100,000 payable in common shares of the Company (collectively, the “Payment Shares”), with the number of Payment Shares to be allotted and issued calculated based on the volume weighted average price for the five trading days immediately preceding the date of payment or as otherwise required by the TSX, and (b) \$100,000 payable in cash no later than August 15, 2014, provided that if, at the end of the four month statutory hold period on the Payment Shares (the “Hold Period”) which commences on the date of issuance of the Payment Shares, the aggregate value of the Payment Shares, based upon the volume weighted average price for the five trading days immediately preceding the last day of the Hold Period (the “Share Value”), is less than \$100,000, then the Company shall promptly pay in cash to Energy Fuels the difference between \$100,000 less the Share Value.

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Note 10 Subsequent Events – (cont'd)

During July 2014, the Company issued 1,745,902 Payment Shares at a deemed price of C\$0.061 per Payment Share. The Company intends to pay \$50,000 to Energy Fuels in satisfaction of the Purchase Price no later than August 15, 2014 and \$50,000 no later than September 30, 2014 in accordance with the Data Purchase Agreement. The Payment Shares are subject to a Hold Period expiring on November 10, 2014. The Company and Energy Fuels have an arm's length relationship. The Data Purchase Agreement and transactions contemplated thereby, including issuance of the Payment Shares, have been approved by the TSX.

The data being acquired consists of historical drill hole logs and maps prepared by the Tennessee Valley Authority from the 1970's and 1980's when the Dewey Burdock uranium deposit was originally discovered as well as digitized data generated from this work. This data is expected to assist Powertech's planning of wellfields for the Dewey Burdock uranium property by providing additional quality data to complement Powertech's existing database.

Corporate

During July 2014, Powertech and Azarga agreed to extend the closing date of the merger from July 31, 2014 to September 15, 2014, or such other date as agreed to by the parties. In all other respects, the terms of the original agreement remain the same. Closing of the Transaction remains subject to, among other things, approval of the Toronto Stock Exchange and the satisfaction of the other conditions to closing set out in the Share Purchase Agreement, as amended.

During July 2014, 300,000 options were forfeited.