AZARGA URANIUM CORP.

Formerly Powertech Uranium Corp.

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim condensed consolidated financial statements of Azarga Uranium Corp. (the “Company” or “Azarga Uranium”) have been prepared by management in accordance with International Financial Reporting Standards. These unaudited interim condensed consolidated financial statements are the responsibility of management. The Company’s Audit Committee and Board of Directors has reviewed and approved these unaudited interim condensed consolidated financial statements.

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

AZARGA URANIUM CORP.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at September 30, 2014 and December 31, 2013
(Stated in US Dollars)

	September 30, 2014	December 31, 2013
ASSETS		
Current		
Cash and cash equivalents	$ 43,913	$ 133,510
Receivables	3,048	29,891
Deposits	14,490	20,857
Note receivable	250,000	250,000
Prepaid expenses	4,408	15,209
Total current assets	315,859	449,467
Non-current		
Restricted cash	208,030	208,030
Note receivable	250,000	250,000
Mineral properties – Schedule 1 and Note 4	40,740,045	38,375,502
Building and equipment – Note 5	83,490	94,922
Total assets	$ 41,597,424	$ 39,377,921
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 1,547,974	$ 1,106,311
Deferred compensation – Note 8	335,156	294,844
Warrant liability – Note 7	94,724	376,821
Loan facility – Note 6	2,366,262	408,509
Current portion of agreements payable – Note 6	830,000	435,000
Total current liabilities	5,174,116	2,621,485
Non-current		
Accounts payable	198,000	–
Agreements payable – Note 6	386,968	744,828
Total liabilities	5,759,084	3,366,313
SHAREHOLDERS' EQUITY		
Common shares – Note 7	74,021,353	73,850,105
Contributed surplus – Note 7	9,682,123	8,298,355
Accumulated Deficit	(47,865,136)	(46,136,852)
Total shareholders' equity	35,838,340	36,011,608
Total liabilities and shareholder's equity	$ 41,597,424	$ 39,377,921

APPROVED BY THE DIRECTORS:

"Richard F. Clement, Jr." Director
Richard F. Clement, Jr.

"Joseph L. Havlin" Director
Joseph L. Havlin

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

AZARGA URANIUM CORP.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended September 30, 2014 and 2013

(Stated in US Dollars)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
General and administrative expenses				
Depreciation	$ (3,075)	$ (5,602)	$ (11,432)	$ (22,086)
Audit and accounting fees	(6,679)	(856)	(66,838)	(15,138)
Community and media relations	(3,802)	(6,416)	(18,214)	(33,349)
Director fees – Note 8	(12,258)	(12,989)	(45,670)	(39,576)
Filing fees	(6,659)	(215)	(29,510)	(42,352)
Foreign exchange gain	111,682	39,372	96,251	5,170
Insurance	(15,830)	(21,817)	(45,112)	(62,174)
Investor relations and promotion	(15,499)	(12,524)	(84,623)	(25,300)
Legal fees	(48,080)	(69,365)	(247,630)	(115,719)
Management and consulting fees – Note 8	(16,016)	(87,933)	(16,016)	(310,830)
Office and miscellaneous	(77,179)	(78,670)	(258,477)	(256,798)
Transfer agent fees	(2,109)	(1,903)	(17,998)	(6,711)
Travel and accommodation	(29,707)	(49,470)	(90,742)	(109,897)
Wages and benefits – Note 8	(153,931)	(148,557)	(474,170)	(447,539)
Loss from operations	(279,142)	(456,945)	(1,310,181)	(1,482,299)
Other expenses, net				
Interest income	–	4	–	3,712
Accretion – Note 6	(20,382)	(58,463)	(77,140)	(112,137)
Gain (loss) on re-measurement of warrant liability – Note 7	(13,063)	(21,473)	271,364	305,624
Loss on re-measurement of derivative liability – Note 6	(343,025)	(42,423)	(612,327)	(42,423)
Impairment charges – Note 4	–	(12,344,868)	–	(12,344,868)
Total other expenses, net	(376,470)	(12,467,223)	(418,103)	(12,190,092)
Net and comprehensive loss	$ (655,612)	$ (12,924,168)	$ (1,728,284)	$ (13,672,391)
Basic and diluted loss per common share – Note 10	$ (0.00)	$ (0.09)	$ (0.01)	$ (0.10)
Basic and diluted weighted average number of shares outstanding – Note 10	153,667,507	140,801,362	153,590,868	137,614,549

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements

AZARGA URANIUM CORP.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Stated in US Dollars)

	Number of Common Shares	Common Shares	Contributed Surplus	Accumulated Deficit	Total
Balance, December 31, 2012	125,801,362	$ 72,291,985	$ 7,642,929	$ (31,712,720)	$ 48,222,194
Share issuance, net	15,000,000	589,228	53,836	–	643,064
Net and comprehensive loss for the period	–	–	–	(13,672,391)	(13,672,391)
Balance, September 30, 2013	140,801,362	$ 72,881,213	$ 7,696,765	$ (45,385,111)	$ 35,192,867
Share issuance, net	12,144,771	968,892	–	–	968,892
Loan Facility	–	–	601,590	–	601,590
Net and comprehensive loss for the period	–	–	–	(751,741)	(751,741)
Balance, December 31, 2013	152,946,133	$ 73,850,105	$ 8,298,355	$ (46,136,852)	$ 36,011,608
Share issuance, net	2,634,557	171,248	–	–	171,248
Loan Facility	–	–	1,383,768	–	1 ,373,768
Net and comprehensive loss for the period	–	–	–	(1,728,284)	(1,728,284)
Balance, September 30, 2014	155,580,690	$ 74,021,353	$ 9,682,123	$ (47,865,136)	$ 35,838,340

The accompanying notes are an integral part of these unaudited interim condensed financial statements

AZARGA URANIUM CORP.
UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2014 and 2013
(Stated in US Dollars)

	2014	2013
Operating Activities		
Net loss	$ (1,728,284)	$ (13,672,391)
Adjustments for:		
Accretion	77,140	112,137
Depreciation	11,432	22,086
Impairment charges	–	12,344,868
Loss on re-measurement of derivative liability	612,327	42,423
Gain on warrant liability	(271,364)	(305,624)
Unrealized foreign exchange loss	76,133	19,731
Operating cash flows before change in non-cash working capital items:	(1,222,616)	(1,436,770)
Change in receivables	26,257	44,610
Change in deposits	6,262	–
Change in prepaid expenses	10,590	(2,189)
Change in accounts payable and accrued liabilities	1,187,335	1,048,728
Net cash provided by (used in) operating activities	7,828	(345,621)
Investing Activities		
Advance on sale of mineral property interests	–	1,000,000
Mineral property interests	(2,854,201)	(3,315,074)
Net cash used in investing activities	(2,854,201)	(2,215,074)
Financing Activities		
Long-term debt repayment	(40,000)	(45,000)
Long-term debt issuance	–	500,000
Loan facility proceeds	2,800,000	–
Issuance of common shares	–	1,463,400
Costs of issuance of common shares	–	(83,352)
Net cash provided by financing activities	2,760,000	1,835,048
Effect of exchange rate changes on cash	(3,224)	(17,815)
Total decrease in cash	(89,597)	(343,462)
Cash and cash equivalents, beginning of the period	133,510	649,828
Cash and cash equivalents, end of the period	$ 43,913	$ 306,366

Non-cash Transactions – See Note 9

AZARGA URANIUM CORP. Schedule 1

(UNAUDITED INTERIM CONDENSED CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES

For the nine months ended September 30, 2014 and the year ended December 31, 2013

(Stated in US Dollars)

	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
Claim 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	690,000	81,000	–	771,000
Balance, December 31, 2013	$ 33,457,579	$4,009,423	$ 908,500	$ 38,375,502
Data acquisition costs (Note 4)	200,000	–	–	200,000
Land services	12,000	–	–	12,000
Legal fees	381,038	–	–	381,038
Claim fees	57,350	117,790	–	175,140
Land/lease payments	135,499	25,332	–	160,831
Engineering	150,599	–	–	150,599
Permitting	699,935	–	–	699,935
Wages	540,750	44,250	–	585,000
Balance, September 30, 2014	$ 35,634,750	$4,196,795	$ 908,500	$ 40,740,045

The accompanying notes are an integral part of these unaudited interim condensed financial statements

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. The address of the Company's corporate office and principal place of business is 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 unaudited 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 realize its assets and discharge its obligations in the normal course of business. Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not give effect to adjustments and reclassifications 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 September 30, 2014, the Company, had an accumulated deficit of $47,865,136 and negative working capital of $4,712,647, excluding the warrant liability of $94,724 and deferred compensation of $335,156 which are non-cash liabilities. The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing to discharge its obligations arising from normal business operations when they come due. The Company has had success in the past in raising sufficient financing principally through the issuance of equity or debt, however, there is no assurance that the Company will be able to raise additional financing 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 unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's 2013 annual report. There have been no material changes to accounting policies during the nine months ended September 30, 2014.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 12, 2014.

Note 3 Basis of Measurement

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and the Loan Facility (Note 6) 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$" refer to Canadian dollars and "$" to US dollars.

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 the Company's audited consolidated financial statements as of December 31, 2013 for a full description of our critical accounting estimates and judgements.

Note 4 Mineral Properties

Dewey Burdock Project

Effective May 9, 2014, the Company entered into a Transfer, Bill of Sale and Assignment Agreement (the "Data Purchase Agreement") with Energy Fuels Resources (USA) Inc. ("Energy Fuels"), whereby the Company has agreed to purchase certain geological 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 acquisition of the Data, the Company agreed to pay to Energy Fuels a total purchase price of $200,000 (the "Purchase Price") 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 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, provided that if, at the end of the four month statutory hold period of 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 and the Share Value.

During July 2014, the Company issued 1,745,902 Payment Shares at a price of C$0.061 per Payment Share. The Company paid $100,000 to Energy Fuels in satisfaction of the Purchase Price 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 the Company's planning of wellfields for the Dewey Burdock uranium property by providing additional quality data to complement the existing database.

Centennial Project

During July 2013, Azarga Resources Limited ("Azarga Resources"), an arms-length party at that time, agreed to purchase (the "Property Purchase Transaction") a 60% interest in the Company's Centennial Project located in Weld County, Colorado for a total purchase price (the "Purchase Price") of $1,500,000 to be paid over two years pursuant to a letter of agreement between Azarga Resources and the Company dated July 31, 2013 (the "Letter of Agreement"). The Company retained a 40% interest in the Centennial Project.

Note 4 Mineral Properties – (continued)

Centennial Project – (cont'd)

Azarga Resources agreed to pay the Purchase Price by delivering (a) $250,000 to the Company on execution of the Letter Agreement, (b) $750,000 within 30 days of the execution of the Letter of Agreement and (c) $500,000 on or before the closing date of December 20, 2013 payable by way of a promissory note issued by Azarga Resources to the Company with $250,000 payable on or before the date that is 12 months after the closing date and $250,000 payable on or before the date that is 24 months after the closing date.

The Letter of Agreement also provided for a put option whereby the Company can sell its remaining 40% interest in the Centennial Project to Azarga Resources at any time on or after January 1, 2017 for $250,000, and for a call option whereby Azarga Resources can purchase the Company's remaining 40% interest in the Centennial Project either: (i) at any time on or after January 1, 2017 for $7,000,000, or (ii) within ten days of the occurrence of a change of control of the Company for $1,000,000. Neither the put or call option has been factored into the initial measurement of this instrument due to its future conditional element that is indeterminable at this time.

In accordance with our policy on mineral property impairment, management evaluated the recoverable amount of the Centennial Project, considering this transaction, and determined that an impairment charge was required to the carrying value of the Centennial Project. The Company determined the recoverable value of 100% of the Centennial Project to be $2,500,000 based on a gross-up of the fair value of consideration agreed of $1,500,000 for 60% of project, which resulted in an impairment charge of $12,344,868 during the third quarter of 2013.

Note 5 Building and Equipment

	Building	Computer equipment	Field equipment	Office equipment	Vehicles	Total
Cost						
Balance, December 31, 2013	$ 92,628	$ 230,916	$ 127,923	$ 55,435	$ 30,505	$ 537,407
Balance, September 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	1,737	4,182	5,209	304	–	11,432
Balance, September 30, 2014	$ 13,086	$ 230,576	$ 124,431	$ 55,319	$ 30,505	$ 453,917
Carrying amount						
At December 31, 2013	$ 81,279	$ 4,522	$ 8,701	$ 420	$ –	$ 94,922
At September 30, 2014	$ 79,542	$ 340	$ 3,492	$ 116	$ –	$ 83,490

Note 6 Long-term Debt

	September 30, 2014	December 31, 2013
Agreements payable		
$100,000 payable (a)	$ 20,000	$ 30,000
$300,000 payable (b)	84,150	102,245
$2,000,000 payable (c)	1,112,818	1,047,583
	1,216,968	1,179,828
Less current portion of agreements payable	(830,000)	(435,000)
Non-current portion of agreements payable	386,968	744,828
Loan facility (d)	2,366,262	408,509
Total long-term debt	$ 2,753,230	$ 1,153,337

Note 6 Long-term Debt – (continued)

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

	2014	2015-2017	2018-2019	Thereafter	Total
Agreements payable	$ 830,000	$ 495,000	$ nil	$ nil	$ 1,325,000
Loan Facility	$ nil	$ 3,825,000	$ nil	$ nil	$ 3,825,000

(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 September 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 within the Dewey Burdock Project. In the event of default, the seller 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.

(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 September 30, 2014, the balance owed is $120,000. 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 within the Dewey Burdock Project. In the event of default, the seller 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 $84,150 at September 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.

Imputed effective interest expense charged to the consolidated statement of operations was $4,158 and $4,682 for the three months ended September 30, 2014 and 2013, respectively, and $11,905 and $13,404 for the nine months September 30, 2014 and 2013, respectively.

(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. During August 2014, the Company extended the due date of the September 2014 payment to January 2015 for consideration of $20,000. As of September 30, 2014, the balance owing was $1,185,000. Of this amount, $790,000 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 seller 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 $1,112,818 at September 30, 2014 and the debt obligation of approximately $1,185,000 is being accreted over the remaining life until maturity using amortized cost method.

Imputed effective interest expense charged to the consolidated statements of operations was $16,224 and $23,143 for the three months ended September 30, 2014 and 2013, respectively and $65,235 and $68,095 for the nine months ended September 30, 2014 and 2013, respectively. .

Note 6 Long-term Debt - (continued)

(d) During July 2013, Azarga Resources 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 Resources in the principal amount of $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 repaid or converted at the Company's option, 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 option was treated as a separate financial liability because 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 Resources agreed to convert the Debenture plus a 15% premium for a total of C$591,502 into 8,450,035 common shares of the Company at C$0.07 per share. The $74,510 premium was recognized in the consolidated statement of operations as interest expense. On settlement of the debenture, an accumulated fair value gain on the derivative liability of $42,401 was recognized in the consolidated statement of operations. The settlement is a non-cash transaction.

Also during October 2013, Azarga Resources 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 provides for Azarga Resources to make one or more advances of the Loan Amount at the discretion of the Company (an "Advance") provided that: (a) there shall be only one Advance in any calendar month, (b) if Azarga Resources 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 shareholder approval for the Loan Facility and the conversion right thereunder (the "Shareholder Approval"), the aggregate amount of Advances is limited to $2,450,000. The Company obtained Shareholder Approval on December 18, 2013. As at September 30, 2014, the Company has drawn down the full amount of the Loan Facility.

The Loan Facility matures in October 2015 (the "Maturity Date") or on such earlier date as the principal amount of all Advances and all other amounts owing (collectively, the "Principal Amount") may become payable under the terms of the Loan Facility. The Principal Amount may be repaid by the Company, in whole or in part, during the first 12 months following 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 has the option to convert the Principal Amount 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 C$0.095 per share (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 translated into Canadian dollars at the time of conversion at an exchange rate of C$1.03 per $1.00 of Principal Amount.

Azarga Resources 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.

Note 6 Long-term Debt - (continued)

During September 2014, Azarga Resources agreed to make available to the Company an additional loan facility (the "Additional Loan Facility") in the amount of $650,000 (the "Loan Amount") subject to the same terms and conditions as the original Loan Facility with the exception of:

- the conversion price is C$0.06 per share;
- The Additional Loan Facility shall be translated into Canadian dollars at the time of conversion at an exchange rate of C$1.10 per $1.00; and
- If a monthly advance cannot be agreed upon, the amount of the advance will be $200,000.

This Additional Loan Facility matures in September 2016 or on such earlier date as the principal amount of all advances and all other amounts may become payable under the Loan Agreement. As at September 30, 2014, the Company has drawn $225,000 of the Additional Loan Facility.

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.

	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	122,439
Fair value of $250,000 Tranche 10, July 2014	140,764	109,236
Fair value of $495,000 Tranche 11, August 2014	224,724	270,276
Fair value of $215,000 Tranche 12, September 2014	102,888	112,112
Fair value of $225,000 Tranche 1, September 2014	78,092	146,908
Fair value change on derivative liability and foreign currency translation at period end	544,644	-
Balance, September 30, 2014	$ 2,366,262	$ 1,985,358

The fair values of the tranches were determined using an estimated market discount rate of a comparable debt instrument of approximately 30.5% and using the Binomial pricing model. Assumptions used in the pricing model for the call and put options were as follows: exercise price of C$0.06 to C$0.1026; 41% to 85% volatility; 0.97 to 1.11% interest risk free rate; estimated life of 0.1,1 and 1.5 years; and 0% dividend yield.

Note 7 Share Capital and Contributed Surplus

<u>Authorized:</u>

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

Note 7 Share Capital and Contributed Surplus – (continued)

Common Shares Issued:

	Number	Amount	Contributed Surplus[a]
Balance, December 31, 2013	152,946,133	$ 73,850,105	$ 8,298,355
Settlement of deferred compensation[b]	888,655	71,248	–
Mineral property acquisition costs (Note 4)	1,745,902	100,000	–
Loan Facility (Note 6)	–	–	1,383,768
Balance, September 30, 2014	155,580,690	$ 74,021,353	$ 9,682,123

(a) Contributed surplus is comprised of the fair value of share-based compensation, the fair value of warrants associated with financing costs, and the equity portion of the Loan Facility (Note 6).

(b) During August 2014, the Company settled a portion of its deferred compensation liability of $71,248 with certain former employees by issuing 888,655 common shares.

In February 2014, the Company and Azarga Resources entered into a share purchase agreement, as amended, pursuant to which the Company will acquire all of the issued and outstanding common shares of Azarga Resources in exchange for common shares of the Company (the "Transaction"). The Transaction was approved by the shareholders of Powertech at the annual general and special meeting of shareholders held on June 30, 2014. Subsequent to September 30, 2014, the Transaction was completed. Refer to Note 11 for additional details.

As at September 30, 2014, Azarga Resources owned 68,991,571 common shares of the Company, representing approximately 44% of the issued and outstanding shares.

Further, subsequent to September 30, 2014, the Company completed a private placement financing for gross proceeds of approximately C$5.0 million (the "Financing"). Refer to Note 11 for additional details.

Share Purchase Warrants:

Share purchase warrants liability

	September 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	(282,097)	(411,122)
Balance, end of period	$ 94,724	$ 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 September 30, 2014, the fair value of the share purchase warrant liability was $94,724. Assumptions used in the pricing model at September 30, 2014 are as follows: 103.31% volatility, 1% interest risk free rate, estimated life of 1.4 years and 0% dividend yield.

Note 7 Share Capital and Contributed Surplus – (continued)

Share Purchase Warrants – (continued):

Changes in share purchase warrants for the nine months ended September 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 September 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	$0.115	849,800	–	–	849,800
Totals		20,849,800	–	–	20,849,800

On November 6, 2014, 5,000,000 share purchase warrants expired unexercised. In addition, subsequent to September 30, 2014, additional share purchase warrants were issued in connection with the Financing. Refer to Note 11 for additional information.

Share Option Plan:

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

At September 30, 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:

Grant Date	Expiration Date	Exercise (C$)	Outstanding at December 31, 2013	Granted during period	Expired/ Forfeited during period	Outstanding at September 30, 2014	Vested and exercisable
May 15, 2012	May 15, 2017	$0.20	3,450,000	–	(700,000)	2,750,000	2,750,000
Weighted average exercise price (C$)			$0.20			$0.20	$0.20
Weighted average life remaining (years)			3.37			2.62	2.62

Share-based Compensation:

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

Subsequent to September 30, 2014, the Company adopted a revised option plan. See note 11 for further details.

Note 8 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:

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
Director fees	$ 12,258	$ 12,989	$ 45,670	$ 39,576
Management compensation and short-term benefits	211,724	261,766	641,308	796,063
	$ 223,982	$ 274,755	$ 686,978	$ 835,639

As of September 30, 2014 and December 31, 2013, the Company had an accrued liability of approximately $9,400 and $9,000, respectively, to its directors for services rendered but not yet paid.

As of September 30, 2014, under the Company's deferred compensation arrangement with certain officers, the Company has a recorded liability of approximately $282,000 (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 by way of common shares issuance. 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.

The transactions involving Azarga Resources discussed in Note 6 are related party transactions because Azarga Resources was a significant shareholder as of October 2013.

Note 9 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 $492,000 (September 30, 2013: $668,000) 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, which was accrued but not yet paid.

Note 10 Loss per share

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

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Loss for the period	$ (771,840)	$ (12,924,168)	$ (1,844,512)	$ (13,672,391)
Weighted average common shares - basic and diluted	153,667,507	140,801,362	153,590,868	137,614,549
Loss per common share - basic and diluted	$ (0.00)	$ (0.09)	$ (0.01)	$ (0.10)

Note 11 Subsequent Events

On October 28, 2014, the Company completed the Transaction with Azarga Resources in accordance with the terms and conditions of the share purchase agreement, as amended, and the Financing. In connection with the closing of the Transaction and the Financing, the Company has changed its name from "Powertech Uranium Corp." to "Azarga Uranium Corp." (the "Name Change") and completed a consolidation of its outstanding common shares on the basis of one (1) post-consolidation share for ten (10) pre-consolidation shares (the "Consolidation").

The Company commenced trading under its new name, stock symbol "AZZ" on a post-consolidation basis on October 31, 2014.

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

The proceeds of the 2014 Financing will be used for: continuation of the permitting process for the Dewey Burdock Project; land and claim payments with respect to the Company's five directly controlled projects in the USA and Kyrgyz Republic; exploration; and general working capital purposes.

On closing of the Transaction, the Financing and the Consolidation (the "Closing"), 59,403,732 common shares will be issued and outstanding. The undiluted capitalization of the Company after Closing is as follows:

	Post-Consolidation
Shares outstanding before Closing (excluding shares owned by Azarga Resources)	8,658,912
Shares issued to Azarga Resources shareholders on close of the Transaction	41,911,182
Shares issued pursuant to the Financing (including Finder's Fee)	8,580,830
Shares issued pursuant to employment agreements	252,808
Total post-Consolidation common shares outstanding	59,403,732

All securities issued pursuant to the Transaction are subject to a 24 month escrow and will be released from escrow as follows: Nil on the closing date, 25% of the escrowed securities 12 months after the closing date and the remaining escrowed securities 24 months after the closing date. All securities issued pursuant to the 2014 Financing are subject to a hold period expiring March 1, 2015.

In addition, in accordance with the terms and conditions of the share purchase agreement, as amended, between the Company and Azarga Resources, on October 28, 2014, the Company issued 3,070,506 post-Consolidation share options with post-Consolidation exercise prices between C$1.20 to C1.50 and expiries ranging from May 1, 2018 to of October 28, 2019.