



Condensed Consolidated Interim Financial Statements of

**GoviEx Uranium Inc.**

For the six months ended June 30, 2016

(Unaudited – in U.S. Dollars)

# GoviEx Uranium Inc.

Condensed consolidated interim financial statements

June 30, 2016

## Table of contents

Notice to reader.....	2
Condensed consolidated interim statements of financial position.....	3
Condensed consolidated interim statements of income (loss) and comprehensive (loss).....	4
Condensed consolidated interim statements of changes in equity .....	5
Condensed consolidated interim statements of cash flows .....	6
Notes to the condensed consolidated interim financial statements .....	7-15

## NOTICE TO READER

The accompanying condensed consolidated interim financial statements of GoviEx Uranium Inc. (the “**Company**”) have been prepared by and are the responsibility of the Company’s management. The independent auditor of the Company has not performed a review of these condensed consolidated interim financial statements.

# GoviEx Uranium Inc.

## Condensed consolidated interim statements of financial position

(Unaudited - in thousands of U.S. dollars)

	Notes	Jun 30, 2016	December 31, 2015
		\$	\$
<b>Assets</b>			
Current assets			
Cash		2,515	1,039
Amounts receivable		73	93
Prepaid and deposit		113	90
		<b>2,701</b>	1,222
<i>Non-current assets</i>			
Long-term deposits		300	300
Plant and equipment	3	102	71
Mineral properties	5	60,911	57,147
		<b>61,313</b>	57,518
<b>Total assets</b>		<b>64,014</b>	58,740
<b>Liabilities and equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		430	324
Uranium loan	6	8,704	10,511
Share purchase warrants liability	7	279	55
<b>Total Liabilities</b>		<b>9,413</b>	10,890
<b>Equity</b>			
Share capital	8	224,883	218,743
Contributed surplus		2,109	1,775
Share-based payment reserve		15,107	14,761
Accumulated deficit		(187,498)	(187,429)
		<b>54,601</b>	47,850
<b>Total equity and liabilities</b>		<b>64,014</b>	58,740

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

Nature of operations and going concern (Note 1)

Approved and authorized for issue on behalf of the Board of Directors on Aug 18, 2016.

/s/ "Daniel Major"

Director

/s/ "Christopher Wallace"

Director

# GoviEx Uranium Inc.

## Condensed consolidated interim statements of loss and comprehensive loss

(Unaudited - in thousands of U.S. dollars, except for shares and per share amounts)

		Three months ended June 30,		Six months ended June 30,	
	Note	2016	2015	2016	2015
		\$	\$	\$	\$
<b>Expenses</b>					
Exploration and evaluation	10	(258)	(862)	(636)	(1,832)
General and administrative	11	(397)	(346)	(669)	(636)
		(655)	(1,208)	(1,305)	(2,468)
<b>Other income and (expenses)</b>					
Depreciation		(8)	(55)	(24)	(112)
Loss on derivative liability	7	(111)	-	(224)	-
Foreign exchange gain (loss)		(24)	8	19	(26)
Gain (loss) on uranium loan	6	673	838	2,303	(250)
Interest income		2	1	4	3
Interest on uranium loan	6	(250)	(302)	(496)	(599)
Share-based payment	9	(256)	(181)	(346)	(474)
		26	309	1,236	(1,458)
<b>Loss and comprehensive loss for the period</b>		<b>(629)</b>	<b>(899)</b>	<b>(69)</b>	<b>(3,926)</b>
Loss per share, basic and diluted		\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.03)
Weighted average number of common shares outstanding		189,391,859	146,216,053	178,771,604	146,216,053

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

# GoviEx Uranium Inc.

## Condensed consolidated interim statements of changes in equity

(Unaudited - in thousands of U.S. dollars except shares)

	Note	Number of Shares	Share capital	Contributed surplus	Share-based payment reserve	Accumulated deficit	Total
			\$	\$	\$	\$	\$
<b>Balance, December 31, 2014</b>		146,216,053	217,625	1,775	14,020	(182,175)	51,245
Share-based payments					474		474
Loss and comprehensive loss for the period						(3,926)	(3,926)
<b>Balance, June 30, 2015</b>		146,216,053	217,625	1,775	14,494	(186,101)	47,793
Issuance of common shares		21,935,296	1,118				1,118
Share-based payments					267		267
Loss and comprehensive loss for the period						(1,328)	(1,328)
<b>Balance, December 31, 2015</b>		168,151,349	218,743	1,775	14,761	(187,429)	47,850
Shares issued for cash, net of share issue costs	8	40,568,871	2,163	13			2,176
Shares issued on acquisition of Rockgate Capital Corp.	4	56,050,450	3,961				3,961
Warrants issued on acquisition of Rockgate Capital Corp.	4			321			321
Shares issued for services	8	166,668	16				16
Share-based payments					346		346
Loss and comprehensive loss for the period						(69)	(69)
<b>Balance, June 30, 2016</b>		264,937,338	224,883	2,109	15,107	(187,498)	54,601

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

# GoviEx Uranium Inc.

## Condensed consolidated interim statements of cash flows

(Unaudited - in thousands of U.S. dollars)

	Note	Six months ended June 30,	
		2016	2015
		\$	\$
<b>Operating activities</b>			
Loss for the period		(69)	(3,926)
Adjustments for non-cash items			
Depreciation		24	112
Loss on derivative liability		224	-
Interest expense		496	599
Share-based payment		346	474
Unrealized (gain) loss on uranium loan		(2,303)	250
Changes in non-cash operating working capital items			
Amounts receivable		20	8
Prepaid expenses and deposit		(22)	77
Accounts payable and accrued liabilities		106	(297)
Cash used in operating activities		(1,178)	(2,703)
<b>Investing activities</b>			
Net cash received from acquisition	4	526	-
Cash provided by investing activities		526	-
<b>Financing activities</b>			
Net proceeds from share issuance		2,163	-
Cash provided by financing activities		2,163	-
Effect of foreign exchange on cash		(35)	11
Increase (decrease) in cash		1,476	(2,692)
Cash, beginning of period		1,039	3,653
<b>Cash, end of period</b>		<b>2,515</b>	<b>961</b>

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

# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

GoviEx Uranium Inc. (“**GoviEx**” or the “**Company**”) is a Canadian mineral resources company focused on the exploration and development of uranium properties located in Africa. The Company was originally incorporated in British Virgin Islands as a private investment company and continued under the *Business Corporation Act* (British Columbia) in Canada on March 1, 2011. The head office, principal address, registered and records office of the Company is located at 999 Canada Place, Suite 654, Vancouver, British Columbia, Canada, V6C 3E1.

On June 19, 2014, the Company completed its Initial Public Offering (“**IPO**”) through Canadian Securities Exchange (“**CSE**”). On July 5, 2016, the Company announced the acceptance of TSX Venture Exchange (“**TSX-V**”) on which the Company’s common A shares commenced trading on July 11, 2016 under the same symbol “GXU”.

On June 13, 2016, the Company announced the completion of the Definitive Share Purchase Agreement with Denison Mines Corp. (“**Denison**”) to combine their respective African uranium interest (the “**Transaction**”) previously announced on March 30, 2016 (Note 4).

Concurrent with the Transaction, the Company completed a non-brokered private placement for gross proceeds of \$2.2 million (CAD\$2.8 million) by issuing 40.1 million units at a unit price of CAD\$0.07 (Note 8).

The Company is an advanced exploration company conducting work on its uranium properties located in Africa. The Company capitalizes acquisition costs and expenses all other exploration and development costs related to the projects on which it is conducting exploration. The underlying value and the recoverability of the amounts recorded as mineral exploration rights is dependent upon the Company’s ability to demonstrate the existence of economically recoverable mineral reserves, obtain the mining permit and necessary finance to complete the development of the uranium asset. As a result the carrying value of the mineral rights may not reflect current or future values.

The condensed consolidated interim financial statements have been prepared in on a going concern basis which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. At June 30, 2016, the Company has working capital of \$2.3 million. Continuation of the Company as a going concern is dependent upon the confirmation of economically recoverable reserves and the ability of the Company to obtain further financing to develop its mineral properties. Management is required to continuously raise funds through equity, debt financing and/or joint venture arrangements. Although the Company has been successful in raising funds in the past, there can be no assurance that it will be able to do so in the future. The lack of sufficient committed funding for the next 12 months cast a significant doubt upon the Company’s ability to continue as a going concern. The Company has no source of revenue, and significant cash requirements to maintain its mineral interests, meet its administrative overhead, and pay its liabilities.

Should the Company be unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts on the statements of financial position. These interim financial statements do not reflect adjustments to the carrying value and classification of asset and liability that might be necessary in the event of going concern and such adjustments could be material.

### 2. BASIS OF PREPARATION

#### Statement of compliance

These condensed financial statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting* using the same accounting policies as detailed in the Company’s audited consolidated financial statements for the year ended December 31, 2015.



# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

These interim financial statements do not include all of the information required for complete annual consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) effective as at June 30, 2016, and therefore should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015 and the notes thereto.

### Critical accounting estimates and judgments

The Company’s management makes estimates and uses judgments when determining the assets, liabilities and expenses reported in these interim financial statements. These estimates and judgments are reviewed on an ongoing basis based on historical experience, current economic conditions, and include expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates. The critical estimates and judgments applied in the preparation of these interim financial statements are consistent with those applied and disclosed in Note 2 to the audited consolidated financial statements for the year ended December 31, 2015. The Company’s interim results are not necessarily indicative of its results for a full year.

### Basis of consolidation

These interim financial statements include accounts of the Company and its subsidiaries. All amounts are presented in United States dollars (“US dollars”), which is the functional currency of the Company and each of the Company’s subsidiaries, except as otherwise noted. References to CAD\$ are to Canadian dollars. All inter-company balances, transactions, and expenses have been eliminated.

## 3. PLANT AND EQUIPMENT

Plant and equipment is summarized as follows:

	Motor Vehicles	Plant and Equipment	Land and Buildings	Computer	Office Equipment	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
<b>At December 31, 2015</b>	311	869	301	696	182	2,359
Additions	-	-	55	-	-	55
<b>At June 30, 2016</b>	<b>311</b>	<b>869</b>	<b>356</b>	<b>696</b>	<b>182</b>	<b>2,414</b>
<b>Accumulated depreciation</b>						
<b>At December 31, 2015</b>	280	868	276	688	176	2,288
Depreciation	13	1	-	4	6	24
<b>At June 30, 2016</b>	<b>293</b>	<b>869</b>	<b>276</b>	<b>692</b>	<b>182</b>	<b>2,312</b>
<b>Carrying amount</b>						
<b>At December 31, 2015</b>	31	1	25	8	6	71
<b>At June 30, 2016</b>	<b>18</b>	<b>-</b>	<b>80</b>	<b>4</b>	<b>-</b>	<b>102</b>

# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

### 4. ROCKGATE ACQUISITION

On June 10, 2016, the Company completed the acquisition of Denison's African assets held by Rockgate Capital Corp. ("**Rockgate**"), pursuant to the Definitive Share Purchase Agreement announced on March 30, 2016.

Under the terms of the transaction, the Company acquired a 100% interest in Rockgate by issuing 56,050,450 common shares and 22,420,180 share purchase warrants. Each warrant is exercisable at \$0.15 for one common share until June 10, 2019 subject to an acceleration clause. In the event that the Company's shares closing price is not less than CAD\$0.24 for 15 consecutive trading days, the Company may provide warrants holders with written notice that the warrants can be exercised on the original terms within 30 days; failing which, the exercise price increases to \$0.18 per share and the term is reduced by six months.

The Company concluded that the acquired assets and assumed liabilities of Rockgate did not constitute a business under IFRS 3, *Business Combinations*, and accordingly the transaction was accounted for as an acquisition of an asset. The purchase price was allocated to the assets acquired and liabilities assumed on a relative fair value basis as follows:

<b>Purchase price:</b>	<b>\$</b>
56.1 million common shares issued <sup>(1)</sup>	<b>3,961</b>
22.4 million warrants issued <sup>(2)</sup>	<b>321</b>
Transaction costs	<b>132</b>
	<b>4,414</b>
<hr/>	
<b>Net assets acquired:</b>	
Cash	<b>658</b>
Plant and equipment	<b>55</b>
Mineral properties	<b>3,764</b>
Accounts payable and accrued liabilities	<b>(63)</b>
<b>Net asset acquired</b>	<b>4,414</b>

(1) The common shares were valued at the June 10, 2016 closing price of GoviEx shares on the CSE CAD\$0.09 converted to USD\$ at foreign exchange rate of 0.7852.

(2) The fair value of the warrants issued was calculated using a Black-Scholes option pricing model with the following average assumptions and inputs: (i) expected life – 2 years, (ii) weighted average expected volatility – 75%, (iii) risk-free interest rate – 0.5%.

### 5. MINERAL PROPERTIES

The Company's primary asset is an advanced-stage exploration uranium property located in north central Niger. The Company acquired a 100% interest in five mineral tenements, Madaouela I, II, III, IV, and Anou Melle (the "**Madaouela Project**") for Euro 25 million (\$34.6 million) cash payment and 10 million common shares for \$22.5 million.

On February 1, 2016, the Company announced that the mining permit for the Company's Madaouela I project was granted by the Niger government. Under the terms of the 2007 Mining Convention with the Republic of Niger Ministry of Mines and Energy, the Company is required to make a one-time payment of Euro 7 million (\$8 million) upon the publication of the official decree awarding the first mining permit issued. The Company is in discussion with the Ministry to negotiate the terms of this payment.

Upon the grant of the mining permit, and the incorporation of a standalone Niger mining company to hold the mining permit, the Niger government will receive a 10% free carried interest in the Madaouela I project, and have the option to purchase an additional 30% equity interest at fair market value subject to certain conditions at the time the mining company is incorporated.

# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

In addition, the exploration licenses application for Eralrar and the renewals for Madaouela II, III, IV and Anou Melle were approved by Niger government.

As of June 10, 2016, the Company acquired control of Rockgate and acquired mineral property interests in Zambia (Mutanga project), Mali (Falea project), and Namibia (Dome project) with a fair value of \$3.7 million, of which \$2.3 million has been allocated to Mutanga, \$1.4 million to Falea and \$nil to Dome.

### 6. URANIUM LOAN

Pursuant to a bond purchase agreement with Toshiba Corporation (“Toshiba”) in April 2012, the Company borrowed 200,000 pounds of uranium concentrate  $U_3O_8$  (“Uranium Loan”) at an interest rate of 12% compounded annually. The Uranium Loan matures on April 19, 2020 subject to early redemption by Toshiba. The principal and interest are stated in pounds of  $U_3O_8$ , and at maturity date the Company will have to repay Toshiba a total of 495,193 pounds of  $U_3O_8$  including interest accrued.

The Uranium Loan is secured by a floating charge on all Niger assets of the Company.

Toshiba has the right to demand repayment of the Uranium Loan and accrued interest if (i) the Company fails to deliver a definitive feasibility study relating to Madaouela Project prior to December 31, 2017, or (ii) the sum of the production and capital costs per pound of  $U_3O_8$ , as estimated in a feasibility study prepared in respect of the Madaouela Project, is not lower than \$44 per pound. The equivalent figure, completed to a pre-feasibility level of confidence, reported in the technical report titled, *An Updated Integrated Development Plan for Madaouela Project, Niger* with an effective date of August 11, 2015 and revision date of August 20, 2015, is \$36.44 per pound.

The spot  $U_3O_8$  price, published by Ux Consulting Company, LLC on a weekly basis, was US\$27 per pound on June 27, 2016 and US\$34.5 per pound on December 31, 2015:

	$U_3O_8$	June 30, 2016	December 31, $U_3O_8$	2015
	Pounds	\$	Pounds	\$
Balance, beginning of period	304,682	10,511	272,038	9,657
Unrealized (gain) loss	-	(2,303)	-	(332)
Net principal balance	304,682	8,208	272,038	9,325
Accrued interest	17,680	496	32,644	1,186
Balance, end of period	322,362	8,704	304,682	10,511

### 7. SHARE PURCHASE WARRANTS DERIVATIVE LIABILITY

Share purchase warrants issued with an exercise price denominated in a currency other than the Company’s functional currency are considered derivative instruments. As such they are classified as financial liabilities measured at fair value and are re-measured each reporting period with all changes recorded as a component of net earnings (loss).

In connection with a non-brokered private placement closed in tranches on September 28 and November 3, 2015, the Company issued 22.3 million warrants to the unit holders. Each warrant entitled the holder to purchase one common share of the Company at an exercise price of CAD\$0.18 for a period of two years following the issuances.

The fair value was estimated to be \$0.04 on the date of issue by using the Black-Scholes option pricing model assuming an expected volatility of 75%, a risk-free interest rate of 0.50%, a dividend yield of 0%, and an expected term of two years.

# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

The following table provides detail of the movement of the warrant liability:

	Number of warrants	Amount
Balance as January 1, 2015		\$
Warrants issued on September 28, 2015	16,228,177	645
Warrants issued on November 3, 2015	5,707,119	50
Change in fair value estimates	-	(640)
Balance as December 31, 2015	21,935,296	55
Change in fair value estimates	-	224
<b>Balance as June 30, 2016</b>	<b>21,935,296</b>	<b>279</b>

### 8. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Class A and Class B common shares with no par value.

On June 10, 2016, the Company closed a non-brokered private placement by issuing 40,568,871 units at a price of CAD\$0.07 for gross proceeds of \$2.2 million (CAD\$2.8 million). Each unit consists of one common share and one common share purchase warrant exercisable at \$0.12 per share until June 10, 2018 and \$0.14 per share thereafter.

The Company paid CAD\$52,177 in cash finders' fees and issued 728,451 agent's common shares purchase warrants at the same term of those issued in the private placement.

The fair value of the agents' warrants were calculated using a Black-Scholes option pricing model with the following average assumptions and inputs: (i) expected life – 2 years, (ii) weighted average expected volatility – 75%, (iii) expected dividend yield – 0%, (iv) risk-free interest rate – 0.5%.

In June 2016, 166,668 common shares were issued to independent directors of the Company in satisfaction of their fees totaling \$16,000 (CAD\$20,000) (Note 12).

### 9. SHARE-BASED PAYMENTS

#### a) Stock Options

The Company has a share option plan in place authorizing the granting of stock options to qualified optionees to purchase a maximum of 10% of the then issued and outstanding common shares of the Company.

Stock option transactions and the number of stock options are summarized as follows:

	June 30, 2016		December 31, 2015	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding, beginning of period	14,607,083	0.44	4,648,333	2.15
Options granted	10,535,000	0.09	12,800,000	0.12
Options expired	(808,750)	(2.15)	(2,178,750)	(2.10)
Options forfeited	-	-	(662,500)	(0.72)
Outstanding, end of period	24,333,333	0.28	14,607,083	0.44
Exercisable, end of period	6,877,916	0.45	4,165,416	0.97

# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

The following table lists the stock options outstanding and exercisable at June 30, 2016 with a weighted average remaining life of 4 years and 2 years respectively:

Exercise price	Expiry date	June 30, 2016		December 31, 2015	
		Outstanding	Exercisable	Outstanding	Exercisable
\$ 2.15	February 15, 2016	-	-	50,000	50,000
\$ 2.15	June 6, 2016	-	-	400,000	400,000
\$ 2.15	November 9, 2016	150,000	150,000	250,000	250,000
\$ 2.15	June 4, 2017	250,000	200,000	250,000	200,000
\$ 2.15	August 27, 2017	333,333	266,666	333,333	266,666
\$ 2.15	June 19, 2019	1,040,000	557,500	1,077,500	557,500
CAD 0.30	January 28, 2020	2,600,000	1,413,750	2,721,250	760,000
CAD 0.10	November 19, 2020	6,625,000	1,656,250	6,725,000	1,681,250
CAD 0.11	December 31, 2017	2,800,000	-	2,800,000	-
CAD 0.12	June 20, 2021	10,535,000	2,633,750	-	-
		24,333,333	6,877,916	14,607,083	4,165,416

The Company applies the fair value method of accounting for stock options. The weighted average fair value of options granted during the period ended June 30, 2016 was \$0.05 (June 30, 2015 - \$0.12). The weighted average fair value was estimated on the date of grant using the Black-Scholes model with the following assumptions:

	June 30, 2016	June 30, 2015
Annualized volatility	83%	75%
Expected life in years	5	5
Estimated forfeiture rate	0%	0%
Risk free interest rate	0.66%	0.69%
Dividend rate	Nil	Nil

### b) Common Share Purchase Warrants

The following table lists the common share purchase warrants outstanding:

Exercise price (\$)	Expiry date	Number of warrants		Acceleration price (CAD\$)
		June 30, 2016	December 31, 2015	
CAD 0.18	September 28, 2017	16,228,177	16,228,177	≥0.216
CAD 0.18	November 3, 2017	6,026,879	6,026,879	≥0.216
0.15	June 10, 2019	22,420,180	-	≥0.24
0.12 / 0.14*	June 10, 2019	41,297,322	-	≥0.20
		85,972,558	22,255,056	

\* Exercisable at \$0.12 till June 10, 2018, and \$0.14 thereafter.

All the warrants issued are subject to an acceleration clause based on the Company's share closing price, which, if triggered, the Company may provide the warrants holders with written notices for 30 or 60 days to exercise those warrants under the original terms.

# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

### 10. EXPLORATION AND EVALUATION

Exploration and evaluation expenses for the Company were principally incurred in Niger and are summarized as follows (certain amounts in 2015 were reclassified to be in line with the current presentation):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries	142	220	257	496
Consultants	12	416	70	924
Camp supplies & repairs	(14)	29	31	45
Office expenses	105	110	200	230
Permitting	-	-	50	-
Insurance	11	58	25	92
Travel	2	29	3	45
	258	862	636	1,832

### 11. ADMINISTRATIVE EXPENSES

Administrative expenses for the Company are summarized as follows (certain amounts in 2015 were reclassified to be in line with the current presentation):

	Three months ended Jun 30,		Six months ended Jun 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries	265	246	414	442
Investor relations	30	23	39	49
Insurance	4	13	39	47
Office expenses	22	14	33	42
Travel	23	24	36	27
Professional fees	16	16	68	17
Regulatory and transfer agent	37	10	40	12
	397	346	669	636

# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

### 12. RELATED PARTY DISCLOSURES

Related parties include the board of directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

#### Key management compensation

In recognition of the exceptional efforts in enduring the completion of the Rockgate acquisition, the Company granted cash success fees of CAD\$18,000 each to its Executive Chairman and Chief Executive Officer and CAD\$4,000 to one independent director. The Company also issued 166,668 common shares in satisfaction of committee members' fees totalling CAD\$20,000. These fees represent the first fees paid to committee members since March 2013.

Key management includes the board of directors and the Company's Executive Chairman, Chief Executive Officer and Chief Financial Officer. Compensation awarded to key management is listed below:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
	\$	\$	\$	\$
Salaries	133	186	264	333
Bonus	31	-	31	30
Directors' fees	16	-	16	-
Share-based payments	110	145	172	377
	<b>290</b>	<b>331</b>	<b>483</b>	<b>740</b>

In the event of change of control, the Chief Executive Officer is eligible to receive a one-time bonus equal to 0.5% of the net proceeds received by the Company at the closing of a change of control transaction. The timing, structure and payment of the bonus would be in the sole discretion of the Board of Directors of the Company.

#### Global Mining Management Corporation ("GMM")

GMM is a private company, incorporated in British Columbia, Canada, owned equally by its seven shareholders one of which is the Company. GMM provides general administration, finance and accounting, and corporate services to the Company on a cost recovery basis.

The following fees were incurred in the normal course of operations including the Chief Financial Officer charges:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Personnel	52	88	82	155
Corporate overhead	18	15	22	29
	<b>70</b>	<b>103</b>	<b>104</b>	<b>184</b>

As of June 30, 2016, \$30,795 (December 31, 2015 – \$12,721) was owed to GMM and included in the accounts payable and accrued liabilities of the Company.

# GoviEx Uranium Inc.

## Notes to the condensed consolidated interim financial statements

For the six months ended June 30, 2016

(Unaudited - in U.S. dollars; tabular amounts in thousands except for shares and per share amounts)

### 13. FINANCIAL INSTRUMENTS

The Company has established a fair value hierarchy that reflects the significance of inputs of valuation techniques used in making fair value measurements as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable either directly or indirectly;

Level 3 - inputs for the asset or liability that are not based upon observable market data.

As at June 30, 2016 and December 31, 2015, the recorded amounts for cash, amounts receivables, accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

The fair value of the Company's uranium loan is determined by reference to the closing uranium price on an open market at the reporting date and thus is a level 1 fair value measurement.

The derivative liability is measured at fair value and categorized in level 3.

### 14. SEGMENTED INFORMATION

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions. The Company's non-current assets are listed below:

	June 30, 2016			December 31, 2015		
	Long-term Deposits (\$)	Plant and Equipment (\$)	Mineral Properties (\$)	Long-term Deposits (\$)	Plant and Equipment (\$)	Mineral Properties (\$)
Canada	140			140		
Mali			1,449			
Niger	160	47	57,147	160	71	57,147
Zambia		55	2,315			
	300	102	60,911	300	71	57,147

### 15. COMMITMENTS AND CONTINGENCIES

- The dispute with one of the Company's former employees regarding termination payment was settled during the second quarter of 2016 and is closed as of June 30, 2016. The Company paid \$162,566 (Euro 145,000) to settle the dispute.
- Certain exploration expenditures are required to be incurred by the Company over the next several years in order to maintain various mineral property permits / licenses in good standing.
- The Company is not aware of any other commitments or contingencies which could have a material impact on the Company's financial position or results of operations.





## Management's Discussion and Analysis ("MD&A")

### - Quarterly Highlights

As of August 18, 2016

#### Introduction

GoviEx Uranium Inc. ("**GoviEx**" or the "**Company**") is a company focused on the acquisition, exploration and development of uranium projects in Africa. The Company is based in Vancouver, British Columbia, Canada; its common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "GXU".

The interim MD&A provides a brief update on the Company's business activities, financial condition, financial performance and cash flow since December 31, 2015, and excludes information discussed in its most recent annual MD&A. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards ("**IFRS**") in U.S. dollars, unless otherwise indicated. References to C\$ are to Canadian dollars.

The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3", and "Q4" respectively. Additional information related to GoviEx is available on the Company's website [www.goviex.com](http://www.goviex.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Forward Looking Statements and Risk Factors

This interim MD&A contains forward-looking statements that are related to the Company's activities and future financial results. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results for the current periods are not necessarily indicative of the results for any future period. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance as they are subject to significant risks and uncertainties that, disclosed in the end of this MD&A, may cause projected results of events to be differ materially from actual results or events.

For a detailed listing of the risk factors, please refer to the Company's annual MD&A for the year ended December 31, 2015.

#### Highlights

- On January 26, 2016, the Company was granted the Mining Permit for its Madaouela I tenement, and the Exploration license for the Eralrar tenement.
- On January 29, 2016, the Company was granted renewal approval of the Madaouela II, III, IV and Anou Melle exploration tenements.
- On June 10, 2016, the Company completed a Definitive Share Purchase Agreement (the "**Agreement**") with Denison Mines Corp. ("**Denison**") to combine their respective African uranium mineral interests (the "**Transaction**") which was announced on March 30, 2016.
- On June 10, 2016, the Company closed the non-brokered private placement, which occurred on a concurrent basis with the Transaction, for gross proceeds of \$2.2 million (CAD\$2.8 million).
- On July 11, 2016 Company transferred its listing to the TSX-V.

# GoviEx Uranium Inc.

## Interim MD&A - Quarterly Highlights

### For the six months ended June 30, 2016

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#### Denison Transaction

The Transaction with Denison to create a leading Africa-focused uranium development company closed on June 10, 2016.

The combined asset portfolio includes two permitted uranium development projects: the Madaouela project in Niger and the Mutanga project in Zambia. It also includes the advanced exploration-stage Falea project in Mali, and then early exploration-stage Dome project in Namibia. Through this Transaction, GoviEx now owns one of the largest uranium resource bases among publicly listed uranium development companies.

Pursuant to the terms of the Agreement, GoviEx acquired the Mutanga, Falea and Dome projects from Denison in exchange for 56,050,450 common shares and 22,420,180 share purchase warrants (the "**Consideration Warrants**") of GoviEx. Each Consideration Warrant is exercisable at \$0.15 into one common share of GoviEx for a period of three years. These warrants are subject to an acceleration clause which in the event the close price of GoviEx's common shares on the TSX-V is equal to or greater than C\$0.24 per share for 15 consecutive trading days, the Consideration Warrants are exercisable at the original term within 30 days after written notice is given; If the warrants are not exercised within 30 days of notice, the exercise price is increased to \$0.18 per share and the term of the warrants shall be reduced by six months.

\$658,000 cash was received as part of the \$700,000 working capital provided by Denison on closing. Under the terms of the Transaction, a nominee of Denison was appointed to the Company's Board of Directors, and Denison has the right to participate in future equity financings in order to maintain its pro-rata ownership.

The concurrent financing, was closed on June 10, 2016. GoviEx issued 40,568,871 units ("**Unit**") at a price of C\$0.07 per Unit for gross proceeds of approximately C\$2.8 million. Each Unit consists of one common share and one common share purchase warrant which is exercisable at a price of \$0.12 for one common share of GoviEx till June 10, 2018 and thereafter at a price of \$0.14.

The warrants under the private placement are subject to an acceleration clause. If the closing price of GoviEx's shares is equal to or greater than C\$0.20 for a period of 15 consecutive trading days, GoviEx may issue written notice to give the holders 60 days to exercise these warrants under the original terms. Failure to exercise the warrants within 60 days of notice will cause the warrants to expire unexercised.

#### TSX Venture Exchange Listing

On July 11, 2016 GoviEx transferred its listing from the Canadian Securities Exchange ("**CSE**") to the TSX-V maintaining its trading symbol, GXU.

GoviEx also engaged Renmark Financial Communications Inc. to provide investor relations services targeted at increasing the company's visibility amongst potential shareholders in North America. This engagement is for a 6-month period at a monthly retainer fee of C\$5,000. The engagement started on July 1, 2016.

# GoviEx Uranium Inc.

## Interim MD&A - Quarterly Highlights

For the six months ended June 30, 2016

### Results of Operations

During the three and six months ended June 30, 2016, the Company recorded a loss of \$0.6 million and \$0.07 million, respectively, (June 30, 2015 - \$0.9 million and \$3.9 million). Both periods are significantly affected by the non-cash fair value on the uranium loan that is adjusted based on uranium prices at each reporting date.

Exploration expenses in Africa during the three and six months ended June 30, 2016 were \$0.26 million and \$0.64 million (June 30, 2015 - \$0.9 million and 2.0 million). Expenditures were mainly related to personnel costs associated with the renewal of the Niger exploration licenses.

General and administration personnel were focused on the Transaction and the TSX-V listing. In July 2016 the Company settled the dispute with a former employee for Euro 145,000.

Since January 2016, the Company has reduced its operating and sustaining costs through targeted compensation adjustments, non-essential retrenchments, over-head cut-backs, and other cost-cutting measures where is possible.

Uranium price continues to drift lower and closed at \$25 per pound at the end of July 2016 according to the weekly spot price published by Ux Consulting Company, LLC. The 200,000 pounds uranium loan is fair valued at each reporting date based on the uranium price, and any gain or loss is recognized in the profit and loss during the period.

Warrants denominated in a currency other than the Company's functional currency constitute a derivative liability and must be valued at fair value on each reporting date. Any fair value changes are recognized in profit and loss.

### Summary of Quarterly Results

The following table sets forth a comparison of information for the previous eight quarters ending with June 30, 2016:

<i>(in thousands of U.S. dollars except for per share)</i>	Q2'16	Q1'16	Q4'15	Q3'15	Q2'15	Q1'15	Q4'14	Q3'14
Exploration and evaluation	258	378	575	577	943	1,032	1,356	1,142
General and administrative	397	272	205	186	265	228	359	330
Depreciation	8	16	59	51	55	57	62	65
Foreign exchange (gain) loss	24	(43)	59	8	(8)	34	3	18
(Gain) loss on derivative liability	111	113	(640)	-	-	-	-	-
Gain on disposal of equipment	-	-	(21)	-	-	-	-	-
Interest Income	(2)	(2)	(3)	-	(1)	(2)	(3)	(2)
Interest Expense	250	246	280	307	302	297	237	668
(Gain) loss in uranium inventory	-	-	-	-	-	-	181	(706)
(Gain) loss on uranium loan	(673)	(1,630)	(582)	-	(838)	1,088	80	1,412
Share-based payments	256	90	161	106	181	293	212	245
(Income) loss for period	629	(560)	93	1,235	899	3,027	2,487	3,172
Loss per share	-	-	-	0.01	0.01	0.02	0.02	0.02

# GoviEx Uranium Inc.

## Interim MD&A - Quarterly Highlights

For the six months ended June 30, 2016

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The Company's results have been driven by the level of its exploration and evaluation activities. The Company has had no revenue from mining operations since its inception. Significant variations in costs can be attributed to the following:

- Interest expenses and the balance of the uranium loan vary based on timing and fluctuations in uranium price.
- Increases and decreases quarter to quarter in the Company's stock price can have a significant impact on the value of the derivative liabilities issued by the Company in conjunction with debt and equity instruments.
- Exploration and evaluation expenditures can vary widely from quarter to quarter depending on the stages and priorities of the exploration program.
- Share-based payments are fair valued through Black-Scholes pricing model when stock options are granted and vested. Any change in the assumptions used will impact the share-based expense recorded in the period.
- Foreign exchange gains and losses arise because the Company conducts certain of its activities and holds financial assets in U.S. Dollars, Canadian dollars and other currencies, and reports its financial results in U.S. Dollars.

### Liquidity and Capital Resources

The Company is dependent on raising funds by the issuance of shares and debt arrangements in order to finance further development of its uranium properties and meet general and administrative expenses in the immediate and long term. As at August 18, 2016, the Company has cash on hand approximately \$2.0 million and working capital of \$1.8 million.

Please refer to Note 1, Nature of Operations and Going Concern in the consolidated interim financial statements for the six months ended June 30, 2016 for details.

During the six months ended June 30, 2016, the Company spent \$1.2 million towards operating activities (June 30, 2015 - \$2.7million), received \$0.66 million cash from the Transaction, raised C\$2.8 million through equity financing. The ability of the Company to continue its exploration and development activities is dependent on the continuing success of its uranium project development coupled with its ability to secure additional funding through equity, debt, joint venture or other means of financing.

Material increases or decreases in the Company's liquidity and capital resources will be determined by the success of the Company in renewing its mineral licenses, obtaining its mining permit and obtaining equity or other sources of financing.

### Transactions with Related Party

The Company is a party to a shareholder's agreement with a private company, Global Mining Management Corp. ("GMM"), pursuant to which the Company shares office premises and corporate administration, accounting, and finance personnel on a cost recovery basis.

All transactions have occurred in the normal course of the Company's operations and have been measured at their fair value. The Company has utilized GMM since 2007.

Key management, consisting of personnel having authority and responsibility for planning, directing, and controlling the Company, includes board of directors, Executive Chairman, Chief Executive Officer and Chief Financial Officer.

# GoviEx Uranium Inc.

## Interim MD&A - Quarterly Highlights

### For the six months ended June 30, 2016

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#### Outstanding Share Capital

As of Aug 18, 2016, the Company has

- a) 264.9 million common shares issued and outstanding;
- b) 24.3 million stock options outstanding at a weighted average exercise price of \$0.28 among which 6.88 million stock options are exercisable at a weighted average price of \$0.45.
- c) 85.97 million share purchases warrants exercisable at a weighted price of \$0.13 expiring from September 28, 2017 through June 10, 2019.

#### Off Balance Sheet Arrangements

The Company does not have any special purpose entities nor is it party to any arrangements that would be excluded from the balance sheet.

#### Proposed Transactions

None

#### Changes in Accounting Policies and Critical Accounting Estimates

The Company has not made any changes to its significant accounting policies, as described in Note 2 of the financial statements for the the year ended December 31, 2015. Certain requirements for years beginning on or after January 1, 2017 have not yet been adopted and the Company is currently assessing the impact of adoption.

Critical accounting estimates remain the same as disclosed in the financial statements for the year ended December 31, 2015.

#### Financial Instruments

The Company's cash, amounts receivable, accounts payable and accrued liabilities, uranium loan and derivative liabilities are financial instruments.

The derivative liability is measured at fair value and categorized in Level 3 of the fair value hierarchy used to measure financial instruments. The fair value of the derivative liability is based on the Black-Scholes option pricing model as determined at the reporting date. The recorded amount for cash, amounts receivable, accounts payable and accrued liabilities and the uranium loans approximate their fair values.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from financial instruments.

#### Note to U.S. Readers

The Company uses the Canadian Institute of Mining, Metallurgy and Petroleum's definitions for the terms "measured resources", "indicated resources" and "inferred resources". The Company advises investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. Investors are cautioned not to assume that all, or any part of mineral deposits in these categories will ever be converted into reserves.