



Consolidated Financial Statements of

**GoviEx Uranium Inc.**

Year Ended December 31, 2019

(In U.S. Dollars)

## Independent Auditor's Report

To the Shareholders of GoviEx Uranium Inc.

### Opinion

We have audited the consolidated financial statements of GoviEx Uranium Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$8,650,000 during the year ended December 31, 2019, and has incurred cumulative losses since inception of \$208,075,000 million at December 31, 2019. As stated in Note 1, these conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Macdonald.

**/s/ Deloitte LLP**

Chartered Professional Accountants

Vancouver, British Columbia

April 24, 2020

# GoviEx Uranium Inc.

## Consolidated Statements of Financial Position

(Stated in thousands of U.S. dollars)

	Notes	December 31, 2019	December 31, 2018
		\$	\$
<b>Assets</b>			
Current assets			
Cash		761	1,100
Amounts receivable		6	11
Loan receivable	5	50	2,880
Marketable security	3	46	106
Prepaid expenses and deposit		14	19
		<b>877</b>	<b>4,116</b>
Non-current assets			
Long-term deposit	10(b)	140	140
Plant and equipment		40	56
Mineral properties	4	69,591	69,591
		<b>69,771</b>	<b>69,787</b>
<b>Total assets</b>		<b>70,648</b>	<b>73,903</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities		684	708
Mine permit acquisition payable	4	-	8,011
Non-current liabilities		684	8,719
Area tax payable	4	2,077	-
		<b>2,761</b>	<b>8,719</b>
<b>Equity</b>			
Share capital	6	243,254	240,697
Contributed surplus		19,888	19,178
Deficit		(208,075)	(194,691)
Equity attributable to GoviEx Uranium Inc.		55,067	65,184
Non-controlling interest	4	12,820	-
		<b>67,887</b>	<b>65,184</b>
<b>Total liabilities and equity</b>		<b>70,648</b>	<b>73,903</b>

The accompanying notes are an integral part of the Consolidated Financial Statements.

Nature of Operations and Going Concern (note 1)  
Subsequent Events (note 15)

Approved and authorized for issue on behalf of the Board of Directors on April 24, 2020.

/s/ "Christopher Wallace"

Director

/s/ "Matthew Lechtzier"

Director

# GoviEx Uranium Inc.

## Consolidated Statements of Loss and Comprehensive Loss

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

	Notes	Year ended December 31,	
		2019	2018
		\$	\$
<b>Expenses</b>			
Exploration and evaluation	8	(2,176)	(2,154)
Area tax	4	(2,022)	-
General and administrative	9	(1,812)	(1,948)
		<b>(6,010)</b>	<b>(4,102)</b>
<b>Other income and (expenses)</b>			
Change in fair value of marketable security	3	(60)	(137)
Depreciation		(16)	(15)
Foreign exchange loss		(102)	(227)
Gain on uranium loan		-	5,062
Impairment of loan receivable	5	(1,925)	-
Interest on uranium loan		-	(485)
Interest income		174	192
Share-based compensation	7(a)	(711)	(656)
		<b>(2,640)</b>	<b>3,734</b>
<b>Loss and comprehensive loss for the year</b>		<b>(8,650)</b>	<b>(368)</b>
Loss and comprehensive loss attributable to:			
GoviEx Uranium Inc.		(8,423)	(368)
Non-controlling interest		(227)	-
<b>Net loss for the year</b>		<b>(8,650)</b>	<b>(368)</b>
<b>Net loss per share, basic and diluted</b>		<b>\$ (0.02)</b>	<b>\$ (0.00)</b>
Weighted average number of common shares outstanding		<b>417,425,803</b>	<b>376,733,455</b>

The accompanying notes are an integral part of the Consolidated Financial Statements.

# GoviEx Uranium Inc.

## Consolidated Statements of Changes in Equity

(Stated in thousands of U.S. dollars except for shares)

	Notes	Number of Shares	Share capital	Contributed surplus	Deficit	Equity attributable to GoviEx	Non-controlling Interest	Total equity
			\$	\$	\$	\$	\$	\$
Balance, January 1, 2018 (as reported)		351,151,146	234,384	18,227	(194,064)	58,547	-	58,547
Impact of adoption IFRS 9 on January 1, 2018		-	-	259	(259)	-	-	-
Balance, January 1, 2018 (restated)		351,151,146	234,384	18,486	(194,323)	58,547	-	58,547
Shares issued for cash, net of share issue costs		41,554,322	5,255	86	-	5,341	-	5,341
Shares issued for stock options exercised		1,245,778	157	(50)	-	107	-	107
Shares issued for warrants exercised		8,114,616	901	-	-	901	-	901
Share-based compensation		-	-	656	-	656	-	656
Net loss for the year		-	-	-	(368)	(368)	-	(368)
<b>Balance, December 31, 2018</b>		<b>402,065,862</b>	<b>240,697</b>	<b>19,178</b>	<b>(194,691)</b>	<b>65,184</b>	<b>-</b>	<b>65,184</b>
Shares issued for cash, net of share issue costs	6	20,600,000	2,507	-	-	2,507	-	2,507
Shares issued for warrants & options exercised		656,500	50	(1)	-	49	-	49
Share-based compensation		-	-	711	-	711	-	711
Non-controlling interest	4	-	-	-	-	-	8,086	8,086
Issuance of shares to Niger government		-	-	-	(4,961)	(4,961)	4,961	-
Net loss for the year		-	-	-	(8,423)	(8,423)	(227)	(8,650)
<b>Balance, December 31, 2019</b>		<b>423,322,362</b>	<b>243,254</b>	<b>19,888</b>	<b>(208,075)</b>	<b>55,067</b>	<b>12,820</b>	<b>67,887</b>

The accompanying notes are an integral part of the Consolidated Financial Statements.

# GoviEx Uranium Inc.

## Consolidated Statements of Cash Flow

(Stated in thousands of U.S. dollars)

	Note	Year ended December 31,	
		2019	2018
		\$	\$
<b>Operating activities</b>			
Loss for the year		(8,650)	(368)
Adjustments for non-cash items			
Area tax		2,022	-
Change in fair value of marketable security		60	137
Depreciation		16	15
Gain on uranium loan settled		-	(5,062)
Impairment of loan receivable		1,925	-
Interest on uranium loan		-	485
Interest income		(147)	(130)
Share-based compensation		711	656
Unrealized foreign exchange (gain) loss		(29)	381
Changes in non-cash operating working capital items			
Amounts receivable		5	(2)
Prepaid expenses and deposit		5	12
Accounts payable and accrued liabilities		(24)	336
Cash used in operating activities		(4,106)	(3,540)
<b>Financing activities</b>			
Loan receivable	5	1,052	(2,750)
Net proceeds from share issuances		2,556	6,349
Uranium loan payment		-	(4,500)
Cash provided by (used in) financing activities		3,608	(901)
Effect of foreign exchange on cash		159	(457)
Decrease in cash		(339)	(4,898)
Cash, beginning of year		1,100	5,998
Cash, end of year		761	1,100

The accompanying notes are an integral part of the Consolidated Financial Statements.

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

---

### 1. Nature of Operations and Going Concern

GoviEx Uranium Inc. (together with its subsidiaries, “**GoviEx**” or the “**Company**”) is a Canadian mineral resources company focused on the exploration and future development of uranium properties located in Africa. The Company was incorporated in the British Virgin Islands on June 16, 2006, and continued under the Business Corporation Act (British Columbia) in Canada on March 1, 2011. The head office, principal address, registered and records office is located at 999 Canada Place, Suite 654, Vancouver, British Columbia, Canada, V6C 3E1.

The Company has one business segment, the exploration of mineral properties, with 94% of its non-current assets located in Niger. The underlying value of the amounts recorded as mineral properties represents the acquisition costs and does not reflect current or future values. The Company’s continued existence is dependent upon the economic recoverability of mineral reserves and its ability to obtain funding to complete exploration activities.

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. During the year 2019, the Company incurred a net loss of \$8,650,000 and had an accumulated deficit of \$208,075,000.

The Company has no source of revenue and has significant cash requirements to maintain its mineral interests, meet its administrative overhead, and pay its liabilities. On February 13, 2020, the Company closed a non-brokered private placement for gross proceeds of Canadian dollars (“**CAD**”) 2,300,000 (note 15). 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 working capital for the next 12 months combined with the COVID-19 pandemic cast significant doubt on the Company’s ability to continue as a going concern.

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 consolidated statements of financial position. These consolidated financial statements do not reflect adjustments to the carrying value and classification of assets and liabilities that might be necessary in the event of going-concern. Such adjustments could be material.

### 2. Significant Accounting Policies

#### a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

These consolidated financial statements incorporate the financial statements of GoviEx and its subsidiaries: GoviEx Niger Holdings Ltd., GoviEx Niger S.A., Compagnie Miniere Madaouela SA (“**COMIMA**”), GoviEx Uranium Zambia Limited, Chirundu Joint Venture Zambia Limited, Muchinga Energy Resources Limited, and Delta Exploration Mali SARL.

The Company consolidates an entity when it has power over that entity, is exposed, or has rights to variable returns from its investment with that entity and can affect those returns through its power over that entity. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

#### b) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the applicable policies, reported amounts and disclosure. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable in the circumstances. Uncertainty about these judgements, estimates and assumptions could result in a material adjustment to the carrying amount of the asset or liability affected in future periods.

The critical judgments made are related to the economic recoverability of its mineral properties, the determination of functional currency for the Company and its subsidiaries and the assumption that the Company will continue as a going concern.

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

---

c) Functional currency and foreign currency translation

The Company's presentation currency is the U.S. dollar ("\$" or "USD"). Items included in the consolidated financial statements of the Company and each of its subsidiaries are measured in each entity's functional currency, which is the currency of the primary economic environment the entity operates. The functional currency for the Company and all of its subsidiaries is USD.

In preparing the consolidated financial statements, transactions in currencies other than an entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of loss and comprehensive loss.

d) Mineral properties

Mineral properties are exploration and evaluation assets that consist of payments to acquire mineral exploration rights, licenses and mining permits. Acquisition costs are capitalized and deferred until such a time as the mineral property is put into production, sold or abandoned, or impaired.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the mineral properties are transferred to property and equipment. When a property is placed into commercial production, capitalized costs will be depleted using the units-of-production method.

The carrying values of capitalized amounts are reviewed when indicators of impairment are present. Recorded amounts of mineral properties are not intended to reflect present or future values of the properties. The recorded costs are subject to measurement uncertainty, and it is reasonably possible, based on existing knowledge, that changes in future conditions could have a material impact on the recognized amount.

e) Impairment

Mineral properties are assessed for impairment only when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount and/or when the Company has sufficient information to reach a conclusion about the technical feasibility and commercial viability.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- the right to explore no longer exists;
- the absence of further substantive planned or budgeted exploration expenditures;
- exploration for and evaluation of mineral properties in the specific area have not led to the discovery of commercially viable quantities of mineral properties;
- sufficient data exists to indicate that, although development in the specific area is likely to proceed, the carrying amount of the mineral properties is unlikely to be recovered in full; or
- adverse changes in the taxation and regulatory environment.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that this does not exceed the original carrying amount that if no impairment loss had been recognized.

f) Financial instruments

Financial instruments are recognized in the statement of financial position when the Company becomes a party to a contractual obligation. At initial recognition, the Company classifies and measures its financial instruments as one of the following:

- at amortized cost, if they are held to collect contractual cash flows which solely represent payments of principal and interest;

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

---

- at fair value through other comprehensive income (“**FVOCI**”) if they are held to both collect contractual cash flows and to sell where those cash flows represent solely payments of principal and interest;
- otherwise, they are classified at fair value through profit or loss (“**FVPL**”).

Financial assets are classified and measured at fair value with subsequent changes in fair value recognized in profit and loss as they arise unless restrictive criteria are met for classifying and measuring the asset at either amortized cost or FVOCI. Financial liabilities are measured at amortized costs unless they are required to be measured at fair value through profit and loss.

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred all risks and rewards of ownership substantially. Financial liabilities are derecognized when the obligations specified in the contract are discharged, cancelled, or expired.

At each reporting date, the Company uses the expected credit losses model to assess the impairment of its loans and receivables. The expected losses represent possible outcomes weighted by the probability of their occurrence, and the model focuses on the risk of default rather than whether a loss has been incurred. If there has been a significant increase in credit risk, an allowance would be recognized in the consolidated statements of loss and comprehensive loss.

### g) Share-based compensation

Share-based compensation to employees is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model and is amortized over the vesting periods. Share-based compensation to non-employees is measured at the fair value of the goods or services received or at the fair value of the equity instruments issued and are recorded at the date the goods or services are received. Expected volatility is based on the historical share price of the Company and a selection of comparable companies.

### h) Provisions

Provisions are recognized when a present legal or constructive obligation exists because of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

The Company had no material provisions on December 31, 2019 and 2018.

### i) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to shareholders by the weighted average number of shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

### j) Income taxes

The Company follows the asset and liability method of accounting for income taxes whereby deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases as well as for the benefit of losses available to be carried forward to future years for tax purposes. Deferred tax assets and liabilities expected to be recovered or settled are measured using enacted or substantively enacted tax rates. They are recorded in the financial statements if realization is considered probable. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment date.

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

k) Adoption of IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 Leases.

IFRS 16 specifies how a lease is recognized, measured and disclosed. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Due to a termination clause, the Company has elected to apply for the recognition exemption not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The lease payments associated with these leases are recognized as an expense basis over the lease term. As such, the adoption of IFRS 16 does not have a significant impact on these consolidated financial statements.

### 3. Marketable Security

The Company holds 1,210,975 common shares of Kincora Copper Limited with a market value of \$46,000 as of December 31, 2019 (December 31, 2018 - \$106,000). During the year ended December 31, 2019, an unrealized loss of \$60,000 (2018 - \$137,000) was recognized for these securities in the consolidated statements of loss and comprehensive loss.

### 4. Mineral Properties

The Company has two mine permitted projects: Madaouela in Niger, and Mutanga in Zambia. The Company also has a 100% interest in the Falea project comprising three exploration licenses located in Mali.

Capitalized acquisition costs for the mineral properties are listed below:

	December 31, 2019	December 31, 2018
(In thousands of U.S. dollars)	\$	\$
Madaouela, Niger	65,234	65,234
Mutanga, Zambia	2,908	2,908
Falea, Mali	1,449	1,449
	69,591	69,591

#### Madaouela project

The Madaouela Project located in north-central Niger includes one mining permit for Madaouela I and six adjoining exploration licenses for Madaouela II, III, IV, Anou Melle, Eralral and Agaliouk. On January 28, 2019, the Company reapplied for expired licenses, Madaouela II, III, IV and Anou Melle, which government approval is expected in 2020. As of December 31, 2019, licenses for Eralral and Agaliouk are in good standing.

The Madaouela I large-scale mining permit was granted on January 26, 2016, valid for ten years and renewable twice for ten years each. Under the terms of the Niger mining code and the Company's mineral conventions, upon the conversion of an exploration license to a mining permit, the Company was required to transfer a 10% free-carried non-dilutable equity interest in the shares of a new Nigerien company to the Niger government. The Niger government also had an option to purchase up to a maximum additional 30% equity interest in the Nigerien company at fair market value.

In July 2019, GoviEx signed the definitive agreements with the Niger government to jointly progress the Madaouela Project. Key commercial terms are summarized below:

- i) To incorporate a Nigerien operating company to hold the Madaouela I mining permit (incorporated);
- ii) to issue a 10% free carried interest in the capital of COMIMA to Niger government (issued);

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

- iii) to transfer an additional 10% working interest in COMIMA to Niger government in exchange for the \$8,086,000 mining permit payable and previously challenged area taxes amounting to \$6,505,000 for the years 2016 – 2018 (transferred);
- iv) to defer the annual area tax without interest, penalties or fees, from January 2019, until the earlier of the date GoviEx closes a project financing or July 2022 (accrued for 2019);
- v) to revise the Madaouela I mining permit to include Miriam deposit within the Agaliouk license (revised);
- vi) to grant new 9-year exploration licenses for Madaouela II, III, IV, and Anou Melle, which expired on January 28, 2019 (pending approval).

Following the signing of the above commercial framework, a Nigerien operating company, COMIMA, was created on July 18, 2019, and is owned 20% and 80% by the Niger government and GoviEx, respectively.

### Non-controlling interest (“NCI”)

Non-controlling interest represents equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to NCI is presented as a component of equity; their share of net income (loss) and other comprehensive income (loss) is recognized directly in equity.

The Company recognizes transactions with the Niger government as transactions with an equity shareholder. Changes in the Company’s ownership interest in COMIMA that do not result in loss of control are accounted for as equity transactions.

NCI was recognized and measured at a net asset of \$65,234,000 upon the share issuance of the 20% Niger government ownership. During the year 2019, \$251,594 incorporation costs and 2019 area tax of \$2,021,881 (CFA 1,216,000,000) were attributed to the Niger government based on its working interest. As of December 31, 2019, the Company consolidated a 100% interest in COMIMA and reported the carrying value of the NCI as below:

In thousands of U.S. dollars	\$
Balance, beginning	13,047
Incorporation costs	(25)
Area tax	(202)
Balance, at December 31, 2019	12,820

### Mutanga and Falea projects

The Company has a 100% interest in the Mutanga project, located south of Lusaka, Zambia, which consists of three contiguous mine permits. The initial two mining permits were acquired in June 2016 from Denison Mines Corp. (“**Denison**”), and the third mining permit was purchased from African Energy Resources Ltd. in October 2017.

The Company acquired a 100% interest in the Falea project in Mali from Denison in June 2016. It contains three exploration licenses, which are all in good standing as of December 31, 2019.

## 5. Loan Receivable

In conjunction with the Termination and Mutual Release Agreement with Toshiba Corporation (“**Toshiba**”) dated February 28, 2018 (the “**Termination**”), Toshiba entered into a Share Purchase Agreement (“**SPA**”) with Linkwood Holdings Pte Ltd. (“**Linkwood**”) to sell its entire 28,395,466 common shares in GoviEx to Linkwood for \$4,500,000 as a precondition for conclusion of the Termination.

On July 3, 2018, the Company provided a \$2,750,000 short-term loan (the “**Loan**”), subsequently amended, to Linkwood to ensure the completion of the SPA. The Loan bore an annual interest rate of 9.5% with a monthly repayment from February 2019 to June 2019.

On July 15, 2019, to allow Linkwood sufficient ability to service the outstanding debt, the Company and Linkwood entered into a forbearance agreement whereby the unpaid principal and accrued interest of \$2,187,111 were

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

restructured into a monthly repayment over the next 12 months. The forbearance agreement does not waive any portion of interest or principal, bears an annual interest rate of 11.5%, and will expire on July 31, 2020.

The Loan collaterals consist of security shares in both publicly traded and private companies; one of the companies completed its initial public offering and started trading in February 2020.

Linkwood repaid a total of \$1,051,834 during 2019 and \$50,000 after the year-end. Linkwood is still expected to repay the outstanding amounts; however, in light of the significant uncertainties around the timing and potential liquidation of the collaterals under the market conditions, the Company determined the Loan was impaired. As a result, a \$1,925,000 impairment was recorded in the consolidated statements of loss and comprehensive loss for the year-end 2019.

(In thousands of U.S. dollars)	\$
Balance, beginning	2,750
Accrued interest income	130
Balance, December 31, 2018	2,880
Accrued interest income	147
Payments received	(1,052)
Impairment	(1,925)
Balance, December 31, 2019	50

### 6. Share Capital

On April 10, 2019, the Company closed a non-brokered private placement by issuing 20,600,000 units at CAD 0.17 per unit for gross proceeds of \$2,623,450 (CAD 3,502,000). Each unit consists of one Class A common share and one common share purchase warrant exercisable at \$0.21, \$0.24 and \$0.28 per share at each anniversary over three years from the date of the issuances.

The Company paid \$103,218 (CAD 137,445) in cash finders' fees, which were included in the total \$116,151 share issue costs.

During 2019, 550,000 stock options and 106,500 warrants were exercised at CAD 0.1 and \$0.075 per share, respectively.

On June 5, 2018, and December 31, 2018, the Company closed non-brokered private placements by issuing 35,674,911 and 5,879,411 units, respectively, for CAD 0.17 per unit for total gross proceeds of \$5,300,000 (CAD 7,060,000). Each unit consists of one common share and one common share purchase warrant exercisable at \$0.21, \$0.24 and \$0.28 per share at each anniversary over three years from the date of the issuances.

The Company paid \$59,153 (CAD 79,109) finders' fees in cash.

During 2018, the Company issued 8,114,616 and 1,245,778 common shares related to warrants and the stock option exercised, respectively, for total gross proceeds of \$1,008,565.

### 7. Share-based Compensation

#### a) Stock options

The Company has a stock option plan, which authorizes the Company to issue options up to 10% of the issued and outstanding common shares. Share options are granted at an exercise price equal to the estimated value of the Company's common shares on the date of the grant.

Options are forfeited if optionees leave before the options vest, and options vested shall expire 30 days after the employees leave, unless otherwise determined by the Board of the Directors.

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

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

	December 31, 2019		December 31, 2018	
	Number of options	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
Outstanding, beginning	35,105,000	0.20	27,745,778	0.24
Granted	8,230,000	0.10	10,380,000	0.16
Exercised	(550,000)	(0.08)	(1,245,778)	(0.09)
Expired	(2,255,000)	(1.06)	(500,000)	(0.21)
Forfeited	(445,000)	(0.16)	(1,275,000)	(0.23)
Outstanding, ending	40,085,000	0.13	35,105,000	0.20
Exercisable, ending	28,172,500	0.13	20,785,000	0.23

On August 26, 2019, 8,230,000 stock options were granted exercisable at CAD 0.135 per share and vested 25% on the grant date, thereafter 25% on each anniversary.

The following table lists the stock options outstanding and exercisable, with a weighted average remaining life of 2 years on December 31, 2019:

Exercise Price	Expiry date	December 31, 2019		December 31, 2018	
		Outstanding	Exercisable	Outstanding	Exercisable
\$ 2.15	June 19, 2019	-	-	1,040,000	1,040,000
CAD 0.30	January 28, 2020	2,115,000	2,115,000	2,115,000	2,115,000
CAD 0.10	November 19, 2020	5,175,000	5,175,000	6,025,000	4,518,750
CAD 0.12	June 20, 2021	9,800,000	9,800,000	10,300,000	7,781,250
CAD 0.22	July 9, 2021	500,000	500,000	500,000	-
CAD 0.32	March 17, 2022	5,220,000	3,940,000	5,620,000	2,860,000
CAD 0.22	September 25, 2023	9,045,000	4,585,000	9,505,000	2,470,000
CAD 0.14	August 26, 2024	8,230,000	2,057,500	-	-
		40,085,000	28,172,500	35,105,000	20,785,000

The Company applies the fair value method of accounting for stock options. The weighted average fair value of options granted during the year ended December 31, 2019, was \$0.06 (2018 - \$0.10). The weighted average fair value was estimated on the date of grant using the Black-Scholes model with the following assumptions:

	December 31, 2019	December 31, 2018
Annualized volatility	75%	75%
Expected life	5	5
Estimated forfeiture rate	0%	0%
Risk free interest rate	1.24%	2.30%
Dividend rate	Nil	Nil

On January 28, 2020, 2,115,000 stock options expired unexercised.

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

b) Common share purchase warrants

A continuity summary of the issued and outstanding share purchase warrants is listed as below:

	December 31, 2019		December 31, 2018	
	Number of warrants	Weighted average exercise price (\$)	Number of warrants	Weighted average exercise price (\$)
Outstanding, beginning	161,680,338	0.19	128,240,632	0.16
Warrants granted	20,600,000	0.21	41,554,322	0.21
Warrants exercised	(106,500)	(0.075)	(8,114,616)	(0.11)
Warrants expired	(70,509,516)	(0.14)	-	-
Outstanding, ending	111,664,322	0.20	161,680,338	0.19

Common share purchase warrants were issued and outstanding were listed below:

Exercise price (\$)	Expiry date	December 31, 2019	December 31, 2018	Acceleration Price (CAD)
0.15	June 10, 2019	-	22,420,180	
0.14	June 10, 2019	-	26,526,456	
0.075	December 19, 2019	-	127,500	NA
0.31	December 22, 2019	-	21,541,880	NA
0.23	October 30, 2020	1,600,000	1,600,000	≥0.36
0.24/0.28*	June 5, 2021	35,674,911	35,674,911	N/A
0.15	December 19, 2021	45,339,856	45,339,856	NA
0.15	December 22, 2021	2,570,144	2,570,144	NA
0.24/0.28*	December 31, 2021	5,879,411	5,879,411	N/A
0.21/0.24/0.28*	April 21, 2022	20,600,000	20,600,000	N/A
		111,664,322	112,733,702	

\* Exercise price by each anniversary.

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

### 8. Exploration and Evaluation

Exploration and evaluation expenses for the Company are summarized as follows (certain amounts have been reclassified to conform to current presentation):

(In thousands of U.S. dollars)	Year ended December 31, 2019				Year ended December 31, 2018			
	Madaouela (Niger)	Mutanga (Zambia)	Falea (Mali)	Total	Madaouela (Niger)	Mutanga (Zambia)	Falea (Mali)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Salaries	353	234	183	770	471	281	185	937
Consulting	310	37	2	349	301	22	-	323
Professional fees	253	10	14	277	23	17	12	52
Office expenses	162	56	48	266	181	68	65	314
License and taxes	78	102	1	181	75	128	46	249
Community	145	25	10	180	22	31	3	56
Camp	55	35	33	123	69	60	40	169
Travel	27	3	-	30	51	-	3	54
	1,383	502	291	2,176	1,193	607	354	2,154

### 9. Administrative Expenses

Administrative expenses are summarized as follows:

(In thousands of U.S. dollars)	Year ended December 31,	
	2019	2018
	\$	\$
Salaries	891	1,048
Professional fees	287	183
Investor relations	282	264
Office expenses	190	218
Travel	88	137
Regulatory fees	74	98
	1,812	1,948

### 10. 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 specific consultants performing similar functions.

#### a) Key management compensation

Key management includes the board of directors and the Company's executive officers. Directors' fees are paid semi-annually; as of December 31, 2019 and 2018, \$50,000 fees earned for the second half of each year were included in the accounts payable and accrued liabilities, respectively.

The following table list compensation awarded to key management:

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

(In thousands of U.S. dollars)	Year ended December 31,	
	2019	2018
	\$	\$
Salaries	592	594
Bonus	-	145
Committees' fees	103	111
Share-based compensation	545	498
	<b>1,240</b>	<b>1,348</b>

b) Global Mining Management Corporation (“GMM”)

GMM is a private company owned by its shareholders, one of which is the Company. GMM provides GoviEx’s Vancouver office with furnished office space, equipment and communication facilities, corporate administrative, and finance and accounting support on a cost-recovery basis. GoviEx has been a shareholder of GMM since October 25, 2007 and maintains a prepaid balance of \$140,000 (CAD 175,000) with GMM.

The following charges were incurred in the ordinary course of operations including the CFO salary:

(In thousands of U.S. dollars)	Year ended December 31,	
	2019	2018
	\$	\$
Salaries and benefits	301	288
Corporate overhead	65	70
	<b>366</b>	<b>358</b>

As of December 31, 2019, \$69,026 (December 31, 2018 – \$53,422) was owed to GMM and included in the accounts payable and accrued liabilities of the Company.

c) Other

On December 12, 2018, the Company drew-down CAD 250,000 for temporary working capital needs under a one-time credit agreement between Denison and GoviEx. The credit facility was unsecured, bearing an annual interest rate of 7.5%, and was payable upon the closing of an equity financing by GoviEx for gross proceeds no less than CAD 2,000,000.

On April 11, 2019, the Company repaid Denison \$192,229 (CAD 256,164), including the principal and interest.

## 11. Commitments and Contingencies

- Under various mining conventions for the Company’s exploration licenses in Niger and Mali, the Company is required to incur total exploration expenditures of \$11,955,599 in Niger from 2020 to 2023 and \$271,753 in Mali in 2020.
- In the second half of 2019, the Company received two invoices for \$390,670 (CFA 228,756,084) relating to service charges, including taxes, from its Nigerien notary related to the creation of COMIMA and the share transfer to the Niger government. The Company has disputed these charges at a Niger court and is vigorously defending its position. As a result, \$59,000 cash was in escrow, and \$50,000 was accrued for this dispute as of December 31, 2019. The Company believes the outcome would not have a material adverse effect on its consolidated financial statements.
- Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers, or title may be affected by undetected defects. In addition to the above matters, the Company and its

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

---

subsidiaries are also subject to routine legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated net earnings, cash flow or financial positions.

### 12. Capital Risk Management

The Company's objective in managing its capital is to ensure sufficient financial flexibility to continue developing its uranium projects and maximize shareholder return through enhancing the share value. The Company's operations have been and will continue to be funded by debt and/or equity finance arrangements.

The Company's capital includes the components of shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral property interests and associated administrative expenses. To maintain or adjust the capital structure, the Company may attempt to issue new shares, debt and acquire or dispose of mineral rights.

The Company monitors actual expenses to budget on all exploration projects and overheads to manage costs, commitments and exploration activities. There were no changes in the Company's approach to capital management during the year ended December 31, 2019.

### 13. Financial Instruments and Risks

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company examines the various financial instrument risk to which it is exposed and assesses the impact and likelihood of those risks.

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by forecasting cash flows. As discussed in Note 1 and Note 12, the Company requires additional funds from shareholders or lenders to meet its obligations as they came due in 2019. The Company is engaged in discussions with various parties for potential financings. However, there can be no assurance that these discussions will be completed successfully.

#### Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations. The Company is exposed to credit risk through its Linkwood loan receivable, cash held in a large financial institution and long-term deposits. The Company believes the carrying amount of its cash and receivables represents its maximum credit exposure.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value of financial instruments of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company operates internationally with the head office located in Canada; thus, the Company is exposed to foreign currency risk arising from transactions denominated in Canadian dollars, CFA Franc, and other currencies.

#### Market risk

The Company is exposed to market risk because of the fluctuating values of its publicly-traded marketable securities. The Company has no control over these fluctuations and does not hedge its investments. Marketable securities are adjusted to fair value at each reporting date.

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

### Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the short-term interest rates through the interest earned on cash balances. Management does not believe this exposure is significant.

### 14. Income Taxes

A reconciliation of income tax provision computed at Canadian statutory rates to the reported income tax provision for fiscal 2019 and 2018 is provided as follows:

In thousands of U.S. dollars	2019	2018
	\$	\$
Loss before income taxes	(8,650)	(368)
Canadian statutory tax rate	27.00%	27.00%
Expected income tax recovery	(2,336)	(99)
Different effective tax rates in foreign jurisdictions	675	14
Permanent differences	447	287
Foreign exchange movement	(170)	231
Tax rate change	-	(55)
Change in unrecognized tax benefits	1,384	(378)
Income tax recovery	-	-

For the duration of the exploration activities, the Company is exempt from income tax in Niger. The income tax rate in Niger is 30%. Claiming of tax depreciation is mandatory; however, unused depreciation can be deferred indefinitely and applied to reduce future taxable profit. Tax losses can be carried forward and applied to reduce future taxable profit for three years. These rules are included and described in a bi-lateral convention signed by the Company and the Government of Niger and are consistent with Niger's Mining Code.

The Company is subject to assessments by various taxation authorities, which may interpret tax legislation and tax filing positions differently from the Company. The Company provides for such differences when it is probable that a taxation authority will not sustain the Company's filing position, and the amount of tax exposure can be reasonably estimated. As of December 31, 2019, and 2018, no provisions have been made in the financial statements for any estimated tax liability.

The Company's unrecognized deductible temporary differences and unused tax losses consist of the following amounts:

In thousands of U.S. dollars	2019	2018
	\$	\$
Unrecognized deductible temporary differences		
Non-capital loss carryforwards	51,081	48,614
Tax value over book value of loans	5,514	3,736
Share issue costs, investment, PPE and Capital loss	828	624
Tax value over book value of mineral properties	63,503	61,860
Unrecognized deductible temporary differences	120,926	114,834

The realization of income tax benefits related to these potential tax deductions is uncertain and cannot be viewed as probable. Accordingly, no deferred income tax assets have been recognized for accounting purposes.

The Company has Canadian non-capital tax loss carry forwards of \$51,080,916 that may be available for tax purposes, if not utilized, will expire between 2026 and 2039.

# GoviEx Uranium Inc.

## Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

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

---

As of December 31, 2019 and 2018, the Company had unrecognized deferred tax liabilities of \$883,000 and unrecognized deferred tax assets of \$3,007,000 due to temporary differences arising on the initial recognition of the acquisition of all of the issued and outstanding common shares of Rockgate, Muchinga Energy Resources and Chirundu Joint Ventures Zambia Ltd.

During the year ended December 31, 2019, the Company identified certain adjustments to its prior-year deferred income tax estimates. As a result, the unrecognized temporary differences have been adjusted to reflect these revisions. As these temporary differences are unrecognized, there has been no impact on the consolidated statements of financial position, loss and comprehensive loss, equity or cash flows.

### 15. Subsequent Events

- a) On February 13, 2020, the Company announced and closed a non-brokered private placement by issuing 15,333,334 units at CAD 0.15 per unit for gross proceeds of \$1,736,017 (CAD 2,300,000). Each unit consists of one Class A common share and one common share purchase warrant exercisable at \$0.15 per share until February 13, 2025.

The Company paid \$63,438 (CAD 90,000) finders' fees in cash.

- b) In March 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far-reaching. To date, there have been significant stock market declines, and the movement of people and goods has become restricted.

The impact of these factors on the Company is not yet determinable. As the Company does not have production activities, the ability to fund ongoing exploration and future development is affected by the availability of financing. As a result, impairment indicators for mineral properties could arise in 2020 if current COVID-19 conditions persist.