Condensed Interim Consolidated Financial Statements of

# GoviEx Uranium Inc.

For the three months ended March 31, 2018

(Unaudited – Stated In U.S. Dollars)

**Notice to Reader**

The accompanying condensed interim consolidated financial statements of GoviEx Uranium Inc. have been prepared by and are the responsibility of GoviEx's management. The independent auditor of GoviEx has not performed a review of these condensed interim consolidated financial statements.

# GoviEx Uranium Inc.

## Condensed interim consolidated statements of financial position

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

| | Notes | **March 31, 2018** | December 31, 2017 |
|---|---|---|---|
| | | **$** | $ |
| **Assets** | | | |
| Current assets | | | |
| Cash | | **4,837** | 5,998 |
| Amounts receivable | | **7** | 9 |
| Marketable securities | **3** | **131** | 243 |
| Prepaid expenses and deposit | | **26** | 31 |
| | | **5,001** | 6,281 |
| Non-current assets | | | |
| Long-term deposit | | **140** | 140 |
| Plant and equipment | | **67** | 71 |
| Mineral properties | **4** | **61,504** | 61,504 |
| | | **61,711** | 61,715 |
| **Total assets** | | **66,712** | 67,996 |
| **Liabilities and equity** | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | **385** | 372 |
| Uranium loan | **5** | **8,287** | 9,077 |
| | | **8,672** | 9,449 |
| **Equity** | | | |
| Share capital | **6** | **234,396** | 234,384 |
| Contributed surplus | | **2,278** | 2,278 |
| Share-based payment reserve | | **16,320** | 16,208 |
| Investment revaluation reserve | | **-** | (259) |
| Deficit | | **(194,954)** | (194,064) |
| | | **58,040** | 58,547 |
| **Total equity and liabilities** | | **66,712** | 67,996 |

The accompanying notes are an integral part to the condensed interim consolidated financial statements

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 13)
Subsequent event (Note 14)

Approved and authorized for issue on behalf of the Board of Directors on May 25, 2018.

| | |
|---|---|
| */s/ "Daniel Major"* | */s/ "Christopher Wallace"* |
| Director | Director |

# GoviEx Uranium Inc.

## Condensed interim consolidated statements of loss and comprehensive loss

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

| | Notes | For the three months ended March 31, 2018 | 2017 |
|---|---|---|---|
| | | $ | $ |
| **Expenses** | | | |
| Exploration and evaluation | **8** | **(626)** | (712) |
| General and administrative | **9** | **(414)** | (428) |
| | | **(1,040)** | (1,140) |
| Other income and (expenses) | | | |
| Depreciation | | **(4)** | (3) |
| Gain (loss) on derivative liability | | **-** | (915) |
| Loss on marketable securities | **3** | **(112)** | - |
| Foreign exchange loss | | **(175)** | (6) |
| Unrealized gain (loss) on uranium loan | **5** | **1,013** | (1,450) |
| Interest on uranium loan | **5** | **(223)** | (232) |
| Interest and other income | | **22** | 512 |
| Share-based payment | | **(112)** | (312) |
| | | **409** | (2,406) |
| **Net loss for the period** | | **(631)** | (3,546) |
| **Other comprehensive loss** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Net change in fair value of marketable securities | **2(b)** | **-** | (65) |
| **Loss and comprehensive loss for the period** | | **(631)** | (3,611) |
| Net loss per share, basic and diluted | | **(0.00)** | (0.01) |
| Weighted average number of common shares outstanding | | **351,171,968** | 319,026,113 |

The accompanying notes are an integral part to the condensed interim consolidated financial statements

# GoviEx Uranium Inc.

## Condensed interim consolidated statements of changes in equity

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

| | Number of Shares | Share capital | Contributed surplus | Share-based payment reserve | Investment revaluation reserve | Deficit | Total |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| **Balance, January 1, 2017** | 314,937,338 | 228,320 | 2,204 | 15,418 | - | (188,010) | 57,932 |
| Shares issued for warrants exercised | 6,517,250 | 782 | - | - | - | - | 782 |
| Share-based payments | - | - | - | 312 | - | - | 312 |
| Net loss for the period | - | - | - | - | - | (3,546) | (3,546) |
| Other comprehensive loss | - | - | - | - | (65) | - | (65) |
| Balance, March 31, 2017 | 321,454,588 | 229,102 | 2,204 | 15,730 | (65) | (191,556) | 55,415 |
| | | | | | | | |
| **Balance, January 1, 2018 (as reported)** | 351,151,146 | 234,384 | 2,278 | 16,208 | (259) | (194,064) | 58,547 |
| Impact of adoption IFRS 9 on January 1, 2018 (Note 2(b)) | - | - | - | - | 259 | (259) | - |
| **Balance, January 1, 2018 (restated)** | 351,151,146 | 234,384 | 2,278 | 16,208 | - | (194,323) | 58,547 |
| Shares issued for warrants exercised | 100,000 | 12 | - | - | - | - | 12 |
| Share-based payments | - | - | - | 112 | - | - | 112 |
| Net loss for the period | - | - | - | - | - | (631) | (631) |
| **Balance, March 31, 2018** | **351,251,146** | **234,396** | **2,278** | **16,320** | **-** | **(194,954)** | **58,040** |

The accompanying notes are an integral part to the condensed interim consolidated financial statements

# GoviEx Uranium Inc.

## Condensed interim consolidated statements of cash flow

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

| | Note | For the three months ended March 31, 2018 | 2017 |
|---|---|---|---|
| | | **$** | $ |
| **Operating activities** | | | |
| Loss for the period | | **(631)** | (3,546) |
| Adjustments for non-cash items | | | |
| Depreciation | | **4** | 3 |
| Loss on derivative liability | | **-** | 915 |
| Interest expense | | **223** | 232 |
| Share-based payment | | **112** | 312 |
| Unrealized (gain) loss on uranium loan | | **(1,013)** | 1,450 |
| Other income | | **-** | (502) |
| Loss on marketable securities | | **112** | - |
| Changes in non-cash operating working capital items | | | |
| Amounts receivable | | **2** | (60) |
| Prepaid expenses and deposit | | **5** | 25 |
| Accounts payable and accrued liabilities | | **13** | (57) |
| Cash used in operating activities | | **(1,173)** | (1,228) |
| | | | |
| **Financing activities** | | | |
| Proceeds from warrant exercises | | **12** | 782 |
| Cash provided by financing activities | | **12** | 782 |
| | | | |
| Decrease in cash | | **(1,161)** | (446) |
| Cash, beginning of period | | **5,998** | 4,308 |
| **Cash, end of period** | | **4,837** | 3,862 |

The accompanying notes are an integral part to the condensed interim consolidated financial statements

## 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 future development of uranium properties located in Africa. 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.

The condensed interim consolidated financial statements for the three months ended March 31, 2018 (the "**Interim Financial Statements**") have been 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. As of March 31, 2018, the Company had a working capital deficiency of $3.4 million (December 31, 2017 - $3.2 million).

Continuation of the Company as a going concern is dependent upon the confirmation of economically recoverable reserves, negotiation of the timing and terms of the Euro 7 million payment with Nigerien government in connection with the receipt of a mining permit relating to its Madaouela I Project, and the ability of the Company to obtain further financing to develop its mineral properties. During the three months ended March 31, 2018, the Company reached an agreement with Toshiba Corporation ("**Toshiba**") to terminate the uranium loan as described in Notes 5 and 14. Management is seeking to raise funds through either 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 casts 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 assets and liabilities that might be necessary in the event of going concern and such adjustments could be material.

## 2. Summary of significant accounting policies

a) Statement of compliance

These Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards, ("**IFRS**"). The Company's significant accounting policies and critical accounting estimates applied in these Interim Financial Statements are the same as those applied in the Company's annual consolidated financial statements, except for the adoption of IFRS 9, *Financial Instruments* ("**IFRS 9**") effective January 1, 2018, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

b) Accounting policy change

The Company adopted IFRS 9 effective January 1, 2018 on a retrospective basis, without restatement of prior year financial statements. The Company has elected to measure its equity instruments at fair value through profit and loss ("**FVTPL**") instead of through other comprehensive income (loss) ("**OCI**"). As a result, $259,000 investment revaluation reserve previously included in OCI has been reclassified to deficit as of January 1, 2018.

The approach in IFRS 9 is based on how the Company manages its financial instruments and the contractual cash flow characteristics of the financial asset. The application of IFRS 9 did not impact the Company's classification and measurement of financial assets and liabilities except for equity securities as described above. There was also no impact to the carrying value of any of the Company's financial assets or liabilities on the transition date.

c) 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 consolidated financial statements for the year ended December 31, 2017.

## 3. Marketable securities

The Company holds 1,210,975 common shares of Kincora Copper Limited with a market value of $131,485 as of March 31, 2018 (December 31, 2017 - $243,168).

During the three months ended March 31, 2018, a loss of $111,683 was recognized in the net loss (see Note 2(b)).

## 4. Mineral properties

The Company has following mineral property interests in Africa:

a) Madaouela Project - a 100% interest, 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;
b) Mutanga Project – a 100% interest, located south of Lusaka, Zambia includes three contiguous mining permits, and two exploration license one of which is pending for issuance;
c) Falea Project – a 100% interest, located in Mali, includes one exploration license and two exploration licenses renewal applications submitted in February 2018 which are pending for approval by the Malian government.

## 5. Uranium loan

The Company entered into a bond purchase agreement with Toshiba on April 18, 2012, amended, whereby the Company borrowed 200,000 pounds of uranium concentrate $U_3O_8$ (the "**Uranium Loan**") at an interest rate of 12% compounded annually. The loan matures on April 19, 2020 subject to early redemption by Toshiba.

On March 2, 2018, the Company announced the signing of a Termination Agreement and Mutual Release (the "**Termination Agreement**") with Toshiba. In accordance with the terms of the Termination Agreement, the Company would pay Toshiba $4.5 million in cash (Note 14) in exchange for settlement of the Uranium Loan, termination of the Sale and Purchase of Uranium Concentrates Agreement dated April 18, 2012, as amended, and a mutual release to each other.

In conjunction with the Termination Agreement, Toshiba entered into a Share Purchase Agreement ("**SPA**") with a mutually agreed third party investor to sell its entire shareholding in GoviEx to such investor. The Termination Agreement is conditional upon the completion of the SPA.

The spot $U_3O_8$ price, published by Ux Consulting Company, LLC on a weekly basis, was $21.1 per pound on March 26, 2018 ($23.75 - December 25, 2017, $24.5 - March 27, 2017):

| (In thousands U.S. dollars expect for pounds) | **$U_3O_8$** | **March 31, 2018** | $U_3O_8$ | December 31, 2017 | $U_3O_8$ | March 31, 2017 |
|---|---|---|---|---|---|---|
| | **Pounds** | **$** | Pounds | $ | Pounds | $ |
| Balance, beginning of period | **382,193** | **9,077** | 341,244 | 6,910 | 341,244 | 6,910 |
| Unrealized (gain) loss | **-** | **(1,013)** | - | 1,262 | - | 1,450 |
| | **382,193** | **8,064** | 341,244 | 8,172 | 341,244 | 8,360 |
| Accrued interest | **10,574** | **223** | 40,949 | 905 | 9,441 | 232 |
| Balance, end of period | **392,767** | **8,287** | 382,193 | 9,077 | 350,685 | 8,592 |

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

## 6. Share capital

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

During the three months ended March 31, 2018, the Company issued 100,000 Class A common shares for warrants exercised at a price of $0.12 per share.

## 7. Share-based payment

a) Stock options

A continuity summary of the stock option granted under the Company's stock option plan is listed as follows:

| | March 31, 2018 | |
|---|---|---|
| | Number of options | Weighted average exercise price ($) |
| Outstanding, beginning of period | 27,745,778 | 0.24 |
| Forfeited | (900,000) | (0.20) |
| Outstanding, end of period | 26,845,778 | 0.21 |
| Exercisable, end of period | 17,142,028 | 0.26 |

The following table lists the stock options outstanding and exercisable with a weighted average remaining life of 3 years:

| | Exercise price | Expiry date | March 31, 2018 Outstanding | Exercisable |
|---|---|---|---|---|
| CAD | 0.1125 | December 31, 2017* | 1,120,778 | 1,120,778 |
| $ | 2.15 | June 19, 2019 | 1,040,000 | 1,040,000 |
| CAD | 0.30 | January 28, 2020 | 2,215,000 | 2,215,000 |
| CAD | 0.10 | November 19, 2020 | 6,125,000 | 4,593,750 |
| CAD | 0.12 | June 20, 2021 | 10,475,000 | 5,237,500 |
| CAD | 0.32 | March 17, 2022 | 5,870,000 | 2,935,000 |
| | | | 26,845,778 | 17,142,028 |

*December 31, 2017 expiry has been extended due to blackout restriction.

b) Common share purchase warrants

A continuity summary of the warrants is listed below:

| | March 31, 2018 | |
|---|---|---|
| | Number of warrants | Weighted average exercise price ($) |
| Outstanding, beginning of period | 128,240,632 | 0.14 |
| Warrants exercised | (100,000) | (0.12) |
| Outstanding, end of period | 128,140,632 | 0.16 |

Common share purchase warrants outstanding are listed below:

| Exercise price ($) | Expiry date | Number of warrants March 31, 2018 | December 31, 2017 | Acceleration price (CAD$) |
|---|---|---|---|---|
| 0.15 / 0.18 | June 10, 2019 | 22,420,180 | 22,420,180 | ≥0.24 |
| 0.12 / 0.14* | June 10, 2019 | 32,915,072 | 33,015,072 | ≥0.20 |
| 0.075 | December 19, 2019 | 1,753,500 | 1,753,500 | NA |
| 0.28 / 0.31* | December 22, 2019 | 21,541,880 | 21,541,880 | NA |
| 0.23 | October 30, 2020 | 1,600,000 | 1,600,000 | ≥0.36 |
| 0.15 | December 19, 2021 | 45,339,856 | 45,339,856 | NA |
| 0.15 | December 23, 2021 | 2,570,144 | 2,570,144 | NA |
| | | 128,140,632 | 128,240,632 | |

* Exercise price till June 10, 2018 and December 22, 2018, respectively, and then thereafter

With respect to the warrants expiring on June 10, 2019 with $0.15 exercise price, if not exercised after the acceleration notice is received, the exercise price will increase to $0.18 with an expiry date of December 10, 2018.

Acceleration clause is based on the Company's share prices closed at the threshold listed above for 15 consecutive trading days, which, if triggered, the Company may provide the warrants holders with written notices for 60 days to exercise those warrants under the original terms.

## 8. Exploration and evaluation

Exploration and evaluation expenses for the Company are summarized as follows:

| (In thousands of U.S. dollars) | Three months ended March 31, 2018 Madaouela (Niger) | Mutanga (Zambia) | Falea (Mali) | **Total** | Three months ended March 31, 2017 Madaouela (Niger) | Mutanga (Zambia) | Falea (Mali) | Total |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Salaries | 125 | 67 | 45 | **237** | 115 | 64 | 43 | 222 |
| Office expenses | 46 | 17 | 14 | **77** | 97 | 18 | 12 | 127 |
| Consulting | 59 | 5 | - | **64** | 65 | 7 | - | 72 |
| Exploration | 19 | - | - | **19** | 32 | - | 32 | 64 |
| License and taxes | 71 | 90 | 1 | **162** | 79 | 96 | - | 175 |
| Camp | 13 | 15 | 11 | **39** | 15 | 13 | 6 | 34 |
| Professional fees | - | 4 | 3 | **7** | - | - | - | - |
| Travel | 18 | - | 3 | **21** | 18 | - | - | 18 |
| | **351** | **198** | **77** | **626** | 421 | 198 | 93 | 712 |

## 9. Administrative expenses

Administrative expenses for the Company are summarized as follows:

| (In thousands of U.S. dollars) | Three months ended March 31, **2018** | Three months ended March 31, 2017 |
|---|---|---|
| | **$** | $ |
| Salaries | **201** | 195 |
| Investor relations | **77** | 105 |
| Travel | **47** | 32 |
| Office expenses | **40** | 42 |
| Professional fees | **32** | 39 |
| Regulatory fees | **17** | 15 |
| | **414** | 428 |

## 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 certain consultants performing similar functions.

Key management compensation

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 March 31, | |
|---|---|---|
| (In thousands of U.S. dollars) | **2018** | 2017 |
| | **$** | $ |
| Salaries | **152** | 139 |
| Share-based payments | **95** | 239 |
| | **247** | 378 |

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

GMM is a private company, incorporated in British Columbia, Canada, owned equally by its nine 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 March 31, | |
|---|---|---|
| (In thousands of U.S. dollars) | **2018** | 2017 |
| Salaries and benefits | **77** | 77 |
| Corporate overhead | **17** | 21 |
| | **94** | 98 |

As of March 31, 2018, $30,451 (December 31, 2017 – $33,118) was owed to GMM and included in the accounts payable and accrued liabilities of the Company.

## 11. Financial instruments

The Company has designated its financial assets and financial liabilities as follows:

- “Cash” is classified as financial assets at amortized cost;
- “Marketable securities” are classified as FVTPL; and
- “Accounts payable and accrued liabilities” and “Uranium loan” are classified as financial liabilities.

The Company’s accounts payable and accrued labilities approximate fair value due to their short term nature.

The fair value of the Company’s marketable securities and uranium loan is determined by reference to the closing price of an open market at the reporting date, and thus is a Level 1 fair value measurement.

## 12. Segmented information

The Company has one business segment, the exploration of mineral properties, further subdivided into geographic regions with 93% of the Company’s non-current assets are located in Niger.

## 13. Commitments and contingencies

a) In addition to the one-time Euro 7 million, the Company is required to incur certain amounts of exploration expenditures over the validity period of certain of its exploration licenses in Niger and Mali in order to maintain the licenses in good standing.
b) The Company has received requests for payment of area taxes from the Niger government. Under Niger’s Mining Code an area tax of $2.2 million (CFA 1,216 million) per annum will be the liability for the Nigerien mining company to be incorporated to hold the Madaouela I mine permit, which includes the conclusion of negotiation of the percentage shareholding of the Nigerien government.
c) 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 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 condensed interim consolidated net earnings, cash flow or financial positions.

## 14. Subsequent event

Subsequent to the quarter end, the Company completed the $4.5 million payment to Toshiba under the terms of the Termination Agreement which is subject to the conclusion of the SPA.

GoviEx URANIUM

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

## Quarterly Highlights

This MD&A of GoviEx Uranium Inc. (the "**Company**" or "**GoviEx**"), dated **May 25, 2018**, provides a brief update on the Company's business activates, financial condition, and financial performance for the three months ended March 31, 2018, and excludes information discussed in its most recent annual MD&A. It should be read in conjunction with the Company's condensed interim consolidated financial statements for the three months ended March 31, 2018 (the "**Q1 Financial Statements**"), audited consolidated financial statements for the year ended December 31, 2017 and annual MD&A.

All of the financial information presented here is expressed in U.S. dollars, unless otherwise indicated.

### Description of Business

GoviEx is a mineral resource company focused on the exploration and development of uranium projects in Africa. The Company holds a 100% interest individually in its Madaouela project in Niger, Mutanga project in Zambia, and Falea project in Mali. The Company's principal objective is to become a uranium producer through the continued exploration and development of these uranium projects.

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", and also trades on the OTCQB Venture Market in the United States under the symbol "GVXXF".

Additional information related to GoviEx is available on the Company's website www.goviex.com or on SEDAR at www.sedar.com

This 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 periods. 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.

### Highlights

a) On March 2 and 28, 2018, the Company announced a Termination Agreement and Mutual Release (the "**Termination Agreement**") with Toshiba Corporation ("**Toshiba**") whereby both parties agreed to settle a bond purchase agreement entered on April 18, 2012 related to the Uranium Loan.
b) On April 5, 2018, the Company announced significant positive results of a membrane separation review study focused on optimizing the capital and operating costs of the Madaouela project.
c) On May 1, 2018, the Company confirmed $4.5 million cash payment to Toshiba.

### Results of Operations

During the three months ended March 31, 2018, the Company recorded a net loss of $0.6 million compared to a $3.5 million loss for the same period in 2017. Quarterly fluctuations in loss and comprehensive loss have mainly been driven by non-cash fair value on the Uranium Loan, derivative liability and share-based payments.

**Toshiba Bond Financing**

In April 2012, the Company entered into a bond purchase agreement, amended, with Toshiba pursuant to which the Company issued the following to Toshiba (collectively, the "**Bond Financing**"):

a) a $30 million convertible debenture (the "**Bond A**") at an interest rate of 15% compounded annually and maturing April 19, 2019. On June 19, 2014, following the Initial Public Offering, the Company redeemed the Bond A by issuing 28,395,466 common shares to Toshiba for a total value of $60.3 million including interest.

b) a uranium loan in the principal amount of 200,000 pounds of uranium concentrate $U_3O_8$ (the "**Bond B**" or "**Uranium Loan**") at an interest rate of 12% compounded annually and maturing 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 would have to repay Toshiba a total of 495,193 pounds of $U_3O_8$ including interest accrued.

The Bond Financing is secured by a floating charge on all assets of the Company in Niger.

Concurrent with the Bond Financing, the Company entered into a Sale and Purchase of Uranium Concentrates Agreement (the "**Off-take**") whereby Toshiba has the right and obligation to purchase up to 600,000 pounds of $U_3O_8$ per year for 14 years commencing January 1, 2019.

On February 28, 2018, the Company signed a Termination Agreement with Toshiba to settle the Bond B by paying $4.5 million in cash (paid on April 26, 2018); terminate the Off-take agreement; and provide mutual release to each other in accordance with the terms and conditions set out in the Termination Agreement.

In conjunction with the Termination Agreement, Toshiba entered into a Share Purchase Agreement ("**SPA**") with a mutually agreed third party investor to whom Toshiba would sell its 28,395,466 common shares of GoviEx.

The Termination Agreement is subject to the completion of the SPA. The Company is monitoring the status of the SPA to advance the Termination Agreement to a conclusion and the Company is evaluating options including an equity financing to replenish its working capital.

**Exploration and evaluation expenses**

Exploration and evaluation expenditures can vary depending on the stages and priorities of the exploration program.

During the three months ended March 31, 2018, the Company incurred total $626,299 expenditures including $351,773 in Niger, $197,601 in Zambia, and $76,925 in Mali.

Among those expenditures, 38% are for local personnel costs, followed by 26% in government fees and taxes. The remaining expenditures cover office rental, supplies, technical consultants, and camp costs.

**General and administrative expenses**

The scale and nature of the Company's corporate and administrative activity have remained relatively consistent over the periods presented.

The $0.4 million administrative and general office expenses during three months ended March 31, 2018 are mainly comprised of corporate salaries, investor relations, Vancouver head off office costs, audit and legal fees, and regulatory filing and listing related to operating a public company listed in Canada.

On February 28, 2018, the Company terminated agreement with Palisade Global Investments Ltd. ("**Palisade**") who was engaged on February 1, 2017 to assist the Company to expand liquidity and investor awareness through focused marketing, distribution and research. As a result, 500,000 stock options previously granted to Palisade expired unexercised.

The following table sets forth a comparison of information for the previous eight quarters ending with March 31, 2018:

| *(in thousands of U.S. dollars except for per share amounts)* | Q1'18 | Q4'17 | Q3'17 | Q2'17 | Q1'17 | Q4'16 | Q3'16 | Q2'16 |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Exploration and evaluation | (626) | (584) | (511) | (645) | (712) | (546) | (424) | (258) |
| General and administrative | (414) | (504) | (261) | (528) | (428) | (462) | (293) | (397) |
| | (1,040) | (1,088) | (772) | (1,173) | (1,140) | (1,008) | (717) | (655) |
| Foreign exchange gain (loss) | (175) | 45 | 85 | 120 | (6) | (86) | 39 | (24) |
| Gain (loss) on derivative liability | - | 112 | 309 | 997 | (915) | (283) | 59 | (111) |
| Loss on marketable securities | (112) | - | - | - | - | - | - | - |
| Other (expenses) income | 18 | (6) | 4 | - | 509 | 20 | (3) | (6) |
| Interest on uranium loan | (223) | (251) | (214) | (208) | (232) | (191) | (224) | (250) |
| Gain (loss) on uranium loan | 1,013 | (1,301) | (54) | 1,543 | (1,450) | 1,161 | 1,048 | 673 |
| Share-based payment | (112) | (60) | (116) | (320) | (312) | (208) | (119) | (256) |
| Write-off of assets | - | (160) | - | - | - | - | - | - |
| Net (loss) income for period | (631) | (2,709) | (758) | 959 | (3,546) | (595) | 83 | (629) |
| (Loss) income per share | (0.00) | (0.01) | (0.00) | 0.00 | (0.01) | (0.00) | (0.00) | (0.00) |

## Liquidity and Capital Resources

The Company is currently at an advanced stage with no source of operating cash flow, and has been dependent on raising funds through the issuance of shares and debt arrangements. 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, maintaining its mining permits and obtaining equity or other sources of financing.

In respect of the Madaouela 1 mining permit, the Company will be required to make a one-time payment of Euro 7 million ($8.6 million) upon the publication of the official decree; the Company is also required to incur certain exploration expenditures over the validity period when exploration licenses are granted or renewed.

The Company has not accrued for any amounts related to the above on the basis that whether any of the above amounts are currently payable is subject to certain conditions to be met and decision of the Nigerien government for its relative partake in the new Nigerien company that is to be incorporated to hold the Madaouela I mine permit.

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. Failure to obtain such additional financing could result in material uncertainty of the Company's ability to continue as a going concern.

## Transactions with Related Party

The Company is a party to a shareholders' cost-sharing agreement with a private company, Global Mining Management Corp. ("**GMM**"), pursuant to which GMM provides the Company with furnished office space, equipment and communications facilities and the employment of certain corporate personnel in Vancouver, British Columbia.

All transactions with related parties acting in their capacity as officers and directors of the Company have occurred in the normal course of the Company's operations and have been measured at their fair value as determined by management.

Key management, consisting of personnel having authority and responsibility for planning, directing, and controlling the Company, includes the Board of Directors, Executive Chairman, CEO and CFO.

## Outstanding Share Capital

As of May 25, 2018, the Company has:

- 351,251,146 common shares issued and outstanding;
- 26,845,778 stock options outstanding with exercise prices ranging from CAD$0.10 to $2.15; and
- 128,140,632 share purchases warrants exercisable ranging $0.075 to $0.23 expiring from June 10, 2019 through December 23, 2021.

## Financial Instrument 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 risks to which it is exposed and assesses the impact and likelihood of those risks. There has been no change to the Company's approach to either capital management or management of financial instrument risks during the three months ended March 31, 2018.

## Accounting Policy Change

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, retrospectively without restatement of prior year financial statements.

On adoption of IFRS 9, there were no other changes to the measurement and classifications of the Company's financial assets or financial liabilities other than the reclassification of the marketable securities, as per Note 2(b) in the Q1 Financial Statements.

## Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements, no capital lease agreements and no long-term obligations other than those contained in Note 13, Commitments and Contingencies to the Q1 Financial Statements.

## Proposed Transactions

As is typical of the mineral exploration and development industry, the Company periodically reviews potential acquisition, dispositions, investment, joint venture and other opportunities that could enhance shareholder value. There are no proposed transactions that would be considered by management to constitute a material change in the affairs of the Company as at the date hereof.

## Note to U.S. Readers

The Company uses Canadian Institute of Mining, Metallurgy and Petroleum definitions for the terms “measured resources”, “indicated resources” and “inferred resources”. U.S. investors are advised that while the terms “measured resources”, “indicated resources” and “inferred resources” are recognized and required by Canadian regulations, including National Instrument 43-101 (“**NI43-101**”), the Securities and Exchange Commission (the “**SEC**”) does not recognize these terms. Accordingly, information contained in this MD&A contains descriptions of mineral deposits that may not be comparable to similar information made public by U.S. companies that are not required to comply with NI43-101 and that are subject to the reporting requirements under the U.S. federal securities laws and the rules and regulations thereunder. The SEC permits U.S. companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. U.S. readers are cautioned not to assume that any part or all of the material in these categories will be converted into reserves. It should not be assumed that any part of an inferred mineral resource will ever be upgraded to a higher category.

## Forward Looking Statements

The MD&A contains certain statements that may be deemed "Forward-Looking Statements". Forward-Looking Statements may include, but is not limited to, statements with respect to the future financial and operating performance of the Company, its subsidiaries and affiliated companies, its mining projects, the future prices of uranium, the estimation of mineral resources, the realization of mineral resource estimates, costs of production, capital and exploration expenditures, costs and timing of the development of new deposits, costs and timing of the development of new mines, costs and timing of future exploration, requirements for additional capital, governmental regulation of mining operations and exploration operations, timing and receipt of approvals, licences, and conversions under applicable mineral legislation, environmental risks, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as ‘‘plans’’, ‘‘expects’’, ‘‘is expected’’, ‘‘budget’’, ‘‘scheduled’’, ‘‘estimates’’, ‘‘forecasts’’, ‘‘intends’’, ‘‘anticipates’’, or ‘‘believes’’ or variations (including negative variations) of such words and phrases, or state that certain actions, events or results ‘‘may’’, ‘‘could’’, ‘‘would’’, ‘‘might’’ or ‘‘will’’ be taken, occur or be achieved. These statements reflect the Company’s current expectations regarding future events and operating performance and speak only as of the date of this MD&A.