

Uranium Valley Mines Ltd.



Interim Financial Statements Second Quarter 2016

Unaudited

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IMPORTANT NOTICE

The attached financial statements have been prepared by Management of Uranium Valley Mines Ltd. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Uranium Valley Mines Ltd
Interim Statements of Financial Position
(In Canadian dollars)

	Notes	June 30, 2016 \$	December 31, 2015 \$
ASSETS			
Current			
Cash and cash equivalents	7	14,234	31,382
Sales taxes recoverable		1,542	320
Prepaid expenses and deposits	8.1	637	5,706
		<u>16,413</u>	<u>37,408</u>
Non-current			
Exploration and evaluation assets	8	11,892	11,725
Total assets		<u><u>28,305</u></u>	<u><u>49,133</u></u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities and total liabilities		<u>24,376</u>	<u>2,169</u>
EQUITY			
Capital stock	9	2,104,406	2,104,406
Contributed surplus		1	1
Deficit		<u>(2,100,478)</u>	<u>(2,057,443)</u>
Total equity		<u>3,929</u>	<u>46,964</u>
Total liabilities and equity		<u><u>28,305</u></u>	<u><u>49,133</u></u>

The accompanying notes are an integral part of the interim financial statements.

These interim financial statements were approved and authorized for issue by the Board of Directors on August 24, 2016.

"Glenn J. Mullan"
(signed Glenn J. Mullan)
Director

"Dr. C. Jens Zinke"
(signed C. Jens Zinke)
Director

Interim Statement of Comprehensive Loss

(Unaudited)

(In Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		\$	\$	\$	\$
Operating expenses					
Exploration expenses		525	5,306	757	5,423
Office expenses	12	2,701	2,908	5,235	5,442
Professional fees	13	21,087	19,746	37,645	36,230
Travel expenses			1,338		1,338
		<u>24,313</u>	<u>29,298</u>	<u>43,637</u>	<u>48,433</u>
Operating loss		24,313	29,298	43,637	48,433
Financial income (costs)		530	19	602	726
Net loss and total comprehensive loss		<u><u>23,783</u></u>	<u><u>29,279</u></u>	<u><u>43,035</u></u>	<u><u>47,707</u></u>
Basic and diluted net loss per share	11	<u><u>0.002</u></u>	<u><u>0.002</u></u>	<u><u>0.004</u></u>	<u><u>0.004</u></u>
Weighted average number of common shares outstanding	11	<u><u>11,233,331</u></u>	<u><u>11,166,664</u></u>	<u><u>11,233,331</u></u>	<u><u>11,166,664</u></u>

The accompanying notes are an integral part of the interim financial statements.

Uranium Valley Mines Ltd
Interim Statement of Changes in Equity
(Unaudited)
(In Canadian dollars)

	Common shares Notes outstanding	Capital Stock	Contributed Surplus	Deficit	Total Shareholder's Equity
	Number	\$	\$	\$	\$
Balance at January 1, 2016	11,233,331	2,104,406	1	(2,057,443)	46,964
Net loss and total comprehensive loss				(43,035)	(43,035)
Balance at June 30, 2016	<u>11,233,331</u>	<u>2,104,406</u>	<u>1</u>	<u>(2,100,478)</u>	<u>3,929</u>
Balance at January 1, 2015	11,166,664	2,101,073	1	(1,780,838)	320,236
Net loss and total comprehensive loss				(47,707)	(47,707)
Balance at June 30, 2015	<u>11,166,664</u>	<u>2,101,073</u>	<u>1</u>	<u>(1,828,545)</u>	<u>272,529</u>

The accompanying notes are an integral part of the interim financial statements.

Uranium Valley Mines Ltd
Interim Statement of Cash Flows
(Unaudited)
(In Canadian dollars)

	Notes	Three-month period ended		Six-month period ended	
		June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
		\$	\$	\$	\$
<i>OPERATING ACTIVITIES</i>					
Net loss		(23,783)	(29,279)	(43,035)	(47,707)
Changes in non-cash working capital items					
Sales taxes recoverable		964	(63)	(1,221)	(2,474)
Prepaid expenses and deposits		2,534	2,534	5,068	5,068
Accounts payable and accrued liabilities		11,729	3,491	22,207	2,056
Cash flows from operating activities		<u>(8,556)</u>	<u>(23,317)</u>	<u>(16,981)</u>	<u>(43,057)</u>
<i>INVESTING ACTIVITIES</i>					
Mineral properties	8	(112)	(147)	(167)	(147)
Cash flows from investing activities		<u>(112)</u>	<u>(147)</u>	<u>(167)</u>	<u>(147)</u>
Net decrease in cash		(8,668)	(23,464)	(17,148)	(43,204)
Cash, beginning of period		<u>22,902</u>	<u>79,623</u>	<u>31,382</u>	<u>99,363</u>
Cash, end of period		<u><u>14,234</u></u>	<u><u>56,159</u></u>	<u><u>14,234</u></u>	<u><u>56,159</u></u>

The accompanying notes are an integral part of the interim financial statements.

Uranium Valley Mines Ltd

Notes to Interim Financial Statements

June 30, 2016 and 2015

(In Canadian dollars)

1 - NATURE OF OPERATIONS

Uranium Valley Mines Ltd (the "Company") is involved in the process of exploring, evaluating and promoting its mineral properties and other projects.

2 - GOING CONCERN ASSUMPTION AND STATEMENT OF COMPLIANCE WITH IFRS

These interim financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) and the basis of the going concern assumption, meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company's ability to continue as a going concern depends upon its ability to obtain necessary financing to fund its prospection operations, its projects and continued support of suppliers and creditors. Given its short history, the Company's ability to raise enough financing to meet these objectives cannot be determined at this time. The Company's business involves a high degree of risk and there is no assurance that the Company will be successful in discovering economically recoverable deposits on its mineral properties. Furthermore, the Company has not yet generated any income or cash flows from its operations and there is no assurance that the business will be profitable in the future. As at June 30, 2016, the Company has a cumulated deficit of \$2,100,478 (\$2,057,443 as at December 31, 2015). These material uncertainties cast significant doubts regarding the Company's ability to continue as a going concern.

The carrying amounts of assets, liabilities and expenses presented in the interim financial statements and the classification used in the interim financial statements have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

3 - GENERAL INFORMATION

The Company was incorporated on February 18, 2010 under the Business Corporations Act of British Columbia. The head office of the Company is located at 152 Chemin de la Mine École, Val-d'Or, Quebec, Canada. The Company's registered and records office is located at Suite 530, 355 Burrard Street, Vancouver, B.C. V6C 2G8. The Company also has administrative offices located at 800 René-Lévesque Boulevard West, Suite 425, Montréal, Quebec, H3B 1X9. As at June 30, 2016, Golden Valley Mines Ltd ("Golden Valley"), the parent company, holds a 37.13% participation in the Company.

The interim financial statements of the Company will be included in the consolidation perimeter of its controlling shareholder Golden Valley.

3.1 - Transfer to NEX

By letter dated November 3, 2015, the TSX Venture Exchange placed the Company on notice that its listing would be transferred to NEX if it did not, by May 3, 2016, resolve a continued listing deficiency under Exchange Policy 2.5. The deficiency identified relates to activity for an issuer classified as a Tier 2 Mining issuer. NEX is a separate board of the TSX Venture Exchange that provides a trading forum for listed issuers that have fallen below the Exchange's ongoing listing standards. Management has determined that it will take the required steps to transfer its listing to NEX and carry on its business as a NEX listed issuer. On May 5, 2016 the Company announced that its listing on the TSX Venture Exchange has been transferred to NEX. The Company's common shares commenced trading on NEX under symbol "VZZ.H" on May 6, 2016.

Uranium Valley Mines Ltd

Notes to Interim Financial Statements

June 30, 2016 and 2015

(In Canadian dollars)

4 - BASIS OF PRESENTATION

These interim financial statements are covering the six and three month periods ended June 30, 2016 and were prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), under International Accounting Standard ("IAS") 34 - Interim Financial Reporting. These interim financial statements were prepared using the same accounting policies, methods of computation and basis of presentation as outlined in Note 5 - Summary of Accounting Policies, as described in the Company's annual audited financial statements for the year ended December 31, 2015. Interim financial statements do not include all the notes required in annual financial statements and, accordingly, should be read in conjunction with the annual financial statements for the year ended December 31, 2015.

The interim financial statements of the Company will be included in the consolidation perimeter of its controlling shareholder Golden Valley.

5 - SUMMARY OF ACCOUNTING POLICIES

5.1 - Overall considerations

The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 5 - Summary of Accounting Policies, of the Company's annual audited financial statements for the year ended December 31, 2015.

5.2 - Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

6 - JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. These judgements, estimates and assumptions are summarized in Note 6 - Judgements Estimates and Assumptions, of the Company's annual audited financial statements for the year ended December 31, 2015.

6.1 - Impairment of exploration and evaluation assets

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgement and a number of estimates and interpretations in many cases (see Note 5.9).

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash-generating units must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

In assessing impairment, the Company must make some estimates and assumptions regarding future circumstances, in particular, whether an economically viable extraction operation can be established, the probability that the expenses will be recovered from either exploitation or sale when the activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Company's capacity to obtain financial resources necessary to complete the evaluation and development and to renew permits. Estimates and assumptions may change if new information become available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Uranium Valley Mines Ltd

Notes to Interim Financial Statements

June 30, 2016 and 2015

(In Canadian dollars)

No impairment loss of the exploration and evaluation assets has been recognized in profit or loss in the period ended June 30, 2016 (\$208,709 for the year ended December 31, 2015). No reversal of impairment losses has been recognized for the reporting periods.

Management judged that there's no impairment required on the Porcupine Miracle Prospect. The carrying value of the Company's net assets is superior to its market capitalization. Claims will not expire in the near future and the Company can thus pursue exploration activities on this property after raising additional capital.

7 - CASH AND CASH EQUIVALENTS

	<u>June 30,</u> 2016	<u>December 31,</u> 2015
	\$	\$
Cash	14,234	11,382
Demand deposit, 0.65% redeemable at any time	-	20,000
	<u>14,234</u>	<u>31,382</u>

Uranium Valley Mines Ltd

Notes to Interim Financial Statements

June 30, 2016 and 2015

(In Canadian dollars) Unaudited

8 - EXPLORATION AND EVALUATION ASSETS

The summary of carrying amount can be analyzed as follows:

Properties	Balance as at January 1, 2016 \$	Additions \$	Balance as at June 30, 2016 \$
Porcupine Miracle Prospect (Ontario)	11,725	167	11,892
	<u>11,725</u>	<u>167</u>	<u>11,892</u>
Properties			
Porcupine Miracle Prospect (Ontario)	8,325	67	8,392
Beartooth Island Prospect (Saskatchewan)	208,466	148	208,614
	<u>216,791</u>	<u>215</u>	<u>217,006</u>

Properties	Balance as at January 1, 2015 \$	Additions \$	Balance as at June 30, 2015 \$
Porcupine Miracle Prospect (Ontario)	8,325	67	8,392
Beartooth Island Prospect (Saskatchewan)	208,466	148	208,614
	<u>216,791</u>	<u>215</u>	<u>217,006</u>

Uranium Valley Mines Ltd

Notes to Interim Financial Statements

June 30, 2016 and 2015

(In Canadian dollars)

8 - EXPLORATION AND EVALUATION ASSETS (continued)

Porcupine Miracle Prospect - Landmuir Township, Ontario

On July 3, 2014, the Company entered into a Mining Option Agreement with 2973090 Canada Inc., ("2973090") pursuant which the Company has the option to acquire a 100% ownership interest in the Porcupine Miracle Prospect. The Porcupine Miracle Prospect is constituted of four (4) mineral claims located in the Langmuir Township in the province of Ontario, Canada. In consideration for the option, the Company will issue 200,000 common shares as follows: 66,666 common shares (issued on July 25, 2014 at a price of \$0.10 per share), 66,667 common shares on July 17, 2015 (issued on July 17, 2015 at a price of \$0.05 per share), and, 66,667 common shares on July 17, 2016. In order to exercise the option, the Company is required to incur exploration expenditures of \$50,000 by July 17, 2016 and, in addition, to maintain the property in good standing. The property will be subject to a royalty in favour of 2973090 equal to 3% of net smelter returns. Unless the Option has then lapsed or been terminated, an advance royalty payments of \$10,000 per annum will be payable by the Company commencing on July 17, 2017; the advance royalty payments will be deducted from the amounts payable under the royalty. Refer to Note 17, Subsequent Event for amendment to the mining option.

Otish/Mistassini Prospect - North Central Quebec

On March 31, 2011, the Company acquired Golden Valley's 50% interest in the Otish/Mistassini Prospect and on July 15, 2011, it acquired the 50% interest held by Lexam in the property. As a result, the Company holds a 100% interest in the Otish/Mistassini Prospect. As of December 31, 2012, despite its belief in the ore potential of its claims, the Company, in regard of the moratorium imposed by the Quebec Government on the issuance of exploration and exploitation permits for uranium in the province of Quebec, made the decision to impair its Otish/Mistassini Prospect.

Beartooth Island Prospect - Athabaska Basin, Saskatchewan

On March 31, 2011, the Company acquired Golden Valley's 40% interest in the Beartooth Island Prospect. This property is the object of an agreement with Ditem. Ditem can acquire an additional 6% interest in the property by advising the Company of its intent to complete and by completing a feasibility study at its sole cost within the period of 10 years from the operative date, subject to and in accordance with the terms of the agreement. Following the final vesting, the Company will retain an aggregate of 34% undivided interest in the property. As of the date here of the Company retains a 40% interest therein; Ditem is the operator. At December 31, 2015, since no exploration work has been performed in the past years and the operator is not planning any work in the near future, the Company made the decision to impair its Beartooth Island Prospect.

8.1 - Deposits for claims renewal

The Company makes deposits with the Ministère des ressources naturelles et de la faune du Québec as a more practical way to pay renewal fees and to renew its claims coming due or to stake new claims. As of June 30, 2016 the unused balance of the deposit was \$215 (\$215 at December 31, 2015). The deposits are included in the Prepaid expenses and deposits in the statement of financial position.

9 - EQUITY

9.1 - Capital stock

The capital stock of the Company consists only of fully paid common shares.

Authorized

Unlimited number of common shares, without par value, voting and participating.

Unlimited number of preferred shares, without par value, non-participating. The directors will define the rights, privileges, restrictions and conditions of these shares upon issuance.

Uranium Valley Mines Ltd

Notes to Interim Financial Statements

June 30, 2016 and 2015

(In Canadian dollars)

9.2 - Common Shares Issued

The Company issued 66,666 common shares on July 25, 2014 and 66,667 common shares on July 17, 2015 in accordance with the Porcupine Miracle Prospect Mining Option Agreement. These were the first and second tranches of a total of 200,000 common shares to be issued under this agreement. For more details on the Mining Option Agreement to acquire the Porcupine Miracle Prospect refer to Note 8.

10 - SHARE-BASED PAYMENTS

The Company has adopted an incentive stock option plan pursuant to which directors, officers, employees and consultants are eligible to receive incentive stock options. Under the terms of this plan, the aggregate number of shares issuable upon the exercise of all options granted thereunder may not exceed 10% of the Company's common shares issued and outstanding at the time of grant. The exercise price of each option is fixed by the Board of Directors, but shall not be less than the closing price of the Company's share on the trading day immediately prior to the date of grant less any discount permitted by the Exchange; if no sales were reported, it shall be the sales closing price on the last trading day immediately prior to the date of grant on which sales were reported. The vesting period of the options shall be determined by the Board of Directors, in accordance with the rules and regulations of the Exchange. As of June 30, 2016, December 31, 2015, and June 30, 2015, no options had been granted.

11 - LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the period divided by the weighted average number of shares in circulation during the period. The diluted loss per share, calculated as if potential common shares had been issued, would have had the effect of decreasing the loss per share which would be antidilutive.

Both the basic and diluted loss per share have been calculated using the net loss attributable to owners of the Company as the numerator, i.e. no adjustment to the net loss were necessary in either of the periods ended June 30, 2016 and June 30, 2015.

	Three months June 30, 2016	Six months June 30, 2016	Six months June 30, 2015
Net loss for the period	<u>(23,783)</u>	<u>(43,035)</u>	<u>(47,707)</u>
Weighted average number of shares in circulation	<u>11,233,331</u>	<u>11,233,331</u>	<u>11,166,664</u>
Basic and diluted loss per share	<u>(0.002)</u>	<u>(0.004)</u>	<u>(0.004)</u>

There have been no other transactions involving shares between the reporting date and the date of authorization of these financial statements.

12 - OFFICE EXPENSES

	Three months June 30, 2016	Six months June 30, 2016	Six months June 30, 2015
	\$	\$	\$
Insurance premiums	2,534	5,068	5,068
Communications	82	82	198
Others	85	85	176
	<u>2,701</u>	<u>5,235</u>	<u>5,442</u>

Uranium Valley Mines Ltd

Notes to Interim Financial Statements

June 30, 2016 and 2015

(In Canadian dollars)

13 - PROFESSIONAL FEES

	Three months June 30, 2016	Six months June 30, 2016	Six months June 30, 2015
	\$	\$	\$
Audit, tax and accounting fees	6,552	15,912	15,816
Legal fees	6,947	7,494	7,159
Exchange, regulatory and transfer agent fees	7,588	14,239	13,255
	<u>21,087</u>	<u>37,645</u>	<u>36,230</u>

14 - MANAGEMENT FEES

On October 1, 2010 the Company entered into a Management and Administrative Services Agreement (the "Management Agreement") with Golden Valley pursuant to which Golden Valley will provide certain administrative, management and financial services such as office space, administrative support, including the use of Golden Valley's in house legal counsel for day to day general enquiries, services of a chief financial officer and investors relations services to the Company in consideration of \$96,000 per year (the "Fee"), payable on a monthly basis, plus applicable taxes. The provision of services by Golden Valley commenced on October 1, 2010, but payment of monthly fees started as of July 15, 2011 (the "Trading Date"). Effective January 1, 2013, Golden Valley has agreed to suspend the payment of the management fees to enable the Company to conserve cash for its operations. Accordingly the Company did not pay any management fees to Golden Valley for the periods ended on June 30, 2016, December 31, 2015, and June 30, 2015.

The Management Agreement is for an initial term of two years commencing on the Trading Date, and will be automatically renewed after the initial term for successive period of 12 months. The Management Agreement can be terminated at any time and by either party, upon delivery of a twelve month written notice. The Management Agreement provides for the Fee to be reviewed on an annual basis.

The Company entered into an amending agreement (an "Amending Agreement") with Golden Valley dated as of May 21, 2014, amending the terms of the Management Agreement. The Amending Agreement confirms, among other things, that:

- if there is a change of control of the Company and Golden Valley terminates the Management Agreement within six months of the change of control;
- if the Company terminates the Management Agreement within twelve months of the change of control; or
- if the Company and Golden Valley agree to terminate the Management Agreement within six months of the change of control.

Then the Company will pay Golden Valley a termination payment equal to the aggregate of the amounts that would have been payable by the Company to Golden Valley as the fee for the period from the date of the Amending Agreement to the date on which the Management Agreement is terminated if payment of the fee had not been suspended during such period.

Uranium Valley Mines Ltd

Notes to Interim Financial Statements

June 30, 2016 and 2015

(In Canadian dollars)

15 - RELATED PARTY TRANSACTIONS

15.1 - Transactions with the parent company

Pursuant to the terms of the Management Agreement, Golden Valley has agreed to provide the Company with the services of a qualified geologist at an hourly charge equal to the hourly charge to Golden Valley, plus 10%. During the six month period ended June 30, 2016, the Company incurred geological fees in the amount of \$1,034; of this amount \$167 was included in exploration and evaluation assets and \$867 was expensed for it was incurred in relation to properties that were impaired (\$2,965 for the six month period ended June 30, 2015, of which \$122 was included in exploration and evaluation assets). As June 30, 2016, the Company had a balance payable to Golden Valley of \$2,215 of which \$1,825 was for geological services (\$1,708 in total and \$193 for geological services as at June 30, 2015).

15.2 - Transactions with key management

Key management personnel of the Company are the members of the board of directors, as well as the president and the chief financial officer. The Company did not pay any compensation nor any other form of employment benefits or perquisites to its key management in the periods ended June 30, 2016 and 2015 and the year ended on December 31, 2015. The services of the chief financial officer previously charged to the Company through the Management and Administrative Agreement were assumed by Golden Valley.

In July 2014, the Company entered into a Mining Option Agreement to acquire up to 100% property in the Porcupine Miracle Prospect from 2973090 Canada Inc, a company owned and controlled by Mr. Glenn J. Mullan, the CEO of the Company. For more information on this transaction, please refer to Note 8 - Exploration and Evaluation Assets.

16 - COMMITMENT

The Company has no commitment other than the Management Agreement described in Note 14 and its obligations under the Porcupine Miracle Prospect Mining Option Agreement described in Note 8.

17 - SUBSEQUENT EVENT

On July 4, 2016, the Mining Option Agreement between the Company and 2973090, which provided the Company with the option to acquire a 100% ownership interest in the Porcupine Miracle Prospect, has been amended to postpone the third share payment of 66,667 common shares and the requirement to incur exploration expenditures of \$50,000 to July 17, 2017. Refer to Note 8 for more information about the Porcupine Miracle Prospect mining option.