MANAGEMENT DISCUSSION AND ANALYSIS
1ST QUARTER ENDED MARCH 31, 2013

*This Management Discussion and Analysis ("MD&A") is intended to supplement the Company's condensed interim financial statements and related notes for the three months ended March 31, 2013. This report is as at **May 29, 2013**.*

All monetary amounts are in US dollars unless otherwise specified.

The above referenced financial statements and the Company's other public filings can be found on SEDAR at www.sedar.com.

INTRODUCTION

The MD&A has been prepared by management and reviewed and approved for distribution by the Board of Directors on May 29, 2013. The following discussion of performance, financial condition and future prospects should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2013 and the audited consolidated financial statements of the Company and notes for the years ended December 31, 2012 and 2011. The information provided herein supplements but does not form part of the financial statements. This discussion covers the acquisition of VA Uranium Holdings, Inc. ("VAUH") on September 27, 2012 and the subsequent period up to the date of issue of this MD&A. The Listing Application with the TSX-V, which was approved and came into effect September 27, 2012, can be viewed on www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain information contained in this MD&A constitutes "forward-looking information" within the meaning of applicable securities laws concerning the business, operations and financial performance and condition of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", "does not expect", "is expected", "is likely", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "does not anticipate", "continue", "may", "will", "should", "believes" and similar expressions. Forward-looking information is based on the opinions and estimates of management as of the date such information is disclosed, and it is subject to known and unknown risks, uncertainties and other factors that may cause actual results, events, level of activity, performance or achievements to differ materially from those expressed or implied in such forward-looking information. The Company believes that the expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct, and such forward-looking information included in this MD&A should not be unduly relied upon. This information speaks only as of the date of this MD&A. In particular, this MD&A contains forward-looking information pertaining to the following:

- *potential receipt of regulatory approvals, permits and licenses and treatment under governmental regulatory regimes;*
- *the estimates of the Company's mineral resources;*
- *anticipated capital expenditures, production rates and costs, mine life and valuations contained in the PEA (as defined below);*

- *expectations of market prices and costs; and*
- *exploration, development and expansion plans and objectives.*

The Company's actual results could differ materially from those anticipated in this forward-looking information, specifically the PEA as a result of the following:

- *failure to lift the moratorium on uranium mining in Virginia;*
- *delays in obtaining permits and licenses for the Coles Hill project;*
- *declines in the market price of uranium;*
- *poor capital market conditions for TSX Venture junior mining companies;*
- *inability of the Company to raise sufficient funding to advance the Coles Hill project notwithstanding improving financial market conditions;*
- *low market prices of the Company's securities;*
- *failure to accurately estimate mineral resources, production rates and operating costs;*
- *geological, technical and processing problems;*
- *cost overruns in capital investment to construct the Coles Hill project;*
- *failure to obtain industry partner, government and other third party consents and approvals, when required;*
- *public resistance to nuclear energy or uranium mining;*
- *actions taken by regulatory authorities with respect to mining activities, including regulations that materially impact the ability of the Company to achieve production that is materially in accordance with the PEA; and*
- *other factors discussed under "Risk Factors" in this MD&A.*

These factors are not, and should not, be construed as being exhaustive. Statements relating to "mineral resources" and the economics of the PEA are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions that the mineral resources described will be profitably produced in the future. For the key assumptions and factors used in developing this forward-looking information, please see the PEA filed at www.sedar.com. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking information after the date of this MD&A to conform such information to actual results or to changes in the Company's expectations, except as otherwise required by applicable legislation.

THE COMPANY

Virginia Energy Resources Inc. (hereinafter referred to as the "Company" or "Virginia Energy") was incorporated in the Yukon on August 31, 2007 and continued to British Columbia under the British Columbia Corporations Act on May 21, 2009. Virginia Energy is a resource company engaged in exploration and development of uranium deposits located in the southern part of Virginia and the exploration of uranium in Quebec.

The Company's head office is in Vancouver, BC, Canada and its operations office is located in Chatham, Virginia, United States.

HIGHLIGHTS AND OVERALL PERFORMANCE

The following events occurred during the in the first quarter and to the date of this report:

- On January 28, 2013, the Company issued 15,235,239 common shares for gross cash proceeds of \$6,396,873 (CAD\$6,398,800) and 21,851,411 common shares of Energy Fuels Inc. for a total value of \$3,688,027 (CAD\$3,714,740). Finders' fees of \$211,707 were incurred on a portion of the financing. In addition, 1,311,085 Energy Fuels Inc. common shares are reserved as finder's fees for a total value of \$217,195.

- A bridge loan facility for CAD\$750,000, with an annual interest rate of 12%, from Sprott Resource Lending Partnership was repaid on January 28, 2013.

- On March 28, 2013, the Company learned that the Government of Quebec will conduct an impact study on the exploration and development of uranium in the province. The Bureau d'Audiences Publiques sur l'Environnement has been given a mandate to conduct the study starting next fall. In the meantime, the Government says that no certificate of authorization will be issued for the exploration or development of uranium in Quebec until the study is completed. Further exploration on the Company's Otish Mountains uranium project will remain on hold while the Quebec government undertakes this evaluation.

  In light of these events, the Company has impaired its Otish mineral properties, including the exploration and evaluation expenditures and field equipment by a total of \$3,517,816 as at March 31, 2013. The Company is actively pursuing its administrative and legal options with regard to the government decision.

- On April 30, 2013, the Company granted 3,029,000 stock options to directors, officers and consultants, exercisable at CAD\$0.42 for five years.

COLES HILL URANIUM DEPOSIT

Virginia Energy's most important asset is the 100% interest in the Coles Hill deposit in southern Virginia, USA, which is the largest undeveloped uranium deposit in the USA and one of the largest in the world. Virginia Energy's ownership in Coles Hill is held through its subsidiary, Virginia Uranium, Inc., which controls the mineral rights, surface rights, and leasehold development and operating rights on the Coles Hill property.

The Coles Hill project comprises two adjacent mineralized bodies with an indicated resource of 119.6 million tons grading 0.056% U_3O_8 for **133 million pounds U_3O_8** according to a National Instrument 43-101 Report ("NI 43-101" or the "Technical Report" or the "PEA") Report that contained an updated PEA and resource calculation by Lyntek Inc. and BRS Inc., effective June 30, 2012 and filed September 6, 2012 on SEDAR and is available at www.sedar.com and can also be found on the Company's website at http://www.virginiaenergyresources.com.

The PEA indicates attractive project economics based on an assumed U_3O_8 price of $64 per lb. as summarized below:

- Initial production of 2 million lbs per year and a 35 year mine life;
- Underground mining of 3,000 tonnes per day, to extract a portion of the indicated resource totaling 64.2 M lbs U_3O_8 with an average grade of 0.098% at a cutoff grade of 0.06%
- Capital cost of $147 million prior to construction, including a 25% contingency;
- Cash cost of $30.72 per lb. U_3O_8 for the first ten years of production;
- Net Present Value of $427 million at a discount rate of 7%;
- IRR of 36.3% based on a uranium price of $64 per lb. U_3O_8
- An increase in the price of uranium of $5.00 per pound results in a potential increase in the project NPV of $110.0 million

In terms of project risks, the updated PEA noted the following:

> *"The technical risks related to the project are low as the mining and recovery methods are proven. The mining methods recommended have been employed successfully at similar projects in the past. The mineral processing methods employed are typical of those used in the industry for decades and are supported by metallurgical tests done to date and are available.*
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> *Primary risks related to permitting are rescinding the moratorium to allow mining in Virginia and gaining the confidence of the local community that the mining and milling can be safely conducted to protect human health and the environment. The remainder of the permitting issues is tied to obtaining the necessary permits to operate the mine and mill.*
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> *The authors are not aware of any other specific risks or uncertainties that might significantly affect the mineral resource estimates or the consequent economic analysis.*
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> *Estimation of costs and uranium price for the purposes of the economic analysis over the life of mine is by its nature forward-looking and subject to various risks and uncertainties. No forward-looking statement can be guaranteed and actual future results may vary materially."*

Coles Hill is located on gently rolling hills in Pittsylvania County, southern Virginia, in close proximity to established infrastructure and skilled labor. Virginia is one of the leaders in the U.S. nuclear industry, home to four high-performing nuclear power plants, commercial nuclear fuel production and engineering services, and significant naval nuclear infrastructure.

The deposit was initially explored between 1980 and 1982, when Marline and Union Carbide drilled 210 holes (190,000 feet) to define the deposits. Between 1982 and 1983, a subsidiary of Union Carbide completed a feasibility study to put the deposit into production, but the project was shelved due to the drop in the price of uranium. At that time, a 5,000-ton per day open pit mine and mill was envisioned. The project lay dormant until 2007 when Virginia Uranium, Inc. drilled 12 holes to confirm the historic grades as part of the initial NI 43-101 technical report and resource calculation.

The potential for resource expansion exists along strike and at depth. Higher-grade zones near surface provide for many development options and potential to improve the project economics.

On November 30, 2011, a state-sponsored economic study by Chmura Economics & Analytics concluded that the Coles Hill uranium project would bring much needed jobs, tax revenue and investment to an area of Virginia that remains economically depressed. The Chmura study said that the mining operation Virginia

Uranium Inc. has proposed for Coles Hill would support a total of more than 1,000 direct and indirect jobs and have an annual net positive economic impact of approximately $135 million. The study predicts that over the 35-year life of the operation, the Coles Hill site could generate almost $5 billion in net accumulated economic revenue for Virginia firms. The reader is cautioned that this economic study was completed by another organization independent of Virginia Energy. A NI43-101 compliant feasibility study has not been completed and there is no guarantee the proposed operation would be economically viable given the uncertainty of future uranium prices in combination with the lengthy delays caused by environmental activists.

In January 2012, Virginia Governor Bob McDonnell announced his decision to create an interagency task force to analyze the state's ability to adopt and enforce uranium mine regulations. The governor's decision was an important milestone toward advancing a regulatory framework that could potentially enable the construction and operation of one of the safest uranium mines in the world at the Coles Hill site.

Legislation to lift the moratorium on uranium mining in Virginia was scheduled for debate in the Virginia State Legislature during the 2013 winter session. The Company was hopeful that the necessary votes existed in the State House of Delegates to pass such a bill. However, due to a shortfall of votes in the Virginia state Senate, legislation to lift the moratorium was withdrawn by its chief patron, Senator John Watkins in February 2013 prior to debate.

Senator Watkins has since requested that the Governor of Virginia direct his agencies to proceed under the state's Administrative Process Act to draft and begin the public hearings on potential regulations for uranium mining. Some opposing legislators have argued that the moratorium should not be lifted before final regulations are available for review. Senator Watkins' proposal to Governor McDonnell is part of an effort to ensure that members of the General Assembly have the benefit of all possible information on this issue, which is likely to be debated in future legislative sessions.

EXPLORATION PROPERTIES

OTISH MOUNTAINS, QUEBEC PROJECTS

Pursuant to the Plan of Arrangement concluded on September 27, 2012, Anthem transferred the Otish Mountain property interest and CAD $400,000 (US$406,840) cash to Virginia Energy in return for a Promissory Note for $3,966,690, payable to Anthem.

Recent Announcements

On March 28, 2013, the Company learned that the Government of Quebec will conduct an impact study on the exploration and development of uranium in the province. The Bureau d'Audiences Publiques sur l'Environnement has been given a mandate to conduct the study starting next fall. In the meantime, the Government says that no certificate of authorization will be issued for the exploration or development of uranium in Quebec until the study is completed. Further exploration on the Company's Otish Mountains uranium project will remain on hold while the Quebec government undertakes this evaluation. The Company is confident that this study will show that uranium exploration and mining can be done safely and in a way that protects the environment, as has been demonstrated by decades of uranium mining experience in Saskatchewan, and similar recent studies around the world.

In light of these events, the Company has impaired its Otish mineral properties, including the exploration and evaluation expenditures and field equipment by a total of $3,517,816 as at March 31, 2013. The Company is actively pursuing its administrative and legal options with regard to the government decision.

DISCUSSION OF OPERATIONS

Being in the exploration and development stage the Company does not have revenues from operations other than for receipts from the rental of some of its land to adjacent ranchers and interest income from its cash.

Summary of Quarterly Results

The following table reports selected financial information of the Company for the past quarters commencing with the reported financial information for the quarters since the Plan of Arrangement concluded on the second last business day of the quarter ended September 30, 2012. Previous quarters of Virginia Uranium Ltd., prior to the amalgamation had neither capitalized mineral property interests nor any meaningful operating loss statements.

Quarter ended		31-Mar-13		31-Dec-12		30-Sep-12		30-Jun-12
Capitalized property acquisition and exploration costs	$	(3,517,816) [2]	$	656,201	$	6,946,332[4]	$	-
Revenue [1]		-		-		-		-
Net loss for the quarter	$	(5,138,397)	$	(2,212,250) [3]	$	(5,354,146) [5]	$	-
Gain (loss) per share	$	(0.12)	$	(0.22)	$	(0.80)	$	(0.00)

(1) the Company is in the exploration stage and has no revenue;
(2) includes a writedown of the Otish properties of $3,517,816;
(3) includes a currency translation adjustment to the loss on the previously held interest in VAUH of $662,313 and professional fees of $776,432 paid in conjunction with the Plan of Arrangement;
(4) includes the acquisition of exploration and evaluation assets obtained during the Plan of Arrangement;
(5) accounts for the revaluation of the previously held interest in VAUH.

Loss for the quarter ended March 31, 2013

There were losses of $5,138,397 for the three months ended March 31, 2013, the largest component being the write-down of the Otish Mineral Properties of $3,517,816 due to the Quebec government announcement to put all uranium exploration or development on hold until an impact study is completed. In addition there were professional fees of $708,738 comprised of legal, accounting and consulting fees. Compensation and benefits cost $312,044 and general administration cost $289,398.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2013, the Company had working capital, current assets net of current liabilities, of $3,047,250.

On January 28, 2013, the Company completed a private placement for a total amount of $10,084,900 (CAD$10,113,538). The Company issued 15,235,239 common shares for gross cash proceeds of $6,396,873 (CAD$6,398,800) and issued 8,844,619 common shares in exchange for 21,851,411 Energy Fuels shares valued at $3,688,027 (CAD$3,714,740). The Energy Fuels shares are restricted from trading for four months after the close of the private placement. Fees of 6 % and 7% were paid on those amounts that qualified for finders' fees. In addition, 6% of the Energy Fuels Inc. common shares are reserved for finder's fees.

The Company fair valued the Energy Fuels common shares received in conjunction with the private placement at $3,473,281 as at March 31, 2013.

The Company's ability to continue as a going concern is dependent on the ability of the Company to raise additional equity financing and the ultimate attainment of profitable operations. Nevertheless, as a result of the financing completed in the current quarter, the Company believes it has sufficient resources to fund its planned activities for the next twelve months.

Cash flows for the period ended March 31, 2013

For the period ended March 31, 2012, the Company spent $2,343,817 in operating activities, primarily for office activities, legal fees, consultants and community outreach programs.

With the net cash proceeds of $6,185,166 from the issuance of capital stock in connection with the private placement that closed on January 28, 2013, the Company paid off a short term bridge loan of $742,421 arranged with a related party, Sprott Resources Lending Corp. last December 2012 for working capital at an interest rate of 12% annually.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

PROPOSED TRANSACTIONS

There are no proposed transactions.

RELATED PARTY TRANSACTIONS

Due from related party consists of $71,257 due from Anthem for reimbursement of certain operating expenses.

Note payable to related party consists of a Promissory Note payable to Anthem of $3,979,250 exchanged in the acquisition of the Otish property. The note bears interest at the rate of 3% per annum and matures on August 20, 2015. Included in the loan balance is accrued interest on the Promissory Note in the amount of $59,359. The Company and Anthem have common officers.

Loan payable to related party at December 31, 2012 consisted of a short term bridge loan from Sprott Resources Lending Corp. for working capital. The loan bore interest at the rate of 12% annually and matured on February 28, 2013. In consideration for the advance, the Company agreed to pay a structuring fee to Sprott in the amount of CAD$7,500 and a cash bonus payment equal to 6% of the principal amount of the loan. A director of the Company is also a director and officer of Sprott Inc. and a director of Sprott Resource Corp. The loan and accrued interest was paid off on January 31, 2013.

During the quarter ended March 31, 2013, an officer and director of the Company was paid $33,333 (2012 - $nil) for legal services.

The key management personnel of the Company are the directors and officers of the Company. Compensation awarded to officers and directors for the periods ended March 31, 2013 and 2012 are as follows:

Officers		**2013**		**2012**
Salaries and consulting fees	$	145,000	$	-

Directors				
Salaries and consulting fees	$	8,750	$	-

CRITICAL ACCOUNTING ESTIMATES

Significant Accounting Estimates and Judgments

The preparation of the Company's condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to the recoverable amount of mineral property interests;

RISK FACTORS

New Legislation Must Be Passed in Virginia to Lift the Moratorium on Uranium Mining

The Virginia Code of 1950 was amended in 1982 such that no application for uranium mining shall be accepted by any agency of the Commonwealth of Virginia until a program for permitting the mining of uranium is established by statute. Before mining development activities at the Coles Hill project can proceed, the Virginia General Assembly must enact legislation authorizing and establishing a permitting program.

Assuming such legislation is passed to in effect lift the moratorium on uranium mining, it would then be necessary for the Virginia Department of Mines Minerals and Energy (the "DMME"), which regulates mining in Virginia, to adopt the permitting regulations in accordance with the Virginia Administrative Process Act (the "VAPA"). Under the VAPA, new regulations are subject to a comment and review process that may include one or more public hearings.

Once the DMME adopts permitting regulations, the Company would need to apply for a mining permit from the DMME, as mining activities in the Commonwealth of Virginia are not allowed unless a permit is granted from the DMME. Until state legislation establishing a uranium mining permit program is enacted and regulations are in place, it is not possible to predict with precision the procedures necessary to obtain a mining permit. It is likely that those procedures would include many public hearings prior to issuance of a state mining permit.

Agreement states are authorized to implement and enforce regulations controlling source and by- product materials (milling, processing and tailings management) in lieu of the Nuclear Regulatory Commission (the "NRC"). However, Virginia is not currently an agreement state with regard to uranium milling and tailings management. Therefore, the Company would need to apply to the NRC for permission to construct a uranium mill and tailings containment facility. The federal permit approval process for such facilities is a lengthy, multi-year undertaking. There is no certainty that the Company would be successful in its application to the NRC for permission to construct and operate a uranium mill and tailings containment facility.

Given the many approvals that the Company would have to obtain in order to commence mining on the Coles Hill property, there can be no assurances as to when or even if the Company will be able to commence mining operations. If the Company were unable to commence mining on the Coles Hill property on a timely basis or at all, the Company's operations and financial condition would be materially affected in an adverse manner.

Uncertainty of Funding

The exploration, permitting and development of the Coles Hill project requires a substantial amount of capital and greatly depend on the Company's ability to obtain funding through equity financings, joint ventures, or other means. Poor capital market conditions for junior mining companies and volatile uranium markets may make it difficult to secure financing necessary maintain the viability of the Company. While the Company did complete a financing in January 2013, there is no assurance that the Company will be successful in obtaining future financing as needed or on acceptable terms.

Environmental Groups Oppose Uranium Mining in Virginia

Numerous environmental organizations exist in Virginia that are dedicated to the opposition of the mining industry and in particular, uranium mining. Although the Company intends to comply with all environmental laws and permitting obligations in conducting its business, there is certainty that those opposed to the Coles Hill project will attempt to interfere with the Company's development and operation, whether by legal process, regulatory process or otherwise. Such interference will have an adverse effect on the Company's ability to obtain necessary or appropriate permits and approvals or otherwise carry-out its operations. The efforts by these opposition groups may prevent the company from ever advancing the Coles Hill project to commercial production.

New Uranium Mining Regulations Could Negatively Impact the Coles Hill Project's Economic Viability
If it appears that Virginia intends to lift the moratorium, environmental group may attempt to persuade the state to adopt uranium mining regulations that are so onerous as to jeopardize the economic feasibility of the Coles Hill project. Consequently, the conclusions from the Company's most recent 43-101 Preliminary Economic Assessment Report (June 2012) may prove to be inaccurate. For instance, overly onerous regulations might dramatically increase the estimates for capital expenditures and operating costs for the Coles Hill project to the point where the required return on capital is insufficient to support the advancement of the project to commercial production.

No History of Uranium Mining Operations in Virginia
The company does not have a history of uranium production in Virginia. There is no assurance that commercial quantities of uranium will be mined at the Coles Hill project or other future properties. Even with commercial quantities of uranium, there can be no assurance that the Coles Hill project will ever be brought to a stage where uranium resources can profitably be produced. Factors which may limit the Company's ability to produce uranium from the Coles Hill project include, but are not limited to, lack of regulatory approvals, declining spot price for uranium, availability of additional capital and financing and the nature of any mineral deposits.

Public Acceptance of Nuclear Energy and Competition from Other Energy Sources
Growth of the uranium and nuclear power industry will depend upon continued and increased acceptance of nuclear technology as a means of generating electricity. Because of unique political, technological and environmental factors that affect the nuclear industry, including the risk of a nuclear incident, the industry is subject to public opinion risks that could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. Nuclear energy competes with other sources of energy, including oil, natural gas, coal and hydro-electricity. These other energy sources are to some extent interchangeable with nuclear energy, particularly over the longer term. Sustained lower prices of oil, natural gas, coal and hydroelectricity may result in lower demand for uranium concentrates. Technical advancements in renewable and other alternate forms of energy, such as wind and solar power, could make these forms of energy more commercially viable and put additional pressure on the demand for uranium concentrates.

Technical Innovation and Obsolescence
Technological changes in nuclear reactors, enrichment technological changes and other changes could reduce the demand for uranium.

Nature of Exploration and Development
Exploration for and development of mineral properties is speculative, and involves significant operational, political and financial risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, only a few properties, which are explored, become commercially mineable or ultimately developed into producing mines. The economic feasibility of development projects is based upon many factors, including, among others: the accuracy of mineral reserve and/or resource estimates; metallurgical recoveries; capital and operating costs

of such projects; government regulations relating to prices, taxes, royalties, infrastructure, land tenure, land use, importing and exporting, and environmental protection; and uranium prices, which are historically cyclical.

Development projects are also subject to the successful completion of engineering studies, issuance of necessary governmental permits and availability of adequate financing. Development projects have no operating history upon which to base estimates of future cash flow. The Company also conducts economic studies which derive estimates of capital and operating costs based upon many factors, including, among others: anticipated tonnage and grades of ore to be mined and processed; the configuration of the ore body; ground and mining conditions; expected recovery rates of the uranium from the ore; and alternate mining methods. It is possible that actual costs and economic returns of current and new mining operations may differ materially from the Company's estimates. It is not unusual in the mining industry for new mining operations to experience unexpected problems during the start-up phase, take much longer than originally anticipated to bring into a producing phase, and to require more capital than anticipated.

Global Economic Downturn

In the event of a continued general economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Company would not be materially adversely affected. Current global financial conditions have been subject to increased volatility, and numerous commercial and financial enterprises have either gone into bankruptcy or creditor protection or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets, massive investment losses by banks with resultant recapitalization efforts and a deterioration in the global economy. Although economic conditions have shown improvement in recent years, the recovery from the recession has been slow in various jurisdictions including in Europe and the United States and has been impacted by various ongoing factors including sovereign debt levels and high levels of unemployment, which continue to impact commodity prices and which have resulted in high volatility in currencies and global debt and stock markets.

These factors may impact the Company's ability to obtain financing on terms commercially reasonable to the Company, or at all. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Company's securities could continue to be adversely affected.

Market Price of Common Shares

Securities of mining companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic conditions in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's common shares is also likely to be significantly affected by short-term changes in commodity prices, other mineral prices, currency exchange fluctuation, or in its financial condition or results of operations as reflected in its periodic earnings reports. Other factors unrelated to the performance of the Company that may have an effect on the price of the securities of the Company include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; the size of the Company public float and its inclusion in market indices may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the securities of the Company that persists for a significant period of time could cause the Company's securities to be delisted from an exchange, further reducing market liquidity. If an active market for the securities of the Company does not continue, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline. If an active market does not exist, investors may lose their entire investment in the Company. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Dilution From Further Equity Financing
If the Company raises additional funding by issuing equity securities or securities convertible, exercisable or exchangeable for equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

Governmental Regulation and Policy Risks
Exploration, development, mining and milling of minerals and the transportation and handling of the products produced are subject to extensive federal, state and local laws and regulations governing, among other things, acquisition of the mining interests, maintenance of claims, tenure, expropriation, prospecting, exploration, development, mining, milling and production, price controls, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, toxic substances, water use, land use, , environmental protection and remediation, endangered and protected species, mine and mill decommissioning and reclamation, mine safety, transportation safety and emergency response and other matters. Compliance with such laws and regulations has increased/will increase the costs of exploring, drilling, developing, constructing, operating and closing the Company's mines and processing facilities. It is possible that, in the future, the costs, delays and other effects associated with such laws and regulations may impact the Company's decision as to whether to proceed with exploration or development, or that such laws and regulations may result in the Company incurring significant costs to remediate or decommission properties that do not comply with applicable environmental standards at such time. The Company expends significant financial and managerial resources to comply with such laws and regulations. The Company anticipates it will have to continue to do so as the historic trend toward stricter government regulation may continue. There can be no assurance that future changes in applicable laws and regulations will not adversely affect the operations or financial condition of the Company. New laws and regulations, amendments to existing laws and regulations or more stringent implementation of existing laws and regulations, including through stricter license and permit conditions, could have a material adverse impact on the Company, increase costs, cause a reduction in levels of, or suspension of and/or delay or prevent the development of new mining properties. There is a risk that moratoriums on mining in Virginia will not be lifted soon or at all.

Litigation
The Company may be subject to litigation arising in the normal course of business and may be involved in disputes with other parties in the future which may result in litigation. The causes of potential future litigation cannot be known and may arise from, among other things, business activities, environmental laws, volatility in stock price or failure to comply with disclosure obligations. The results of litigation cannot be predicted with certainty. If the Company is unable to resolve these disputes favourably, it may have a material adverse impact on the Company's financial performance, cash flow and results of operations.

Dependence on Key Personnel and Qualified and Experienced Employees

The Company's success will largely depend on the efforts and abilities of certain senior officers and key employees. Certain of these individuals have significant experience in the mining industry as well as local expertise within southern Virginia. The number of individuals with significant experience in this industry is small. While the Company does not foresee any reason why such officers and key employees will not remain with the Company, if for any reason they do not, the Company could be adversely affected. The Company has not purchased key man life insurance for any of these individuals.

The Company's success will also depend on the availability of qualified and experienced employees to work in the Company's operations and the Company's ability to attract and retain such employees. The number of individuals with relevant mining and operational experience in this industry is small.

Conflicts of interest

Some of the directors of the Company are also directors of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. Such corporate opportunities presented to a director of the Company may be offered to another company or companies with which the director is associated, and may not be presented or made available to the Company. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest which they may have in any project or opportunity of the Company, and to abstain from voting on such matter.

OTHER MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Stock as at May 29, 2013:

Authorized:
Unlimited number of voting common shares
Unlimited number of redeemable, retractable, convertible, preferred shares

Issued:

57,230,614 common shares, of which 12,156,239 common shares held by certain insiders are escrowed and released in tranches over 36 months

Stock Options:

Number	Exercise Price (CAD$)	Date of Expiry
16,000	$6.45	June 23, 2013
187,500	$2.27	September 27, 2013
8,000	$3.23	November 21, 2013
365,000	$1.59	November 11, 2015
10,000	$2.80	February 15, 2016
3,029,700	$0.42	April 29, 2018
3,616,200	[3,541,200 exercisable]	

Fully diluted:
60,846,814 common shares

Directors

Walter Coles, Sr., *Chatham*, *Virginia*
Ronald Hochstein, *Vancouver, BC*
Norm Reynolds, *Chatham, Virginia*
Peter Grosskopf, *Toronto, ON*
Neal Keesee, *Chatham, Virginia*
Graham Moylan, *Toronto, ON*

Officers

Walter Coles, Sr., *President & CEO*
Walter Coles, Jr., *Executive Vice President of Corporate Development*
Mike Cathro, *Vice-President Exploration*
Karen A. Allan, CMA, *CFO*
Neal Keesee, *Corp. Secretary*

Auditors KPMG LLP

Legal Counsel Cassels Brock

QUALIFIED PERSON

The Qualified Persons under the meaning of National Instrument 43-101 for the PEA are John I. Kyle, PE (Lyntek Inc.) and Douglas Beahm, PE, PG (BRS Engineering)

The technical information in this MD&A has been reviewed and approved by Michael Cathro, P.Geo., the Company's Vice President of Exploration and a Qualified Person under the meaning of National Instrument 43-101.