



**VIRGINIA ENERGY RESOURCES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2019 and 2018**

(unaudited - expressed in US dollars)

## MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated interim financial statements of Virginia Energy Resources Inc. are the responsibility of the Company's management and are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded, and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised of non-management directors. The Audit Committee reviews the consolidated financial statements prior to their submission to the Board of Directors for approval.

*"Walter Coles, Sr."*

Walter Coles, Sr.  
President and CEO

*"Karen A. Allan"*

Karen A. Allan  
Chief Financial Officer

Vancouver, British Columbia  
May 24, 2019

**VIRGINIA ENERGY RESOURCES INC.**  
**Condensed Consolidated Interim Statements of Financial Position**  
**(Unaudited - expressed in US Dollars)**

		March 31, 2019	December 31, 2018
	<b>Note</b>		
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 108,090	\$ 168,377
Commodity taxes receivable		941	561
Other assets		27,818	26,503
		136,849	195,441
Exploration and evaluation assets	4	23,203,661	23,203,661
<b>Total assets</b>		<b>\$ 23,340,510</b>	<b>\$ 23,399,102</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9	\$ 19,055	\$ 44,882
<b>Total liabilities</b>		<b>19,055</b>	<b>44,882</b>
<b>Shareholders' equity</b>			
Capital stock	6	50,621,328	50,621,328
Contributed surplus		390,797	390,797
Accumulated other comprehensive income		887,922	887,922
Deficit		(28,578,592)	(28,545,827)
<b>Total shareholders' equity</b>		<b>23,321,455</b>	<b>23,354,220</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 23,340,510</b>	<b>\$ 23,399,102</b>

See accompanying notes to condensed consolidated interim financial statements

These consolidated financial statements are signed on behalf of the Board of Directors by:

*"Joseph Kiely" (signed)*

*"Neal Keese" (signed)*

VIRGINIA ENERGY RESOURCES INC.  
Condensed Consolidated Interim Statements of Operations and Comprehensive loss  
(Unaudited - expressed in US dollars)

	Note	For the three months ended	
		March 31	
		2019	2018
<b>Expenses</b>			
Compensation and benefits		\$ 15,870	\$ 31,826
Professional fees	9	2,911	8,227
General and administrative		24,311	32,739
		(43,092)	(72,792)
Interest income		214	-
Other income		8,000	8,439
Foreign exchange		2,113	(11,931)
		10,327	(3,492)
<b>Net loss and comprehensive loss for the period</b>		<b>(32,765)</b>	<b>(76,284)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>57,230,614</b>	<b>57,230,614</b>

See accompanying notes to condensed consolidated interim financial statements

**VIRGINIA ENERGY RESOURCES INC.**

**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity  
(Unaudited - expressed in US dollars)**

	Capital Stock		Accumulated Other Comprehensive Income [Note 5]	Contributed Surplus	Deficit [Note 5]	Total Shareholders' Equity
	Common Shares	Amount				
Balance, December 31, 2017	57,230,614	\$ 50,621,328	\$ 887,922	\$ 611,963	\$ (28,181,490)	23,939,723
Net loss for three months	-	-	-	-	(76,284)	(76,284)
Balance, March 31, 2018	57,230,614	50,621,328	887,922	611,963	(28,257,774)	23,863,439
Balance, December 31, 2018	57,230,614	50,621,328	887,922	390,797	(28,545,827)	23,354,220
Net loss for three months	-	-	-	-	(32,765)	(32,765)
<b>Balance, March 31, 2019</b>	<b>57,230,614</b>	<b>\$ 50,621,328</b>	<b>\$ 887,922</b>	<b>\$ 390,797</b>	<b>\$ (28,578,592)</b>	<b>\$ 23,321,455</b>

See accompanying notes to condensed consolidated interim financial statements

**VIRGINIA ENERGY RESOURCES INC.**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**(Unaudited - expressed in US dollars)**

	For the three months ended	
	March 31	
	2019	2018
<b>Cash from operating activities</b>		
Net loss	\$ (32,765)	\$ (76,284)
Non-cash items:		
Foreign exchange	(2,113)	11,931
Net changes in non-cash working capital items		
Commodity taxes receivable	(380)	(372)
Due from related parties	-	(3,675)
Other assets	(1,315)	4,477
Accounts payable and accrued liabilities	(25,827)	(57,283)
<b>Cash used in operating activities</b>	<b>(62,400)</b>	<b>(121,206)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(62,400)</b>	<b>(121,206)</b>
<b>Foreign exchange effects on cash and cash equivalents</b>	<b>2,113</b>	<b>(11,931)</b>
<b>Cash and cash equivalents beginning of the period</b>	<b>168,377</b>	<b>776,150</b>
<b>Cash and cash equivalents end of the period</b>	<b>\$ 108,090</b>	<b>\$ 643,013</b>
<b>Composition of cash and cash equivalents:</b>		
Cash	\$ 98,082	\$ 643,013
Cash equivalents	10,008	-
<b>Cash and cash equivalents, end of year</b>	<b>\$ 108,090</b>	<b>\$ 643,013</b>

See accompanying notes to condensed consolidated interim financial statements

**VIRGINIA ENERGY RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three months ended March 31, 2019 and 2018**  
**(Unaudited - expressed in US dollars)**

**1. NATURE AND GOING CONCERN**

Virginia Energy Resources Inc. (the “Company” or “Virginia”) is a resource company focused on the exploration and development of uranium deposits located in the southern part of Virginia in the United States. Virginia was incorporated in the Yukon on August 31, 2007 and continued to British Columbia under the *British Columbia Corporations Act* on May 21, 2009. On September 27, 2012, the Company acquired all the outstanding shares of VA Uranium Holdings Inc. (“VAUH”) and its subsidiaries and Otish Minerals Ltd. (“the Arrangement”). Prior to September 27, 2012, the Company held an investment in VAUH. In January 2015, the Company transferred ownership of its shares in Otish Minerals Ltd. to Anthem Resources Incorporated (“Anthem”). Details of the Company’s wholly owned subsidiaries are as follows:

Name of Subsidiary	Nature of Operations	Place of Incorporation
Virginia Uranium Inc. (“VirginiaCo”)	Exploration and development of uranium	Virginia, USA
Southside Cattle Company LLC (“Southside”)	Holding Company	Virginia, USA
VA Uranium Holdings Inc. (“VAUH”)	Holding Company	Virginia, USA

The head office of the Company is located at 650 - 1021 West Hastings Street, Vancouver, British Columbia, Canada, V6E 0C3.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation. The Company incurred a net loss of \$32,765 for the three months ended March 31, 2019 (year ended December 31, 2018 - \$585,503) and had an accumulated deficit of \$28,578,592 as at March 31, 2019 (December 31, 2018 - \$28,545,827). The Company’s ability to continue as a going concern is dependent upon the ability of the Company to raise additional equity financing to meet general working capital requirements and ultimately complete the exploration and development of its uranium deposits and the attainment of profitable operations. The Company will be required to raise additional financing for the coming year. There are no assurances that the Company will be successful in achieving these goals. Although the Company has been successful in raising funds to date, there can be no assurance that adequate or sufficient funding will be available in the future, or under terms acceptable to the Company.

In addition, the Company’s actual results could differ materially from those anticipated due to failure to lift the moratorium on uranium mining in Virginia. The Company is currently engaged in two lawsuits against the Commonwealth of Virginia to overturn its moratorium on uranium mining. The Company’s position in the case filed in federal court is that the Commonwealth of Virginia’s ban on uranium mining is pre-empted by federal law and is therefore invalid under the Supremacy Clause of the United States Constitution. A federal judge ruled against the lawsuit in December 2015. The Company appealed such ruling to the United States Court of Appeal for the Fourth Circuit. The appeal was heard on October 28, 2016 and the Court ruled against the Company and denied the appeal. On May 21, 2017, the Company filed a petition for writ of certiorari with the United States Supreme Court to hear its appeal of the decision of the Fourth Circuit (the “Federal Appeal”). On November 25, 2015, the Company filed a separate state law-based lawsuit in the Circuit Court of Wise County seeking injunctive and other relief overriding the ban on mining in a takings claim. The Commonwealth of Virginia filed a motion to dismiss the case and a plea in bar. A state judge issued an order denying the motion to dismiss and plea in bar, and the trial scheduled for December 2016 was postponed and no new trial date has been set.

**1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)**

The Solicitor General of the U.S. Department of Justice and the U.S. Nuclear Regulatory Commission filed an amicus curiae brief with the United States Supreme Court in connection with the writ filed by the Company to hear the Federal Appeal. The question presented in the Federal Appeal is whether the Atomic Energy Act of 1954 pre-empts state laws that prohibit activities within a state's regulatory jurisdiction when such laws are grounded in radiological-safety concerns. In the brief, the Solicitor General expresses the view of the United States that the Company's petition for writ of certiorari should be granted and the Supreme Court should grant the Company's petition and hear the Federal Appeal. On May 21, 2018, the United States Supreme Court granted the Company's petition for writ of certiorari and arguments in the case were heard on November 5, 2018. A decision by the court is expected no later than June 2019.

These matters indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The Company's discretionary activities have considerable scope for flexibility in terms of the amount and timing of expenditures, which may be adjusted accordingly. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. If the going concern assumptions were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the statement of financial position classifications used. Such adjustments could be material.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and are reported in United States dollars ("USD"). These unaudited condensed consolidated interim financial statements have been prepared using the accounting policies as set out in the audited annual financial statements for the year ended December 31, 2018. The disclosures which follow do not include all disclosures required for the annual financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2018. These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on May 24, 2019.

**Basis of measurement**

These condensed consolidated interim financial statements have been prepared on the historical cost basis with the exception of certain financial instruments that are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

**Functional and presentation currency**

The condensed consolidated interim financial statements are presented in US dollars, which is the functional currency of the Company and its subsidiaries.



**3. NEWLY ADOPTED ACCOUNTING STANDARDS AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

***IFRS 9 Financial Instruments***

Effective January 1, 2018, the Company adopted the requirements of IFRS 9 Financial Instruments (“IFRS 9”), which replaced the previous standard IAS 39 Financial Instruments – Recognition and Measurement (“IAS 39”) using the modified retrospective approach. There were no changes to the carrying value of any of the Company’s assets or liabilities as a result of this new accounting standard.

***IFRS 16 Leases***

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

This standard is applicable to the Company’s annual period beginning January 1, 2019. The Company has assessed the implications of adoption and does not expect the adoption of this standard to have a significant impact on the Company’s consolidated financial statements.

#### **4. EXPLORATION AND EVALUATION ASSETS**

Mineral properties, December 31, 2018 and March 31, 2019	\$	23,203,661
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##### **The Coles Lease and the Bowen Lease**

On April 4, 2007, VirginiaCo entered into a deed of mineral lease with Bowen Minerals LLC (the "Bowen Lease") and a deed of mining lease with Coles Hill LLC (the "Coles Lease" and, collectively with the Bowen Lease, the "Leases").

Pursuant to the Leases, VirginiaCo was granted the sole and exclusive right to drill, quarry, mine, process, store, remove and sell all of the uranium and all other fissionable source materials located on or under the lands of the two adjoining properties. The Leases expire December 31, 2045, unless otherwise terminated or extended as agreed between the parties.

As part of the Leases, VirginiaCo agreed to pay Coles Hill and Bowen Minerals, as applicable, an earned revenue royalty at a fixed percentage of the actual price per pound of uranium ("U3O8") received by VirginiaCo from arm's length sales to third parties. VirginiaCo shall pay a revenue royalty of 3% for sales of U3O8 at a realized price per pound of less than \$30, 4% for sales of U3O8 at a realized price per pound at or greater than \$30, but less than \$100, and 5% for sales of U3O8 at a realized price per pound at or greater than \$100.

In addition, contingent consideration will become payable annually on each anniversary beginning April 4, 2021. VirginiaCo has agreed to pay minimum annual rent in the amount of \$250,000 to Bowen Minerals LLC under the terms of the Bowen Lease and \$750,000 to Coles Hill LLC under the terms of the Coles Lease.

Pursuant to an option agreement (the "Coles Option Agreement") dated May 31, 2007, among VirginiaCo, Walter Coles, Sr., the chairman and director of the Company and Alice C. Coles (the "Coles"), VirginiaCo acquired an option (the "Coles Option") to purchase adjacent land that forms a portion of the Coles Hill Property, exercisable for a period commencing May 31, 2007 and ending on the earlier of the termination or expiration of the Coles Lease. On March 18, 2011, the Coles Option Agreement was amended to permit VirginiaCo to acquire the land at a price of \$857,084. The purchase price was determined according to the terms of the original agreement and was equal to the price paid by the Coles plus the interest paid on the loan obtained to purchase the land by the Coles. On March 18, 2011, the Coles Option Agreement was exercised permitting the Company to acquire the land parcel covered by the Coles Option Agreement at a price of \$857,084.

##### **The Burt Lands**

Pursuant to the terms of a land acquisition agreement (the "Burt Acquisition Agreement") dated May 22, 2007 among Fred W. Burt and Shirley C. Burt (the "Burts") and VirginiaCo, VirginiaCo agreed to purchase land contiguous to the South Coles Hill Deposit (the "Burt Lands"), excluding any mineral rights on or under the Burt Lands (the "Reserved Minerals"). The Burt Lands form a portion of the Coles Hill Property. Upon execution of the Burt Acquisition Agreement, the Company issued 1,000,000 non-voting shares to Fred W. Burt as a deposit. As further consideration for the Burts Lands, VirginiaCo paid \$3,000,000 upon closing.

#### **4. EXPLORATION AND EVALUATION ASSETS (Continued)**

##### **The Burt Lands (continued)**

VirginiaCo also acquired an option to lease the Reserved Minerals (the "Burt Option") from the Burts, which option may be exercised by VirginiaCo at any time prior to 2045. Upon exercise of the Burt Option, VirginiaCo shall have the right to remove and sever all such Reserved Minerals from the Burt Lands. In the event such Reserved Minerals are extracted from the Burt Lands by VirginiaCo, VirginiaCo shall pay to the Burts a royalty of 3% for sales of Reserved Minerals at a realized price per pound of less than \$30, 4% for sales of Reserved Minerals at a realized price per pound at or greater than \$30, but less than \$100, and 5% for sales of Reserved Minerals at a realized price per pound at or greater than \$100. If the Company ceases mining operations in Pittsylvania County, Virginia, or elects to sell the Burt Lands, the Burt family shall have the right to repurchase the Burt Lands for the then fair market value.

Pursuant to an agreement for like-kind exchange dated July 25, 2007 (the "Exchange Agreement") between Southside and the Burts it was agreed that the Burts would convey the Burt Lands to Southside in exchange (the "Exchange") for certain tracts of land in Henry County, Virginia (the "Cromer Property"), in place of the cash consideration outlined in the Burt Acquisition Agreement. To effect the Exchange, on July 27, 2007, Southside purchased the Cromer Property for an aggregate purchase price of \$3,033,598 and simultaneously conveyed the Cromer Property to the Burts in exchange for the Burt Lands pursuant to the terms of the Exchange Agreement.

##### **Option to Purchase the Crider Lands**

Pursuant to an option agreement (the "Crider Option Agreement") dated May 29, 2007, between Roy Crider and Connie Crider (the "Criders") and VirginiaCo, the Criders have granted to VirginiaCo an option to purchase land, which covers part of the surface rights of the South Coles Hill Deposit (the "Crider Lands") for \$1,000,000 (the "Option Price") exercisable for a period of 30 years commencing May 29, 2007. On each anniversary date of the Crider Option Agreement on which the option has not been exercised, the Option Price shall increase by \$100,000. At such time as VirginiaCo has exhausted all of the Reserved Minerals, or, if earlier, has permanently ceased all activities relating to the exploration, development or mining of the Reserved Minerals, the Criders shall have the right to repurchase the Crider Lands for a nominal amount.

##### **The Marline Property**

Pursuant to the terms of a Purchaser's Acknowledgement and Contract of Sale dated July 14, 2007, Walter Coles, Sr., the Chairman and a director of the Company, purchased land located in Pittsylvania County, Virginia (the "Marline Property"), for a purchase price of \$36,217, subject to all easements, conditions and restrictions of record as are applicable to such land. On August 7, 2007, Walter Coles, Sr. irrevocably and unconditionally assigned to Southside all his right, title and interest to acquire the Marline Property, including all rights in and to any minerals on the Marline Property for total consideration of \$10.

#### **4. EXPLORATION AND EVALUATION ASSETS (Continued)**

##### **The Holmes Property**

Pursuant to the terms of two land acquisition agreements (the “Holmes Acquisition Agreements”) dated October 1, 2007 between Mollie H. Holmes (“Holmes”) and Southside, Southside purchased land non-contiguous to the Coles Hill property (the “Holmes Property”). As consideration for the Holmes Property, Southside paid an aggregate sum of \$1,436,886 (purchase price of \$1,425,000 plus \$11,886 in expenses) at closing, which occurred October 10, 2007.

Pursuant to the Holmes Acquisition Agreements, Holmes retained all mineral rights to the Holmes Property, to be conducted by underground mining (the “Holmes Reserved Minerals”). Holmes also retained an option to lease the Holmes Property from Southside for a period of five years. Holmes exercised this option by letter agreement dated October 10, 2007.

In addition, Holmes granted Southside an option to lease the Holmes Reserved Minerals for a period of 20 years from the date of exercise of such option (the “Holmes Option”). Southside (or its successors in interest) may exercise the Holmes Option at any time prior to 2045 upon written notice to Holmes. If the Holmes Option is exercised, Southside shall have the right to remove and sever all Holmes Reserved Minerals from the Holmes Property. In the event such Holmes Reserved Minerals are extracted, Southside shall pay to Holmes a royalty of 3% for sales of Holmes Reserved Minerals at a realized price per pound of less than \$30, 4% for sales of Holmes Reserved Minerals at a realized price per pound at or greater than \$30, but less than \$100, and 5% for sales of Holmes Reserved Minerals at a realized price per pound at or greater than \$100.

Moreover, if Southside ceases mining operations in Pittsylvania County, Virginia, or elects to sell the Holmes Property, the Holmes family shall have the right to repurchase the Holmes Property for the then fair market value determined based on the property being used for agricultural purposes.

##### **The Timberland Property**

Pursuant to a contract for the purchase and sale of property dated October 12, 2007 between Southside and the Illinois Municipal Retirement Fund (“IMRF”), Southside purchased land located in the Banister District of Pittsylvania County (the “Timberland Property”). As consideration for the Timberland Property, Southside paid an aggregate sum of \$1,406,202 on closing, which occurred October 31, 2007. On closing, IMRF conveyed to Southside good and marketable fee simple title to the Timberland Property by special warranty deed, free and clear of all liens, encumbrances and deeds, subject to certain permitted encumbrances.

##### **The Martin Property**

Pursuant to a contract (the “Martin Contract”) for the purchase and sale of property dated October 24, 2007 between Southside and Barbara B. Martin (“Martin”), Southside purchased land contiguous to the Coles Hill property (the “Martin Property”). As consideration for the Martin Property, Southside paid an aggregate sum of \$501,273 on closing.

Pursuant to the Martin Contract, Martin has retained all mineral rights to the Martin Property, to be conducted by underground mining (the “Martin Reserved Minerals”).

**4. EXPLORATION AND EVALUATION ASSETS (Continued)**

**The Martin Property (continued)**

Martin has granted to Southside an option to lease the Martin Reserved Minerals (the “Martin Option”). Southside (or its successors in interest) may exercise such option at any time prior to 2045 upon written notice to Martin. If the Martin Option is exercised, Southside shall have the right to remove and sever all Martin Reserved Minerals from the Martin Property. In the event such Martin Reserved Minerals are extracted, Southside shall pay to Martin a royalty of 3% for sales of Martin Reserved Minerals at a realized price per pound of less than \$30, 4% for sales of Martin Reserved Minerals at a realized price per pound at or greater than \$30, but less than \$100, and 5% for sales of Martin Reserved Minerals at a realized price per pound at or greater than \$100. Moreover, if Southside ceases mining operations in Pittsylvania County, Virginia, or elects to sell the Martin Property, Martin shall have the right to repurchase the Martin Property for the then fair market value determined based on the property being used for agricultural purposes.

**The Jackson Property**

Pursuant to a contract for the purchase and sale of property dated February 4, 2011, Southside purchased a parcel of land in Pittsylvania County (the “Jackson Property”). As consideration for the Jackson Property, Southside paid an aggregate sum of \$806,206 on closing. During the year ended December 31, 2016, a portion of the land was sold for net proceeds of \$881,056.

**5. CAPITAL STOCK**

**Authorized**

Unlimited number of common shares without par value

**Issued and outstanding**

As of March 31, 2019, there were 57,230,614 common shares issued and outstanding.

**Stock options**

The Company has a rolling stock option plan (the “Plan”) allowing for the reservation of common shares issuable under the Plan to maximum 10% of the number of the issued and outstanding common shares of the Company at any given time. The options granted to any one person in a total in any twelve-month period shall not exceed 5% of the issued and outstanding shares of the Company. The options granted to any one Consultant to the Company as a total in any twelve-month period shall not exceed 2% of the issued and outstanding Shares of the Company. Options granted to all employees, consultants and their associates engaged in investor relations activities for the Company in aggregate in any twelve-month period shall not exceed 2% of the issued and outstanding Shares of the Company. The term of stock options granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company’s shares on the last business day immediately preceding the date of grant, less any permitted discount.

On August 21, 2017, the Company granted 3,940,000 stock options to directors, officers and consultants, exercisable at CAD\$0.15 until August 21, 2022 having an estimated fair value of CAD\$0.087 per option.

**VIRGINIA ENERGY RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the three months ended March 31, 2019 and 2018**  
**(expressed in US dollars)**

**6. CAPITAL STOCK (Continued)**

The model inputs for options granted during the year ended December 31, 2017 included an expected volatility factor of 128%, risk-free interest rate of 1.50%, expected life of five years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of loss and comprehensive loss.

The expected volatility is based on the Company's historical stock price volatility over the expected life of the option. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Stock option transactions are summarized as follows:

<b>Stock Options</b>		
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (CAD\$)</b>
Outstanding, December 31, 2017	5,715,100	0.23
Expired	(1,775,100)	(0.42)
Outstanding, December 31, 2018	3,940,000	0.15
<b>Outstanding, March 31, 2019</b>	<b>3,940,000</b>	<b>0.15</b>
<b>Number exercisable/fully vested</b>	<b>3,940,000</b>	<b>0.15</b>

As at March 31, 2019, the Company had the following outstanding stock options:

<b>Number</b>	<b>Exercise Price (CAD\$)</b>	<b>Date of Expiry</b>
3,940,000	0.15	August 21, 2022
<b>3,940,000</b>		

## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has exposure to the following risks associated with its financial instruments:

### Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to other price risk.

### Liquidity risk and fair value hierarchy

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due. The Company manages its liquidity risk by preparing and monitoring forecasts of cash expenditures to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's accounts payable and accrued liabilities generally have maturities of less than 90 days.

The carrying values for financial instruments, including cash and cash equivalents, due from related parties, and accounts payable and accrued liabilities approximate fair values due to their short-term maturities.

### Currency risk

The Company is exposed to foreign currency risk, as it operates in the United States and Canada and certain expenditures are denominated in non-US dollar currencies. Canadian dollar denominated balances generated foreign exchange gains and losses that are reported on the consolidated statement of operations and comprehensive income (loss). A strengthening or weakening of 3% for the three months ended March 31, 2019 (for the year ended December 31, 2018 - 7%) in the US dollar against the Canadian dollar would have an impact of \$2,000 for the three months ended March 31, 2019 (for the year ended December 31, 2018 - \$36,000) on net and comprehensive income (loss).

The balances listed below are the Canadian dollar denominated balances of their reported US dollar equivalent.

Canadian dollar accounts		March 31, 2019		December 31, 2018
Cash and cash equivalents	\$	47,129	\$	85,520
Commodity taxes receivable		1,257		765
Accounts payable and accrued expenses		(22,079)		(34,584)
	\$	26,307	\$	51,701

### Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore the Company does not consider interest rate risk to be significant.

**7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

The Company has cash balances and deposits at fixed rates. The Company currently invests its excess cash in money market accounts and certificate of deposits held by United States and Canadian banking institutions. The Company manages its interest rate risk on these investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash and cash equivalents do not have a significant impact on the Company's results of operations due to the short-term maturity of the investments. The effect of a one basis point increase or decrease on the short-term investments to net loss is not material.

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from operations. Cash is held with major financial institutions. Due from related parties is not considered a risk based on an assessment of the financial condition of related parties. The maximum exposure to credit risk is limited to amounts shown on the consolidated statement of financial position.

**8. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development programs on its mineral properties. The Company manages its capital structure, consisting of shareholders' equity of \$23,321,455 (December 31, 2018 - \$23,354,220) and makes adjustments to it, based on funds available to the Company, in order to support the exploration and development of its mineral properties. The Company relies primarily on the issuance of common shares for its capital requirements. All of the Company's cash and cash equivalents are available for exploration and development programs and administrative operations. The Company has not changed its approach to capital management during the current fiscal period, and is not subject to any external capital restrictions.

**9. RELATED PARTY TRANSACTIONS**

Related party transactions are measured in the normal course of business at fair value.

The key management personnel of the Company are the directors and officers of the Company. Compensation awarded to officers and directors for the three months ended March 31, 2019 and 2018 are as follows:

<b>Salaries and consulting fees</b>	<b>2019</b>		<b>2018</b>	
Officers	\$	<b>1,204</b>	\$	16,203
Directors (for administration and legal services)	\$	<b>1,750</b>	\$	-

Included in accounts payable and accrued liabilities is \$nil (December 31, 2018 - \$2,788) due to related parties for services performed during the period.



**10. SEGMENTED DISCLOSURE**

The Company currently operates in one industry segment, being mineral exploration, with all long-term assets in one geographical area, being the United States.