VIRGINIA ENERGY RESOURCES INC. (formerly Virginia Uranium Ltd.)

Condensed Consolidated Interim Financial Statements
Nine Months Ended September 30, 2012
(Expressed in US Dollars)
(Unaudited)

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NOTICE OF NO REVIEW

Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The consolidated financial statements of Virginia Energy Resources Inc. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles 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 primarily of non-management directors.

The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

"Walter Coles, Sr."

Walter Coles, Sr.
President and CEO

"Karen A. Allan"

Karen A. Allan
Chief Financial Officer

Vancouver, British Columbia
November 28, 2012

VIRGINIA ENERGY RESOURCES INC. (formerly Virginia Uranium Ltd.)
Condensed Consolidated Interim Statement of Financial Position
(Expressed in US Dollars)

	September 30, 2012	December 31, 2011
	(unaudited)	
Assets		
Current		
Cash and cash equivalents	$ 1,293,846	$ -
Short-term investments	260,228	-
Due from related party (note 10)	39,356	-
Other assets	40,083	-
	1,633,513	-
Exploration and Evaluation Assets (note 5)	26,946,332	
Equipment (note 6)	50,411	-
Investment (note 4)	-	8,454,731
	$ 28,630,256	$ 8,454,731
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 1,304,851	$ -
Note Payable to Related Party (note 4)	3,825,405	-
	5,130,256	-
Shareholders' Equity		
Capital Stock (note 7)	40,609,894	19,824,144
Accumulated Other Comprehensive Loss	-	(322,392)
Deficit	(17,109,894)	(11,047,021)
	23,500,000	8,454,731
	$ 28,630,256	$ 8,454,731

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

"Walter Coles, Sr." (signed)

Director

"Ron Hochstein." (signed)

Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VIRGINIA ENERGY RESOURCES INC. (formerly Virginia Uranium Ltd.)

Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
(Expressed in US Dollars)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	**2011**	**2012**	**2011**
Expenses				
Revaluation of VAUH	$ 5,354,146	$ -	$ 5,354,146	$ -
Net Loss	$ 5,354,146	$ -	$ 5,354,146	$ -
Other Comprehensive Loss				
Change in fair value of investment	128,778	49,933	386,335	149,798
Loss and Comprehensive Loss for Period	$ 5,482,924	$ 49,933	$ 5,740,481	$ 149,798
Basic and Diluted Loss per Common Share	$ 0.55	$ -	$ 0.56	$ -
Weighted Average Number of Common Shares Outstanding	9,903,070	9,751,427	10,206,357	9,751,427

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VIRGINIA ENERGY RESOURCES INC. (formerly Virginia Uranium Ltd.)
Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
(Expressed in US Dollars)

	Capital Stock		Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
	Common Shares	Amount			
Balance, January 1, 2010	9,751,427	$ 19,824,144	$ (679,894)	$ (11,043,971)	$ 8,100,279
Net loss for year	-	-	557,232	(3,050)	554,182
Balance, December 31, 2010	9,751,427	19,824,144	(122,662)	(11,047,021)	8,654,461
Net loss for year	-	-	(199,730)	-	(199,430)
Balance, December 31, 2011	9,751,427	19,824,144	(322,392)	(11,047,021)	8,454,731
Shares issued on acquisition of VAUH (note 4)	23,399,329	20,785,750	-	-	20,785,750
Net loss for period	-	-	(386,335)	(5,354,146)	(5,740,481)
Transfer on acquisition	-	-	708,727	(708,727)	-
Balance, September 30, 2012 (unaudited)	33,150,756	$ 40,609,894	$ -	$ (17,109,894)	$ 23,500,000

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

VIRGINIA ENERGY RESOURCES INC. (formerly Virginia Uranium Ltd.)
Condensed Consolidated Interim Statement of Cash Flows
(Expressed in US Dollars)
(Unaudited)

	Nine Months Ended September 30, 2012	2011
Operating Activities		
Loss for period	$ (5,354,146)	$ -
Items not involving cash		
Revaluation of investment in VAUH	5,354,146	-
Cash Used in Operating Activities	-	-
Investing Activity		
Cash and cash equivalents acquired on acquisition of VAUH	1,293,846	-
Inflow of Cash	1,293,846	-
Cash and Cash Equivalents, Beginning of Period	-	-
Cash and Cash Equivalents, End of Period	$ 1,293,846	$ -
Cash and cash equivalents is comprised of:		
Cash	$ 389,846	$ -
Demand deposits	$ 904,000	$ -

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

(Expressed in US Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

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, United States and exploration of uranium in Quebec. Virginia was incorporated under the *Business Corporations Act* of British Columbia on January 16, 2007. On September 27, 2012, the Company acquired VA Uranium Holdings Inc. and its subsidiaries.

Details of the Company's subsidiaries at September 30, 2012 are as follows:

Name of Subsidiary	Nature of Operations	Place of Incorporation	Ownership Interest
Virginia Uranium Inc. ("VirginiaCo")	Exploration and development of uranium deposits	Virginia	100%
Southside Cattle Company LLC ("Southside")	Holding Company	Virginia	100%

The head office and records office of the Company are located at 611 - 675 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2M6.

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The condensed consolidated interim financial statements do not include any adjustments to assets and liabilities should the Company be unable to continue as a going concern.

Several conditions cast doubt on the validity of this assumption. For the period ended September 30, 2012, the Company incurred an operating loss of $5,354,146, has an accumulated deficit of $17,109,894, limited resources, no source of operating cash flow and no assurances that sufficient funding will continue to be available. The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due.

If the going concern assumption were not appropriate for these condensed consolidated interim 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. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed consolidated interim financial statements are prepared in accordance with International Accounting Standards ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB"), and have been prepared on a historical cost basis using the accrual basis of accounting, except for cash flow information. Accordingly, these condensed consolidated interim financial statements do not include all of the information and footnotes required by IFRS for complete financial statements for year-end reporting purposes.

2. BASIS OF PRESENTATION (Continued)

(a) Statement of compliance (continued)

The significant accounting policies set out in note 3 are consistent with those applied by the Company in its most recent annual consolidated financial statements as at and for the year ended December 31, 2011. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011.

The Company's functional and reporting currency is the US dollar.

(b) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. All significant inter-company balances and transactions have been eliminated.

(c) Use of estimates

The preparation of financial statements requires management to make estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Significant areas requiring the use of estimates and assumptions relate to the review of carrying values and determination of impairment and recoverability of exploration and evaluation assets, the estimated useful lives of equipment and the recoverability and measurement of deferred tax assets. While management believes the estimates are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows.

(d) New accounting standards and interpretations not yet adopted

The Company will be required to adopt certain standards and amendments issued by the IASB, as described below, for which the Company is currently assessing the impact on its condensed consolidated interim financial statements.

All of the new and revised standards described below may be early-adopted.

2. BASIS OF PRESENTATION (Continued)

(d) New accounting standards and interpretations not yet adopted (continued)

IFRS 9 *Financial Instruments* (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in the profit or loss

The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for annual periods beginning before January 1, 2015. For annual periods beginning on or after January 1, 2015, the Company must adopt IFRS 9 (2010).

IFRS 9 *Financial Instruments* (2010)

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss (“FVTPL”); in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

This standard applies to annual periods beginning on or after January 1, 2015 and supersedes IFRS 9 (2009). However, for annual reporting periods beginning before January 1, 2015, an entity may early-adopt IFRS 9 (2009) instead of applying this standard.

IFRS 10 *Consolidated Financial Statements*

Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation - Special Purpose Entities*.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

2. BASIS OF PRESENTATION (Continued)

(d) New accounting standards and interpretations not yet adopted (continued)

IFRS 10 *Consolidated Financial Statements* (continued)

The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in "special purpose entities"). Under IFRS 10, 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 the returns.

Applicable to annual periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 11, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 11 *Joint Arrangements*

Replaces IAS 31 *Interests in Joint Ventures*. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly)
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 *Investments in Associates and Joint Ventures* (2011). Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted.

Applicable to annual periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

IFRS 12 *Disclosure of Interests in Other Entities*

Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

2. BASIS OF PRESENTATION (Continued)

(d) New accounting standards and interpretations not yet adopted (continued)

IFRS 12 *Disclosure of Interests in Other Entities* (continued)

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgments and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control, and so on
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarized financial information)
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

Applicable to annual periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011).

IFRS 13 *Fair Value Measurement*

This IFRS standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a ”fair value hierarchy” based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g., whether it is recognized in the financial statements or merely disclosed) and the level in which it is classified.

This standard applies to annual reporting periods beginning on or after January 1, 2013.

2. BASIS OF PRESENTATION (Continued)

(d) New accounting standards and interpretations not yet adopted (continued)

IAS *28 Investments in Associates and Joint Ventures* (2011)

This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The standard defines "significant influence" and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

Applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 10, IFRS 11, IFRS 12 and IAS 27 (2011).

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Cash, cash equivalents and short-term investments

Cash and cash equivalents is comprised of cash on hand and demand deposits with an original term of three months or less at the date of acquisition. Short-term investments are comprised of demand deposits with an original term of between three and twelve months at the date of acquisition.

(b) Exploration and evaluation assets

All costs related to the exploration and development of mineral property interests are expensed. Acquisition costs related to exploration and evaluation assets are capitalized. If economically recoverable ore reserves are developed, development costs subsequently incurred are capitalized as mining assets and amortized using the unit of production method. If and when a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated fair value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The net recoverable amount is the higher of fair value less cost to sell and value in use, which are determined based on estimates of undiscounted future net cash flows expected to be recovered from specific assets through use or future disposition.

As per IFRS 6, mining exploration costs are expenditures if incurred by an entity in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Amounts shown for exploration and evaluation assets may not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Equipment

Equipment, comprised of computer equipment, is stated at cost, net of accumulated amortization. Amortization is provided using the straight-line method at the rate of 30% per annum.

Long-lived assets, including fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its recoverable amount, being the higher of fair value less costs to sell and value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the asset. Assets to be disposed of would be separately presented in the condensed consolidated interim statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the condensed consolidated interim statement of financial position.

(d) Reclamation liabilities

Reclamation liabilities are a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes a provision for these costs as the related disturbances occur, using the best estimate of future costs based on information available at the statement of financial position date, including an adjustment for risk when there is significant variability in possible outcomes. The Company discounts the provision using a current inflation adjusted pre-tax risk-free interest rate and includes the accretion of the discounted amount over time in finance costs in the condensed consolidated interim statement of loss and comprehensive loss. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

(e) Share-based payments

Compensation costs, related to the issuance of options and share awards (the “Awards”) to employees, are measured at the grant date based on the fair value of the Awards and recognized over the related vesting periods as an expense in the condensed consolidated interim statement of loss and comprehensive loss and credited to share-based payment reserve within shareholders’ equity. Consideration paid by employees when the awards are exercised, as well as the fair value at the grant date of options exercised, is added to capital stock.

(f) Foreign currency translation

The functional currency of the Company and its subsidiaries is the Canadian dollar. Exchange gains and losses on foreign currency transactions and foreign currency denominated balances are included in loss in the current period. Monetary items are translated to Canadian dollars at the period-end exchange rate. Non-monetary items are translated at historical exchange rates prevailing at each transaction date. Expenses are translated at average exchange rates throughout the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments

The carrying values of cash and cash equivalents, short-term investments, due from related party, accounts payable and accrued liabilities and note payable to related party approximate their fair value due to the relatively short-term maturity of these financial instruments.

The Company has classified cash and cash equivalents, and short-term investments as “FVTPL”; due from related party, as “loans and receivables”; and accounts payable and accrued liabilities and note payable to related party as “other financial liabilities”.

Financial assets and financial liabilities classified as FVTPL are measured at fair value with changes in those fair values recognized in net loss. Loans and receivables and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost.

(i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, FVTPL, loans and receivables, and available-for-sale (“AFS”). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (continued)

(i) Financial assets (continued)

Available-for-sale

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity.

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories:

Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the condensed consolidated interim statement of loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date.

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

(h) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the condensed consolidated interim statement of loss and comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Income taxes (continued)

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(i) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

4. ACQUISITION OF COMMON SHARES OF VA URANIUM HOLDINGS INC.

On December 31, 2011, the Company held an 11.55% interest in VAUH and classified its investment as an AFS financial asset. On September 27, 2012, the Company acquired all the shares of VAUH pursuant to a plan of arrangement (the “Arrangement”) providing the Company with 100% ownership of VAUH from Anthem Resources Incorporated (“Anthem”). Prior to September 27, 2012, the Company recognized gains and losses on the investment in other comprehensive income.

In connection with the Arrangement, Anthem completed the transfer of CAD $400,000 cash and the Otish Property interest, valued at $3,433,058, to the Company, for consideration of a promissory note of US $3,825,405 equivalent of CAD $3,900,000.

(Expressed in US Dollars)

4. ACQUISITION OF COMMON SHARES OF VA URANIUM HOLDINGS INC. (Continued)

Under the terms of the Arrangement, each Anthem shareholder received 0.1 of a common share of the Company in exchange for one share held with Anthem. The shareholders of VAUH received 0.1817 of one common share of the Company in exchange for one share held with VAUH. Pursuant to the Agreement, the Company acquired all the shares of VAUH held by Anthem in return for the issuance of 23,399,329 common shares with a fair value of $20,785,750 to shareholders of VAUH and Anthem Resources Incorporated ("Anthem"). The allocation of the consideration given and net assets acquired in this transaction are summarized as follows:

Fair value of common shares issued to acquire shares of VAUH	$	16,588,650
Fair value of common shares issued to acquire interest in VAUH held by Anthem		4,197,100
Revaluation of existing investment in VAUH		2,714,250
Total consideration	$	23,500,000
Cash	$	893,846
Short-term investments		260,228
Due from Anthem		39,356
Other current assets		40,083
Mineral property interests		23,520,927
Equipment		50,411
Accounts payable		(1,304,851)
Net assets acquired	$	23,500,000

5. EXPLORATION AND EVALUATION ASSETS

(a) The Coles Lease and the Bowen Lease

On April 4, 2007, VirginiaCo entered into a deed of mineral lease with Bowen (the "Bowen Lease") and a deed of mining lease with Coles Hill (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 on 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, as applicable, an earned revenue royalty at a fixed percentage of the actual price per pound of U_3O_8 received by VirginiaCo for arm's length sales to third parties. VirginiaCo shall pay a revenue royalty of 3% for sales of U_3O_8 at a realized price per pound of less than $30, 4% for sales of U_3O_8 at a realized price per pound at or greater than $30, but less than $100, and 5% for sales of U_3O_8 at a realized price per pound at or greater than $100.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(a) The Coles Lease and the Bowen Lease (continued)

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 under the terms of the Bowen Lease and $750,000 to Coles Hill under the terms of the Coles Lease. These amounts will be recorded when the amounts become fixed and determinable.

Pursuant to an option agreement (the “Coles Option Agreement”) dated May 31, 2007, among VirginiaCo, Walter Coles, Sr. 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 $857,109. 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.

(b) 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.

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.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(b) The Burt Lands (Continued)

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 Burts Lands pursuant to the terms of the Exchange Agreement.

(c) 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.

(d) 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.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(e) 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.

(e) 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.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

(f) 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”).

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.

(g) 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.

(h) The Otish Mountain Property

The Company holds a 100% interest in several blocks of mineral claims in the Otish Mountains of northern Quebec. Some of the claims are subject to NSRs between 1.5% and 2.0%, of which portions may be acquired for consideration of up to CAD $2,000,000.

(Expressed in US Dollars)

6. EQUIPMENT

Cost		
Balance, December 30, 2011	$	-
Acquired on acquisition of VAUH		50,411
Additions		-
Balance, September 30, 2012	$	50,411
Accumulated Depreciation		
Balance, December 30, 2011	$	-
Charge for the period		-
Balance, September 30, 2012	$	-
Carrying Amounts		
At December 30, 2011	$	-
At September 30, 2012	$	50,411

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and outstanding

On September 27, 2012, the Company issued 23,399,329 common shares for the acquisition of the common shares of VAUH for a value of $20,785,750.

(c) Escrow shares

As at September 30, 2012, an amount of 12,156,239 (common shares are held in escrow. As a Tier 2 Issuer (as defined in TSX-V Policy 1.1), the escrowed common shares will be released over 36 months.

While in escrow, the escrow shares may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with in any manner without the consent of the regulatory authorities.

(Expressed in US Dollars)

8. FINANCIAL INSTRUMENTS

The Company has classified its financial assets as follows:

	September 30, 2012		December 31, 2011	
Financial assets	FVTPL	Loans and	FVTPL	Loans and
Cash and cash equivalents	$ 1,293,846	$ -	$ -	$ -
Short-term investments	260,228	-		
Due from related party	-	39,356	-	-
	$ 1,554,074	$ 39,356	$ -	$ -

The financial assets are carried at fair value as at September 30, 2012 and December 31, 2011. The Company classifies its financial liabilities, accounts payable and accrued liabilities and note payable to related party, as other financial liabilities and carries them at amortized cost.

September 30, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Short-term investments	$ 260,228	$ -	$ -	$ 260,228

December 31, 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Short-term investments	$ -	$ -	$ -	$ -

9. 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, 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 exclusively 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 period, and is not subject to any external capital restrictions

10. RELATED PARTY TRANSACTION

Due from related party consists of $39,356 (December 31, 2011 - $nil) due from Anthem, a company with common officers.

Note payable to related party consisting of a Promissory note of $3,825,405 exchanged in the acquisition of the Otish property due to Anthem Resources, a company with common officers.