



**VIRGINIA ENERGY RESOURCES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 and 2016**

(expressed in US dollars)

## MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated 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  
April 20, 2018

**INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF VIRGINIA ENERGY RESOURCES INC.**

We have audited the accompanying consolidated financial statements of Virginia Energy Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Virginia Energy Resources Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

*Smythe LLP*

Chartered Professional Accountants

Vancouver, British Columbia  
April 20, 2018

**Vancouver**  
7th Floor 355 Burrard St  
Vancouver, BC V6C 2G8  
**T:** 604 687 1231  
**F:** 604 688 4675

**Langley**  
305 – 9440 202 St  
Langley, BC V1M 4A6  
**T:** 604 282 3600  
**F:** 604 357 1376

**Nanaimo**  
201 – 1825 Bowen Rd  
Nanaimo, BC V9S 1H1  
**T:** 250 755 2111  
**F:** 250 984 0886

**VIRGINIA ENERGY RESOURCES INC.**  
**Consolidated Statements of Financial Position**  
(expressed in US dollars)

		As at December 31	
	Note	2017	2016
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 776,150	\$ 1,632,631
Commodity taxes receivable		166	487
Due from related parties	9	8,172	41,835
Other assets		35,740	37,245
		<b>820,228</b>	1,712,198
Exploration and evaluation assets	5	<b>23,203,661</b>	23,203,661
<b>Total assets</b>		<b>\$ 24,023,889</b>	\$ 24,915,859
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	9	\$ 84,166	\$ 33,112
<b>Total liabilities</b>		<b>84,166</b>	33,112
<b>Shareholders' equity</b>			
Capital stock	6	50,621,328	50,621,328
Contributed surplus		611,963	283,414
Accumulated other comprehensive income		887,922	887,922
Deficit		(28,181,490)	(26,909,917)
<b>Total shareholders' equity</b>		<b>23,939,723</b>	24,882,747
<b>Total liabilities and shareholders' equity</b>		<b>\$ 24,023,889</b>	\$ 24,915,859

See accompanying notes to consolidated financial statements

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

*"Joe Kiely" (signed)*

*"Neal Keese" (signed)*

**VIRGINIA ENERGY RESOURCES INC.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(expressed in US dollars)**

	Note	For the years ended	
		2017	2016
<b>Expenses</b>			
Compensation and benefits	9	\$ 242,957	\$ 157,780
Public relations		1,459	1,268
Professional fees	9	677,708	421,771
Technical		-	7,472
General and administrative		111,587	137,078
Amortization		-	218
Share-based payments	6, 9	328,549	-
		<b>(1,362,260)</b>	<b>(725,587)</b>
Interest income		-	3
Timber sales and other income		58,859	126,861
Foreign exchange		31,828	37,506
		<b>90,687</b>	<b>164,370</b>
<b>Net loss and comprehensive loss for the year</b>		<b>(1,271,573)</b>	<b>(561,217)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>		<b>57,230,614</b>	<b>57,230,614</b>

See accompanying notes to consolidated financial statements

**VIRGINIA ENERGY RESOURCES INC.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**(expressed in US dollars)**

	Capital Stock		Accumulated Other Comprehensive Income	Contributed Surplus	Deficit	Total Shareholders' Equity
	Common Shares	Amount				
Balance, December 31, 2015	57,230,614	\$ 50,621,328	\$ 887,922	\$ 283,414	\$ (26,348,700)	\$ 25,443,964
Net loss for the year	-	-	-	-	(561,217)	(561,217)
Balance, December 31, 2016	57,230,614	50,621,328	887,922	283,414	(26,909,917)	24,882,747
Share-based payments	-	-	-	328,549	-	328,549
Net loss for the year	-	-	-	-	(1,271,573)	(1,271,573)
<b>Balance, December 31, 2017</b>	<b>57,230,614</b>	<b>\$ 50,621,328</b>	<b>\$ 887,922</b>	<b>\$ 611,963</b>	<b>\$ (28,181,490)</b>	<b>\$ 23,939,723</b>

See accompanying notes to consolidated financial statements

**VIRGINIA ENERGY RESOURCES INC.**  
**Consolidated Statements of Cash Flows**  
**(expressed in US dollars)**

	For the years ended	
	December 31	
	2017	2016
<b>Cash from operating activities</b>		
Net loss for the year	\$ (1,271,573)	\$ (561,217)
Non-cash items:		
Amortization	-	218
Foreign exchange	(29,555)	(30,957)
Share-based payments	328,549	-
Net changes in non-cash working capital items		
Commodity taxes receivable	345	411
Due from related parties	33,663	74,635
Other assets	1,553	(587)
Accounts payable and accrued liabilities	48,692	(42,622)
<b>Cash used in operating activities</b>	<b>(888,326)</b>	<b>(560,119)</b>
<b>Financing activity</b>		
Net proceeds from sale of exploration and evaluation assets	-	881,056
<b>Cash provided by financing activity</b>	<b>-</b>	<b>881,056</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(888,326)</b>	<b>320,937</b>
<b>Foreign exchange effects on cash and cash equivalents</b>	<b>31,845</b>	<b>32,374</b>
<b>Cash and cash equivalents beginning of the year</b>	<b>1,632,631</b>	<b>1,279,320</b>
<b>Cash and cash equivalents end of the year</b>	<b>\$ 776,150</b>	<b>\$ 1,632,631</b>

See accompanying notes to consolidated financial statements

**VIRGINIA ENERGY RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2017 and 2016**  
**(expressed in US dollars)**

**1. NATURE OF OPERATIONS 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 deposits	Virginia
Southside Cattle Company LLC (“Southside”)	Holding Company	Virginia
VA Uranium Holdings Inc. (“VAUH”)	Holding Company	Virginia

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’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 complete the exploration and development of its uranium deposits and the attainment of profitable operations. 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. The Company incurred a net loss of \$1,271,573 for the year ended December 31, 2017 (2016 - \$561,217) and had an accumulated deficit of \$28,181,490 as at December 31, 2017 (2016 - \$26,909,917).

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 was postponed and no new trial date has been set.



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

Subsequent year-end, 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.

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. BASIS OF PRESENTATION**

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board, and are reported in US dollars. These consolidated financial statements were authorized for issuance by the Company's Board of Directors on April 20, 2018.

**Basis of measurement**

These consolidated 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 consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

**Functional and presentation currency**

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

**Use of estimates and judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

## **2. BASIS OF PRESENTATION (Continued)**

### **Use of estimates and judgments (continued)**

Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Information about the estimates that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Recoverable value of interests in exploration in evaluation assets - The carrying value of exploration and evaluation assets and the likelihood of future economic recoverability of these carrying values is subject to significant management estimates. The application of the Company's accounting policy for and determination of recoverability of capitalized assets is based on assumptions about future events or circumstances. New information may change estimates and assumptions made. If information becomes available indicating that recovery of expenditures are unlikely, the amounts capitalized are impaired and recognized as a loss in the period that the new information becomes available. A change in estimate could result in the carrying amount of capitalized assets being materially different from their presented carrying costs.
- Recognition of deferred taxes – The Company recognizes a deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable income against which deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. In addition, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods.
- Assumptions used in the calculation of the fair value assigned to share-based payments - The Black-Scholes option pricing models require the input of subjective assumptions, including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's contributed surplus.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Carrying value and recoverability of exploration and evaluation assets – Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's exploration and evaluation assets.
- Usage of the going concern assumption - The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.
- Determination of functional currency - The determination of the functional currency for the Company and its subsidiaries is based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Cash and cash equivalents**

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

The Company capitalizes the costs of acquiring licenses for the right to explore as exploration and evaluation assets. Subsequent to the acquisition, all direct and indirect costs related to the exploration and development of exploration and evaluation assets are expensed.

The exploration and evaluation assets remain capitalized until these assets are placed into production, disposed of through sale or where management has determined there to be impairment. If an exploration and evaluation asset is abandoned, the acquisition costs capitalized will be written off to operations in the period of abandonment. If an exploration and evaluation asset is sold within the same CGU, the proceeds will be deducted from the capitalized costs.

At each reporting date, exploration and evaluation assets are reviewed on a property by property basis to consider if there is any indicator of impairment. If any indication of impairment exists, an estimate of the exploration and evaluation assets' recoverable amount is calculated.

The recoverable amount is determined as the higher of fair value less costs of disposal for the exploration and evaluation property interest and their value in use. The fair value less costs of disposal and the value in use are determined for an individual exploration and evaluation property interest, unless the exploration and evaluation property interest does not generate cash inflows that are largely independent of other exploration and evaluation property interests. If this is the case, the exploration and evaluation property interests are grouped together into CGUs for impairment purposes.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

Where impairment subsequently reverses, the carrying amount of the asset is increased to the revised the recoverable amount, up to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized in the period in which that determination was made in profit or loss.

#### **Reclamation liabilities**

Reclamation liabilities are legal obligations associated with the retirement of 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 consolidated 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 consolidated statement of loss and comprehensive income (loss). The carrying amount of the related long-lived asset is increased by the same amount as the liability. At December 31, 2017 and 2016, the Company had not undertaken disturbances that would require recognition of a reclamation liability.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital stock**

Capital stock issued for non-monetary consideration is valued at the pre-determined private placement price. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value is transferred from warrant reserve to capital stock. For unexercised warrants that expire, the recorded value is transferred to deficit.

**Share-based payments**

Compensation costs, related to the issuance of options to employees, are measured at the grant date based on the fair value of the options and recognized over the related vesting periods as an expense in the consolidated statement of operations and comprehensive income (loss) and credited to contributed surplus within shareholders' equity. Consideration paid by employees when the options are exercised, as well as the fair value at the grant date of options exercised, is added to capital stock. Upon expiry, the fair value of options is transferred to deficit.

**Foreign currency translation**

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recorded in foreign exchange gain or loss in the consolidated statement of loss and comprehensive income (loss) as foreign exchange gain (loss).

**Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments (continued)**

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

FINANCIAL INSTRUMENTS:	CLASSIFICATION CATEGORIES:
Cash and cash equivalents	Financial asset at fair value through profit or loss
Due from related parties	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

*Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are classified as FVTPL when the financial asset is a derivative, 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*

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 on an individual basis during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

*Available-for-sale financial asset ("AFS")*

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. Sales of financial assets are accounted for at trade date.

*Other financial liabilities*

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 consolidated statement of operations and comprehensive income (loss) over the period to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date.

### **3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Financial instruments (continued)**

##### *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.

#### **Income taxes**

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated 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.

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 income 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 tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

#### **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. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2017, and have not been applied in preparing these consolidated financial statements. The Company is currently assessing the impact of these standards on the consolidated financial statements, but has not yet determined the extent of that impact, if any.

##### **IFRS 9 *Financial Instruments***

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. Earlier application is permitted.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- *Classification and measurement of financial liabilities:*  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- *Hedge accounting:*  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Applicable to the Company's annual period beginning January 1, 2018.

#### 4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (Continued)

##### **Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)**

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Applicable to the Company's annual period beginning January 1, 2018.

##### **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.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Applicable to the Company's annual period beginning January 1, 2019.



**4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (Continued)**

**Annual Improvements to IFRS standards 2014-2016 Cycle**

The following standards have been revised to incorporate amendments issued by the IASB in December 2016:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – The amendments remove some short-term exemptions for first-time adopters.
- IFRS 12 *Disclosure of Interests in Other Entities* – The amendments clarify that the disclosure requirements in the standard apply to interests in entities within the scope of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.
- IFRS 28 *Investments in Associates and Joint Ventures* – The amendments clarify that the election available to some types of investment entities to measure investees at fair value through profit or loss at initial recognition is applied on an investment-by-investment basis. The amendments also clarify that an entity that is not an investment entity decides on an investment-by-investment basis whether to retain the fair value measurements applied by its associates and joint ventures that are investment entities.

Applicable to the Company’s annual period beginning January 1, 2018.

**5. EXPLORATION AND EVALUATION ASSETS**

Mineral properties, December 31, 2015	\$	24,084,717
Disposition of exploration and evaluation assets		(881,056)
Mineral properties, December 31, 2016		23,203,661
Disposition of exploration and evaluation assets		-
Mineral properties, December 31, 2017	\$	<b>23,203,661</b>

**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 (“U<sub>3</sub>O<sub>8</sub>”) received by VirginiaCo from arm’s length sales to third parties. VirginiaCo shall pay a revenue royalty of 3% for sales of U<sub>3</sub>O<sub>8</sub> at a realized price per pound of less than \$30, 4% for sales of U<sub>3</sub>O<sub>8</sub> at a realized price per pound at or greater than \$30, but less than \$100, and 5% for sales of U<sub>3</sub>O<sub>8</sub> 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.

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

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

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, VirginiaCo issued 1,000,000 non-voting shares to Fred W. Burt as a deposit. These shares were cancelled pursuant to the Arrangement, and common shares of the Company were issued. As further consideration for the Burts Lands, VirginiaCo paid \$3,000,000 upon closing.

VirginiaCo also acquired an option to lease the underlying 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.

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

**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.

**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.

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

**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”).

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.

## **6. CAPITAL STOCK**

### **Authorized**

Unlimited number of common shares without par value

### **Issued and outstanding**

As of December 31, 2017 and 2016, 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\$0.105 per option.

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 historical 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.

VIRGINIA ENERGY RESOURCES INC.  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2017 and 2016  
(expressed in US dollars)

6. CAPITAL STOCK (Continued)

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, 2015	1,780,100	0.42
Expired/cancelled	(5,000)	(2.80)
Outstanding, December 31, 2016	1,775,100	0.42
Granted	3,940,000	0.15
<b>Outstanding, December 31, 2017</b>	<b>5,715,100</b>	<b>0.23</b>
<b>Number exercisable/fully vested</b>	<b>5,715,100</b>	<b>0.23</b>

As at December 31, 2017, the Company had the following outstanding stock options:

<b>Number of options</b>	<b>Exercise Price (CAD\$)</b>	<b>Date of Expiry</b>
1,775,100	0.42	April 30, 2018
3,940,000	0.15	August 21, 2022
<b>5,715,100</b>		

As at December 31, 2016, the Company had the following outstanding stock options:

<b>Number of options</b>	<b>Exercise Price (CAD\$)</b>	<b>Date of Expiry</b>
1,775,100	0.42	April 30, 2018
<b>1,775,100</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 7% (2016 - 3%) in the US dollar against the Canadian dollar would have an impact of \$36,000 (2016 - \$17,000) 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	December 31, 2017	December 31, 2016
Cash	\$ 545,919	\$ 614,380
Commodity taxes receivable	208	655
Accounts payable and accrued liabilities	(25,426)	(32,438)
	<b>\$ 520,701</b>	<b>\$ 582,597</b>

### 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 and comprehensive 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 \$23,939,723 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 is available for exploration and development programs and administrative operations. The Company has not changed its approach to capital management during the year ended December 31, 2017, and is not subject to any external capital restrictions.

**9. RELATED PARTY TRANSACTIONS**

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

As at December 31, 2017, due from related parties consists of \$8,172 (2016 - \$41,835) from Skeena Resources Ltd. ("Skeena") for reimbursement of certain operating expenses. The Company and Skeena have a common officer and director.

The key management personnel of the Company are the directors and officers of the Company. Compensation awarded to officers and directors for the years ended December 31, 2017 and 2016 are as follows:

<b>Salaries and consulting fees paid to:</b>	<b>2017</b>		<b>2016</b>	
Officers	\$	<b>66,612</b>	\$	79,813
Directors (for administration and legal services)	\$	<b>144,343</b>	\$	33,125
Share-based payments	\$	<b>316,875</b>	\$	-

Included in accounts payable and accrued liabilities is \$3,396 (2016 - \$2,273) due to related parties for services performed during the year.



**VIRGINIA ENERGY RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2017 and 2016**  
**(expressed in US dollars)**

**10. INCOME TAXES**

**Reconciliation of effective tax rate**

The provision for income tax differs from the amount that would have resulted by applying the combined Canadian federal and British Columbia statutory income tax rates of 26% (2016 - 26%).

	<b>2017</b>	<b>2016</b>
Loss before income taxes	\$ (1,271,573)	\$ (561,217)
Statutory rates	<b>26.00%</b>	26.00%
Income tax recovery at statutory rates	<b>(330,609)</b>	(145,916)
Expenses not tax deductible	<b>85,423</b>	39
Impact of difference in foreign tax rates	<b>(83,444)</b>	(49,985)
Change in unrecognized deductible temporary differences	<b>179,196</b>	-
Disposition of exploration and evaluation assets	-	(308,370)
Foreign exchange	<b>(15,305)</b>	184,187
Unused tax losses and tax offsets not recognized	<b>164,739</b>	320,045
Income tax expense	\$ -	\$ -

**Unrecognized deferred tax assets**

Deferred income tax assets have not been recognized in respect of the following items:

	<b>2017</b>	<b>2016</b>
Deductible temporary differences – other	\$ -	\$ 26,789
Capital losses	-	33,969
Loss carry forwards	<b>19,261,922</b>	18,426,159
Net deferred income tax assets	\$ <b>19,261,922</b>	\$ 18,486,917

The tax losses not recognized expire as per the amount and year noted below. Deferred tax assets have not been recognized in respect of these items either because it is not probable that future taxable profit would be available against which the Company can utilize the benefits there from or the initial recognition exemption prohibits recognition.

**VIRGINIA ENERGY RESOURCES INC.**  
**Notes to the Consolidated Financial Statements**  
**For the years ended December 31, 2017 and 2016**  
**(expressed in US dollars)**

**10. INCOME TAXES (Continued)**

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2017 and 2016 are presented below:

	<b>2017</b>	<b>2016</b>
<b>Deferred income tax asset:</b>		
Non-capital losses	\$ 1,361,421	\$ 1,583,204
Total deferred income tax asset	\$ 1,361,421	\$ 1,583,204
<b>Deferred income tax liabilities:</b>		
Exploration and evaluation assets	\$ (1,353,441)	\$ (1,575,155)
Foreign exchange	(7,980)	(8,049)
Total deferred income tax liabilities	\$ (1,361,421)	\$ (1,583,204)
Net deferred income tax liabilities	\$ -	\$ -

**Non-capital loss carry-forward**

As at December 31, 2017, the Company had the following income tax attributes to carry forward:

	<b>Amounts</b>	<b>Available to</b>
Canada	\$ 384,000	2034 – 2036
United States	23,920,000	2027 – 3036
	\$ 24,304,000	

**11. SEGMENTED DISCLOSURE**

The Company currently operates in one industry segment, being mineral exploration, and one geographic area, being the United States.