VIRGINIA ENERGY RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 and 2015

(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 21, 2017

Smythe CPA

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, 2016 and 2015 and the consolidated statements of operations and comprehensive income (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, 2016 and 2015, 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 21, 2017

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

	Note	As at December 31 2016		2015
Assets				
Current				
Cash and cash equivalents		**$**	**1,632,631**	$ 1,279,320
Commodity taxes receivable			**487**	866
Due from related parties	10		**41,835**	116,470
Other assets			**37,245**	36,554
			1,712,198	1,433,210
Exploration and evaluation assets	5		**23,203,661**	24,084,717
Equipment	6		**-**	218
Total assets		**$**	**24,915,859**	$ 25,518,145
Liabilities				
Current				
Accounts payable and accrued liabilities		**$**	**33,112**	$ 74,181
Total liabilities			**33,112**	74,181
Shareholders' equity				
Capital stock	7		**50,621,328**	50,621,328
Contributed surplus			**283,414**	283,414
Accumulated other comprehensive income			**887,922**	887,922
Deficit			**(26,909,917)**	(26,348,700)
Total shareholders' equity			**24,882,747**	25,443,964
Total liabilities and shareholders' equity		**$**	**24,915,859**	$ 25,518,145

See accompanying notes to consolidated financial statements

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

"Harold Roberts" (signed) *"Neal Keesee" (signed)*

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

	Note	For the years ended December 31	
		2016	**2015**
Expenses			
Compensation and benefits	10	**$ 157,780**	$ 271,133
Public relations		**1,268**	16,961
Professional fees	10	**421,771**	333,222
Technical		**7,472**	37,700
General and administrative		**137,078**	161,442
Amortization		**218**	1,301
		(725,587)	(821,759)
Interest income		**3**	4,073
Timber sales and other income		**126,861**	77,825
Gain on disposition of exploration and evaluation assets in satisfaction of note payable to related party	5	**-**	3,588,597
Foreign exchange		**37,506**	(220,591)
		164,370	3,449,904
Net income (loss) and comprehensive income (loss) for the year		**(561,217)**	2,628,145
Basic and diluted earnings (loss) per share	12	**$ (0.01)**	$ 0.05
Weighted average number of common shares outstanding		**57,230,614**	57,230,614

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, 2014	57,230,614	$ 50,621,328	$ 887,922	$ 482,394	$ (29,175,825)	$ 22,815,819
Expiry of share-based payments	-	-	-	(198,980)	198,980	-
Net income for the year	-	-	-	-	2,628,145	2,628,145
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**

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	
	2016	2015
Cash from operating activities		
Net income (loss)	**$ (561,217)**	$ 2,628,145
Non-cash items:		
Amortization	**218**	1,301
Gain on disposition of exploration and evaluation assets in satisfaction of note payable to related party	**-**	(3,588,597)
Foreign exchange	**(30,957)**	215,817
Net changes in non-cash working capital items		
Commodity taxes receivable	**411**	1,775
Due from related parties	**74,635**	117,396
Other assets	**(587)**	(384)
Accounts payable and accrued liabilities	**(42,622)**	(26,405)
Cash used in operating activities	**(560,119)**	(650,952)
Financing activities		
Net proceeds from sale of exploration and evaluation assets	**881,056**	-
Cash paid in disposition of mineral property interests	**-**	(4,230)
Cash provided from (used in) financing activities	**881,056**	(4,230)
Net increase (decrease) in cash and cash equivalents	**320,937**	(655,182)
Foreign exchange effects on cash and cash equivalents	**32,374**	(215,817)
Cash and cash equivalent beginning of the year	**1,279,320**	2,150,319
Cash and cash equivalent end of the year	**$ 1,632,631**	$ 1,279,320

See accompanying notes to consolidated financial statements

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 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. These matters indicate the existence of material uncertainties that may cast significant doubt on the entity'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 21, 2017.

2. BASIS OF PRESENTATION (Continued)

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.

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 is 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.

2. BASIS OF PRESENTATION (Continued)

Use of estimates and judgments (continued)

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 was 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.

Exploration and evaluation assets

The Company capitalizes the costs of acquiring licenses for the right to explore at cost 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 the exploration and evaluation assets to which they relate 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exploration and evaluation assets (continued)

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.

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.

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 operations 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, 2016 and 2015, the Company had not undertaken disturbances that would require recognition of a reclamation liability.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 operations 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.

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:	CLASSIFCATION 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

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.

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 operations and comprehensive income (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)

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 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.

Impairment

Other non-financial assets, including exploration and evaluation assets, are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's CGU, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized.

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 standard, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated financial statements.

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.

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 to 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)

Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Applicable to the Company's annual period beginning January 1, 2017.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Applicable to the Company's annual period beginning January 1, 2017.

5. EXPLORATION AND EVALUATION ASSETS

Mineral properties, December 31, 2014 and 2015	$	24,084,717
Disposition of exploration and evaluation assets		(881,056)
Mineral properties, December 31, 2016	**$**	**23,203,661**

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, as applicable, an earned revenue royalty at a fixed percentage of the actual price per pound of uranium ("U_3O_8") received by VirginiaCo from 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.

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.

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, 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 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.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

The Otish Mountain Property

In January 2015, the Company transferred ownership of Otish Minerals Ltd., whose primary asset is the Otish property in central Quebec, back to Anthem in full satisfaction of its indebtedness to Anthem of $3,592,827 (CAD$3,900,000 and accrued interest) and recorded a gain of $3,588,597 on the disposition of mineral property interests in satisfaction of the note payable.

The Company recognized an impairment loss of $3,500,000 in 2012 against the Otish mineral properties, which was equivalent to its carrying value, and included the exploration and evaluation expenditures and field equipment for the Otish mineral property.

6. EQUIPMENT

Cost		**Total**
Balance, December 31, 2014	$	51,986
Acquired during the year		-
Balance, December 31, 2015		51,986
Acquired during the year		-
Balance, December 31, 2016	**$**	**51,986**
Accumulated Amortization		
Balance, December 31, 2014	$	50,467
Charge for the year		1,301
Balance, December 31, 2015		51,768
Charge for the year		218
Balance, December 31, 2016	**$**	**51,986**
Carrying Amounts		
At December 31, 2015	$	218
At December 31, 2016	**$**	**-**

7. CAPITAL STOCK

Authorized

Unlimited number of common shares without par value

Issued and outstanding

As of December 31, 2016 and 2015, there were 57,230,614 common shares issued and outstanding.

7. CAPITAL STOCK (continued)

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.

Stock option transactions are summarized as follows:

	Stock Options	
	Number of Options	Weighted Average Exercise Price (CAD$)
Outstanding, December 31, 2014	2,914,700	0.56
Expired/cancelled	(1,134,600)	(0.80)
Outstanding, December 31, 2015	1,780,100	0.56
Expired	(5,000)	(2.80)
Outstanding, December 31, 2016	**1,775,100**	**0.42**
Number exercisable/fully vested	**1,775,100**	**0.42**

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

Number of options	Exercise Price (CAD$)	Date of Expiry
1,775,100	0.42	April 30, 2018
1,775,100		

7. CAPITAL STOCK (Continued)

Stock options (continued)

As at December 31, 2015, the Company had the following outstanding stock options:

Number of options	Exercise Price (CAD$)	Date of Expiry
5,000	2.80	February 15, 2016
1,775,100	0.42	April 30, 2018
1,780,100		

8. 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 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.

Liquidity risk and fair value hierarchy

Liquidity risk is the risk that the Company will not be able to meets 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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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 15% (2015 - 3%) in the US dollar against the Canadian dollar would have an impact of $65,000 (2015 - $34,000) 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, 2016**	**December 31, 2015**
Cash	**$ 614,380**	$ 1,197,095
Commodity taxes receivable	**655**	1,199
Accounts payable and accrued liabilities	**(32,438)**	(67,999)
	$ 582,597	$ 1,130,295

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.

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.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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 has been collected. The maximum exposure to credit risk is limited to amounts shown on the consolidated statement of financial position.

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 of $24,882,747 (2015 - $25,443,964) 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 current period, and is not subject to any external capital restrictions.

10. RELATED PARTY TRANSACTIONS

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

As at December 31, 2016, due from related parties consists of $41,835 (2015 - $37,222) from Skeena Resources Ltd. ("Skeena"), $nil (2015 - $78,588) from Anthem for reimbursement of certain operating expenses, and $nil (2015 - $660) due from a director of the Company. The Company and Skeena have a common officer or director. The Company and Anthem no longer have common officers or directors (2015 – two common officers or directors).

In January 2015, the Company transferred ownership of Otish Minerals Ltd., whose primary asset is the Otish property in central Quebec, back to Anthem in full satisfaction of its indebtedness to Anthem of $3,592,827 (CAD$3,900,000 plus accrued interest) and recorded a gain on settlement of debt of $3,588,597 (note 5).

10. RELATED PARTY TRANSACTIONS (Continued)

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, 2016 and 2015 are as follows:

Salaries and consulting fees paid to:		2016		2015
Officers	$	**79,813**	$	91,318
Directors (for administration and legal services)	$	**33,125**	$	13,062

There were no share-based payments made to officers and directors in the years ended December 31, 2016 and 2015.

Included in accounts payable and accrued liabilities is $2,273 (2015 - $16,562) due to related parties for services performed during the year.

11. 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% (2015 - 26%).

		2016		2015
Income (loss) before income taxes	$	**(561,217)**	$	2,628,145
Income tax recovery at statutory rates		***26.00%***		*26.00%*
Income tax expense (recovery) at statutory rates		**(145,916)**		683,317
Expenses not tax deductible		**39**		-
Impact of difference in foreign tax rates		**(49,985)**		(59,931)
Change in unrecognized deductible temporary differences		**-**		(841,714)
Disposition of exploration and evaluation assets		**(308,370)**		-
Foreign exchange		**184,187**		193,121
Unused tax losses and tax offsets not recognized		**320,045**		25,207
Income tax expense	$	**-**	$	-

11. INCOME TAXES (Continued)

Unrecognized deferred tax assets

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

		2016		**2015**
Deductible temporary difference – mineral properties and capital assets	**$**	**-**	$	8,429,649
Deductible temporary differences – other		**26,789**		26,789
Capital losses		**33,969**		33,969
Loss carry forwards		**18,426,159**		20,832,794
Net deferred income tax assets	**$**	**18,486,917**	$	29,323,201

The tax losses not recognized expire as per the amount and year noted below. The deductible temporary differences do not expire under current tax legislation. 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.

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2016 and 2015 are presented below:

		2016		**2015**
Deferred income tax asset:				
Non-capital losses	**$**	**1,583,204**	$	1,575,155
Total deferred income tax asset	**$**	**1,583,204**	$	1,575,155
Deferred income tax liabilities:				
Exploration and evaluation assets		**(1,575,155)**		(1,575,155)
Foreign exchange		**(8,049)**		-
Total deferred income tax liabilities	**$**	**(1,583,204)**	$	(1,575,155)
Net deferred income tax liabilities	**$**	**-**	$	-

Non-capital losses

As at December 31, 2016, the Company had the following income tax attributes to carry forward:

		Amounts	**Available to**
Canada	**$**	**471,000**	2026 – 2035
United States		**22,486,000**	2026 – 3035
	$	**22,957,000**	

12. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings per share for the relevant periods is based on the following:

		2016		2015
Net income (loss) and comprehensive income (loss) for the year	**$**	**(561,217)**	$	2,628,145
Basic weighted average number of common shares outstanding		**57,230,614**		57,230,614
Effect of dilutive securities		**-**		-
Diluted weighted average number of common shares outstanding		**57,230,614**		57,230,614
Basic earnings (loss) per share	**$**	**(0.01)**	$	0.05
Diluted earnings (loss) per share	**$**	**(0.01)**	$	0.05

13. SEGMENTED DISCLOSURE

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