VIRGINIA ENERGY RESOURCES INC.

(formerly Virginia Uranium Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 and 2012

(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 accounting principles generally accepted in Canada and reflect management's best estimates and judgment based on information currently available.

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

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised primarily of non-management directors. The 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 25, 2014

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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, 2013 and December 31, 2012, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising 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 our judgment, including the assessment of the risks of material misstatement of consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 consolidated financial position of Virginia Energy Resources Inc. as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
April 25, 2014
Toronto, Canada

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

	Note	December 31, 2013	December 31, 2012
Assets			
Current			
Cash and cash equivalents		$ 1,141,230	$ 479,983
Commodity taxes receivable		4,399	36,122
Due from related party	12	153,892	81,997
Other assets		35,730	33,644
Marketable securities	6	1,738,058	-
		3,073,309	631,746
Exploration and evaluation assets	7	24,084,717	27,602,533
Equipment	8	21,051	44,463
Total assets		$ 27,179,077	$ 28,278,742
Liabilities			
Current			
Accounts payable and accrued liabilities		$ 173,047	$ 1,233,910
Loan payable to related party	12	-	742,421
		173,047	1,976,331
Note payable to related party	12	3,805,414	3,950,498
Total liabilities		3,978,461	5,926,829
Shareholders' equity			
Capital stock	9	50,621,328	40,965,330
Contributed surplus		480,577	
Accumulated other comprehensive income		298,813	887,922
Deficit		(28,200,102)	(19,501,339)
Total shareholders' equity		23,200,616	22,351,913
Total liabilities and shareholders' equity		$ 27,179,077	$ 28,278,742

See accompanying notes to consolidated financial statements

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

"Graham Moylan" (signed) *"Ron Hochstein" (signed)*

VIRGINIA ENERGY RESOURCES INC. (formerly Virginia Uranium Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US dollars)

	Note	For the years ended December 31 2013	2012
Expenses			
Compensation and benefits		$ 965,956	$ 203,700
Share based compensation	9(e)	480,577	-
Public relations		538,282	56,682
Loss realized on previously held interest in VAUH		-	6,016,459
Professional fees		1,879,347	776,432
Technical expense		299,458	159,715
General and administrative		821,297	324,347
Gain on sale of marketable securities	6	(57,790)	-
Amortization	8	24,987	5,948
Impairment of exploration and evaluation assets	7	3,517,816	-
Loss before other items		(8,469,930)	(7,543,283)
Other income (loss)			
Interest income		5,787	609
Interest expense		(121,148)	(31,607)
Other income		18,041	2,385
Foreign exchange		(131,513)	5,500
		(228,833)	(23,113)
Net loss		(8,698,763)	(7,566,396)
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Reclassification of unrealized loss on previously held interest in VAUH		-	322,392
Financial currency translation reserve		241,153	-
Change in fair value of available-for-sale marketable securities	**6**	(830,262)	-
		(589,109)	322,392
Net loss and comprehensive loss for the year		(9,287,872)	(7,244,004)
Basic and diluted loss per share		$ (0.16)	$ (0.48)
Weighted average number of common shares outstanding		55,623,049	15,649,340

See accompanying notes to consolidated financial statements

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

	Capital Stock		Accumulated Other			
	Common Shares	Amount	Comprehensive Income (Loss)	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, December 31, 2011	**9,751,427**	**$ 19,824,144**	**$ 565,530**	**$ -**	**$ (11,934,943)**	**$ 8,454,731**
Shares issued on acquisition of VAUH (note 5)	23,399,329	21,141,186	-	-	-	21,141,186
Reclassification on acquisition of control of VAUH	-	-	322,392	-	-	322,392
Net loss for year	-	-	-	-	(7,566,396)	(7,566,396)
Balance, December 31, 2012	**33,150,756**	**40,965,330**	**887,922**	**-**	**(19,501,339)**	**22,351,913**
Shares issued for cash:						
Private placements	15,235,239	6,396,873	-	-	-	6,396,873
Share issue costs	-	(211,707)	-	-	-	(211,707)
Shares issued for marketable securities:						
Private placements	8,844,619	3,688,027	-	-	-	3,688,027
Share issue costs	-	(217,195)	-	-	-	(217,195)
Change in fair value of available-for-sale marketable securities	-	-	(830,262)	-	-	(830,262)
Foreign currency translation reserve			241,153	-		241,153
Share based compensation	-	-	-	480,577	-	480,577
Net loss for year	-	-	-	-	(8,698,763)	(8,698,763)
Balance, December 31, 2013	**57,230,614**	**$ 50,621,328**	**$ 298,813**	**$ 480,577**	**$ (28,200,102)**	**$ 23,200,616**

See accompanying notes to consolidated financial statements

VIRGINIA ENERGY RESOURCES INC. (formerly Virginia Uranium Ltd.)
Consolidated Statement of Cash Flows
(Expressed in US dollars)

		For the years ended December 31		
		2013		**2012**
Cash from operating activities				
Net loss	**$**	(8,698,763)	$	(7,566,396)
Non-cash items:				
Amortization		24,987		5,948
Impairment of exploration and evaluation assets		3,517,816		-
Share based compensation		480,577		-
Loss on revaluation of investment		-		6,016,459
Gain on sale of marketable securities		(57,790)		
Unrealized foreign exchange (gains) and losses				(5,500)
Net changes in non-cash working capital items				
Other assets		(2,086)		6,439
Commodity taxes receivable		31,723		(36,122)
Accounts payable and accrued liabilities		(1,060,863)		(232,145)
Accrued interest on note payable to related party		114,089		30,607
Accrued interest on loan payable to related party		-		979
Due from related party		(71,985)		(42,641)
Cash used in operating activities		**(5,722,295)**		(1,822,372)
Financing activities				
Net proceeds from the issuance of capital stock		6,185,166		-
Repayment of loan to related party		(742,421)		741,442
Proceeds from sale of marketable securities		942,372		
Cash acquired on acquisition of Otish property		-		406,840
Cash provided from financing activities		**6,385,117**		1,148,282
Investing activities				
Proceeds from sale of short-term investments		-		260,228
Cash acquired on acquisition of VAUH, net of transaction costs		-		893,845
Purchase of equipment		(1,575)		-
Cash provided (used in)/from investing activities		**(1,575)**		1,154,073
Net increase in cash and cash equivalents	**$**	**661,247**	$	479,983
Cash and cash equivalents beginning of the year		**479,983**		-
Cash and cash equivalents end of the year		**1,141,230**		479,983

See accompanying notes to consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Virginia Energy Resources Inc. (the "Company" or "Virginia") is a resource company focused on the exploration and development of uranium deposits located in the southern part of Virginia, United States and exploration of uranium in Quebec. Virginia was incorporated 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. (note 4) ("the Arrangement"). Prior to September 27, 2012, the Company held an investment in VA Uranium Holdings Inc.

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
Otish Minerals Ltd.	Exploration and development of uranium deposits	British Columbia

The head office of the Company is located at 611 - 675 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1N2.

These consolidated financial statements have been prepared on a 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 on the ability of the Company to raise additional equity financing 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's discretionary activities do have considerable scope for flexibility in terms of the amount and timing of expenditure, and expenditures 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 of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and are reported in United States dollars ("USD"). These consolidated financial statements were authorized for issuance by the Company's Board of Directors on April 25, 2014.

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.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant inter-company 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 except for Otish Minerals Ltd. which has the Canadian dollar as its functional currency.

Use of estimates and judgments

The preparation of 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 critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is as follows:

- Carrying value and recoverability of mineral property interests - The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that costs incurred will be recovered through successful exploration and development or sale of the asset under review. Furthermore, the assessment as to whether economically recoverable reserves exist is itself an estimation process. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of comprehensive income in the period when the new information becomes available.
- Stock option valuation – The Black-Scholes fair value option pricing model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and requires judgment in making these estimates. Annualized volatility is based on volatility measures used by similar companies.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

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 property interest is abandoned, the acquisition costs capitalized will be written off to operations in the period of abandonment.

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 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 cash generating units ("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.

The Company's determination for impairment is also based on:

(i) whether the exploration programs on the exploration and evaluation assets have significantly changed, such that previously identified resource targets are no longer being pursued;
(ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; and
(iii) whether remaining claim tenure terms are insufficient to conduct necessary studies or exploration work.

Where impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate and its 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment

Equipment, comprised of computer equipment, is stated at cost, net of accumulated amortization. Amortization is provided using the straight-line method at the rate of 30% per annum. Long-lived assets, including fixed assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to its recoverable amount, being the higher of fair value less costs of disposal and value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the asset. Assets to be disposed of would be separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer amortized. The assets and liabilities of a disposed group classified as held-for-sale would be presented separately in the appropriate asset and liability sections of the consolidated statement of financial position.

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 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 loss. The carrying amount of the related long-lived asset is increased by the same amount as the liability. At December 31, 2013, the Company had not undertaken disturbances which would require recognition of a reclamation liability.

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 loss and comprehensive loss and credited to share - based payment reserve 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.

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 the foreign exchange gain or loss in the consolidated statement of loss and comprehensive loss under foreign exchange gain/loss. When the gain or loss on certain non-monetary items, such as marketable securities, is recognized in Other Comprehensive Income ("OCI"), the translation differences are also recognized in OCI.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

The results and financial position of the Company's subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

1. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

2. Share capital is translated using the exchange rate at the date of the transaction;

3. Revenue and expenses for each statement of comprehensive income (loss) are translated at average exchange rates; and

4. All resulting exchange differences are recognized as a separate component of equity and as an exchange difference on translation of foreign operations in other comprehensive income (loss) in the consolidated statement of comprehensive income (loss).

As a result of the transaction on September 27, 2012, the Company changed its functional currency and its presentation currency from Canadian dollars to US dollars.

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:

Cash and cash equivalents	Financial asset at fair value through profit and loss
Commodity taxes receivable	Loans and receivables
Due from related party	Loans and receivables
Marketable securities	Available-for-sale financial asset
Accounts Payable & Accrued Liabilities	Other financial liabilities
Loan payable to related party	Other financial liabilities
Note payable to related party	Other financial liabilities

3. SIGNIFICANT ACCOUNTNG POLICIES (Continued)

Financial instruments (Continued)

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.

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 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 loss and comprehensive 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 profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off 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 are 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

Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods after December 31, 2012. Pronouncements that are not applicable to the Company have been excluded from those described below. The following new standards have been adopted effective January 1, 2013:

i) IFRS 10 Consolidated Financial Statements ("IFRS 10") establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The adoption of IFRS 10 has no significant impact on the Company.
ii) IFRS 11 Joint Arrangements ("IFRS 11") establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The adoption of IFRS 11 has no significant impact on the Company.
iii) IFRS 12 Disclosure of Involvement with Other Entities ("IFRS 12") requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The adoption of IFRS 12 has no significant impact on the Company.
iv) IFRS 13 Fair Value Measurement ("IFRS 13") defines fair value and sets out in a single IFRS a framework for measuring fair value and outlines disclosure requirements for fair value measurements. Upon adoption of IFRS 13, certain additional disclosures were incorporated in the Company's financial statements for the year ended December 31, 2013.
v) IAS 1 Presentation of Financial Statements – the Company has revised the presentation of the Consolidated Statement of Comprehensive Loss to disclose items that may or may not be reclassified subsequently to profit or loss.

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2013, and have not been applied in preparing these consolidated financial statements.

Accounting Standards Issued and Effective January 1, 2014

IAS 32 Financial Instruments: Presentation has been amended to clarify when an entity has a legally enforceable right to off-set financial assets and liabilities. The Company does not believe there will be any impact on its consolidated financial statements upon the adoption of this amendment.

Accounting Standards Issued and Effective undetermined

In October 2010, IASB issued IFRS 9 Financial Instruments ("IFRS 9") which replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

In November 2013 IASB issued an amendment to IFRS 9, which includes a new hedge model that aligns accounting more closely with risk management. Additionally as the impairment guidance in IFRS 9, as well as certain limited amendments to the classification and measurement requirements of IFRS 9, are not yet complete the previously mandated effective date of IFRS 9 of January 1, 2015, has been removed. The Company will evaluate the impact of the change to its financial statements based on the characteristics of its financial instruments at the time of adoption.

(Expressed in US dollars)

5. ACQUISITION OF COMMON SHARES OF VA URANIUM HOLDINGS INC. ("VAUH") AND OTISH MINERALS LTD.

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

In connection with the Arrangement, Anthem Resources Incorporated ("Anthem") completed the transfer of CAD $400,000 cash and the Otish Property interest - see Note 7), valued at $3,517,816, to the Company, for consideration of a promissory note of $3,966,690 equivalent of CAD $3,900,000.

Under the terms of the Arrangement, each Anthem shareholder received 0.1 of a common share of the Company in exchange for one share held with Anthem. The shareholders of VAUH received 0.1817 of one common share of the Company in exchange for one share held with VAUH. Pursuant to the Agreement, the Company acquired all the shares of VAUH held by Anthem in return for the issuance of 23,399,329 common shares with a fair value of $21,141,186 to shareholders of VAUH and Anthem Resources Incorporated ("Anthem").

The acquisitions of VAUH and Otish have been accounted for as asset acquisitions, whereby all the VAUH and Otish assets acquired and liabilities assumed have been recorded at fair value. The allocation of the consideration given and net assets acquired in the VAUH transaction are summarized as follows:

Fair value of common shares issued to acquire shares of VAUH	$	16,872,316
Fair value of common shares issued to acquire the VAUH interest held by Anthem		4,268,870
Revaluation of existing investment in VAUH		2,760,664
Transaction costs related to the acquisition		161,940
Total consideration	$	24,063,790
Cash	$	893,846
Short-term investments		260,228
Due from Anthem		39,356
Other current assets		40,083
Mineral property interests		24,084,717
Equipment		50,411
Accounts payable		(1,304,851)
Net assets acquired	$	24,063,790

(Expressed in US dollars)

5. ACQUISITION OF COMMON SHARES OF VA URANIUM HOLDINGS INC. ("VAUH") AND OTISH MINERALS LTD. (Continued)

As a result of the Arrangement, the existing investment in VAUH was determined to be impaired and the impairment loss was recorded during the year ended December 31, 2012 as follows:

Fair value as at December 31, 2011	$	8,454,731
Less fair value as at September 27, 2012		2,760,664
Impairment loss		5,694,067
Reclassification of unrealized loss from accumulated other comprehensive income		322,392
Loss realized on previously held interest in VAUH	$	6,016,459

6. MARKETABLE SECURITIES

In connection with a private placement in January 2013, the Company received 437,028 common shares of Energy Fuels Inc. issued on a private placement basis valued at $3,688,027 (CAD$3,714,740) as consideration for shares in the Company. Refer to note 9(c). In addition, 26,221 Energy Fuels Inc. common shares issued to the Company were subsequently transferred to a third party as a finder's fee for a total value of $217,195.

The Company sold 107,370 Energy Fuels Inc. common shares during the year ending December 31, 2013 for a gain of $57,790. The remaining 303,436 common shares are designated as available-for-sale securities and had a fair value of $1,738,058 (CAD$1,847,925) at December 31, 2013 and the unrealized loss of $830,262 is recorded through Accumulated other Comprehensive Income.

On November 5, 2013, a share consolidation of Energy Fuels Inc. shares was effected in which fifty common shares were exchanged for one new common share. Except as otherwise noted the Energy Fuels Inc. shares mentioned are stated as if the consolidation had always been in effect.

7. EXPLORATION AND EVALUATION ASSETS

Mineral properties, December 31, 2011	$	-
Acquisition of Coles Hill Properties		24,084,717
Acquisition of Otish Mountain Properties		3,517,816
Mineral properties, December 31, 2012		27,602,533
Less Impairment of Otish Mineral Properties		(3,517,816)
Mineral properties, December 31, 2013	$	24,084,717

7. EXPLORATION AND EVALUATION ASSETS (Continued)

The Coles Lease and the Bowen Lease

On April 4, 2007, VirginiaCo entered into a deed of mineral lease with Bowen (the “Bowen Lease”) and a deed of mining lease with Coles Hill (the “Coles Lease” and, collectively with the Bowen Lease, the “Leases”). Pursuant to the Leases, VirginiaCo was granted the sole and exclusive right to drill, quarry, mine, process, store, remove and sell all of the uranium and all other fissionable source materials located on or under the lands of the two adjoining properties. The Leases expire on December 31, 2045, unless otherwise terminated or extended as agreed between the parties.

As part of the Leases, VirginiaCo agreed to pay Coles Hill and Bowen, as applicable, an earned revenue royalty at a fixed percentage of the actual price per pound of U_3O_8 received by VirginiaCo for arm’s length sales to third parties. VirginiaCo shall pay a revenue royalty of 3% for sales of U_3O_8 at a realized price per pound of less than $30, 4% for sales of U_3O_8 at a realized price per pound at or greater than $30, but less than $100, and 5% for sales of U_3O_8 at a realized price per pound at or greater than $100.

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

Pursuant to an option agreement (the “Coles Option Agreement”) dated May 31, 2007, among VirginiaCo, Walter Coles, Sr. and Alice C. Coles (the “Coles”), VirginiaCo acquired an option (the “Coles Option”) to purchase adjacent land that forms a portion of the Coles Hill Property, exercisable for a period commencing May 31, 2007 and ending on the earlier of the termination or expiration of the Coles Lease. On March 18, 2011, the Coles Option Agreement was amended to permit VirginiaCo to acquire the land at a price of $857,109. The purchase price was determined according to the terms of the original agreement and was equal to the price paid by the Coles plus the interest paid on the loan obtained to purchase the land by the Coles. On March 18, 2011, the Coles Option Agreement was exercised permitting the Company to acquire the land parcel covered by the Coles Option Agreement at a price of $857,084.

The Burt Lands

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

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

7. EXPLORATION AND EVALUATION ASSETS (Continued)

The Burt Lands (Continued)

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

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.

7. EXPLORATION AND EVALUATION ASSETS (Continued)

The Holmes Property (Continued)

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

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

The Timberland Property

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

The Martin Property

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

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

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.

(Expressed in US dollars)

7. EXPLORATION AND EVALUATION ASSETS (Continued)

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.

The Otish Mountain Property

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

On March 28, 2013, the Company learned that the Government of Quebec will conduct an impact study on the exploration and development of uranium in the province. The Bureau d'Audiences Publiques sur l'Environnement has been given a mandate to conduct the study but no time frame has been provided. Until the study is completed, the Government stated that no certificates of authorization will be issued for the exploration or development of uranium in Quebec. Further exploration on the Company's Otish Mountains uranium project will be suspended until such time that the Quebec government completes this evaluation.

The Company has recognized an impairment loss of $3.5M against the Otish mineral properties, which is equivalent to its carrying value, and included the exploration and evaluation expenditures and field equipment for the Otish mineral property. The Company is reviewing its administration and legal options with regard to the government decision.

8. EQUIPMENT

Cost		**Total**
Balance, December 31, 2011	$	-
Acquired on acquisition of VAUH (note 5)		50,411
Balance, December 31, 2012		50,411
Acquired during the period		1,575
Balance, December 31, 2013	**$**	**51,986**
Accumulated Amortization		
Balance, December 31, 2011	$	-
Charge for the period		5,948
Balance, December 31, 2012		5,948
Charge for the period		24,987
Balance, December 31, 2013	**$**	**30,935**
Carrying Amounts		
At December 31, 2011	$	-
At December 31, 2012	$	44,463
At December 31, 2013	**$**	**21,051**

9. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Issued and outstanding

On September 27, 2012, the Company issued 23,399,329 common shares for the acquisition of the common shares of VAUH for a value of $21,141,186. As of December 31, 2013 there were 57,230,614 common shares issued and outstanding.

(c) Private placement

On January 28, 2013, the Company issued 24,079,858 common shares for total gross proceeds $10,084,900 (CAD$10,113,540), of which, 15,235,239 common shares were issued for gross cash proceeds of $6,396,873 (CAD$6,398,800) and 8,844,619 common shares were issued in exchange for 437,028 common shares of Energy Fuels Inc. (refer to note 6). Finders' fees of $211,707 were incurred on a portion of the financing. In addition, 26,221 Energy Fuels Inc. common shares fair valued at $217,195 were transferred to a third party as finder's fees.

(d) Escrow shares

As at December 31, 2013 and 2012, there were 7,065,127 and 12,156,239 common shares respectively held in escrow. As a Tier 2 Issuer (as defined in TSX-V Policy 1.1), the escrowed common shares are released over 36 months.

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

(e) Stock options and warrants

In connection with the Arrangement, options held in Anthem Resources Incorporated ("Anthem"), were distributed from Virginia under the same terms as the share issue totaling 586,500 options exercisable in post consolidation amounts, of which, 211,500 have expired. The remaining 375,000 have exercise amounts ranging from CAD$1.59 to CAD$2.80 expiring at dates starting from November 11, 2015 to November 15, 2016.

On April 30, 2013, the Company granted 3,029,700 stock options to directors, officers and consultants, exercisable at CAD$0.42 until April 30, 2018. The options have an estimated fair value of CAD$0.17 per option. In accordance with regulations, all but the options granted to an investor relations person, vested on the award date and the Company recorded a share-based payment expense of $480,577.

(Expressed in US dollars)

9. CAPITAL STOCK (continued)

(e) Stock options and warrants (continued)

The following weighted average assumptions were used in the calculation of fair value of granted options:

	2013
Risk-free interest rate	1.16%
Expected life	5 years
Annualized volatility [based on similar companies]	95.0%
Dividend rate	0.00%

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

Stock option transactions are summarized as follows:

	Stock Options	
	Number of Options	**Weighted Average Exercise Price (CAD$)**
Outstanding, December 31, 2011	-	-
Arrangement distribution	586,500	$ 1.98
Expired	-	-
Outstanding, December 31, 2012	586,500	$ 1.98
Granted	3,029,700	$ 0.42
Expired	(211,500)	($ 2.62)
Outstanding, December 31, 2013	**3,404,700**	**$ 0.55**
Number exercisable/fully vested	**3,392,200**	**$ 0.55**

As at December 31, 2013, the Company had the following outstanding stock options:

Number		**Exercise Price (CAD$)**	**Date of Expiry**
365,000	$	1.59	November 11, 2015
10,000	$	2.80	November 15, 2016
3,029,700	$	0.42	April 30, 2018
3,404,700		**(3,392,200 exercisable)**	

In addition, the Company has derivative obligations on Anthem warrants exercisable at prices ranging from $0.95 to $1.62, which if they were to be exercised would obligate the Company to issue 1,035,542 shares for cash proceeds of 10% of the proceeds received by Anthem.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Fair Value Risk

The following table summarizes the Company's financial instruments that are carried at fair value as at December 31, 2013, in accordance with the classification of fair value input hierarchy in IFRS 7 Financial Instruments – Disclosures.

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Marketable securities	1,738,058	-	-	1,738,058

The fair value of the Company's marketable securities is based on the closing price of the Energy Fuel Inc. Shares as at year-end. The closing price is a quoted market price obtained from the exchange that is the principal active market for the Energy Fuel Inc. shares.

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

Liquidity Risk and Fair Value Hierarchy

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.

Currency Risk

The Company operates in the United States and Canada and is exposed to foreign exchange risk as certain expenditures are denominated in non-US dollar currencies. Canadian dollar denominated balances generated foreign exchange gains and losses that are reported on the Statement of Loss and Comprehensive Loss. A strengthening or weakening of 1% in the U.S. dollar against the Canadian dollar would not have a material impact on net loss

(Expressed in US dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The balances listed below are the Canadian dollar denominated balances which were translated to their US dollar equivalent.

		December 31, 2013		December 31, 2012
Cash and cash equivalents	**$**	954,306	$	284,096
Commodity taxes receivable		4,677		36,122
Marketable securities		1,847,954		-
Accounts payable and accrued expenses		(220,818)		(468,245)
Note payable to related party		(4,047,452)		(3,930,450)
	$	**(1,314,596)**	$	(4,078,477)

Interest Rate Risk

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

Credit Risk

The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of money market accounts that have been invested with United States and Canadian banking institutions with short-term maturities. Management believes the risk of loss is remote. Commodity taxes receivable consist primarily of goods and services tax due from the Federal Government of Canada and amounts due from related parties. The maximum exposure to credit risk is limited to amounts shown on the balance sheet at December 31, 2013.

(Expressed in US dollars)

11. 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 ($23,200,616), and makes adjustments to it, based on funds available to the Company, in order to support the exploration and development of its mineral properties. The Company relies primarily on the issuance of common shares for its capital requirements.

All of the Company's cash and cash equivalents are available for exploration and development programs and administrative operations. The Company has not changed its approach to capital management during the current period, and is not subject to any external capital restrictions.

12. RELATED PARTY TRANSACTIONS

Due from related party consists of $153,892 due from Anthem for reimbursement of certain operating expenses.

Note payable to related party consists of a Promissory Note payable to Anthem of $3,805,414 exchanged in the acquisition of the Otish property. The note bears interest at the rate of 3% per annum and matures on August 20, 2015. Included in the loan balance is accrued interest on the Promissory Note in the amount of $147,542. The Company and Anthem have common officers.

Loan payable to related party consists of a short-term bridge loan from Sprott Resources Lending Corp. for working capital. The loan bears interest at the rate of 12% annually and was paid off on January 31, 2013. A former director of the Company is also a director and officer of Sprott inc. and a director of Sprott Resource Corp.

The Company subscribed to 437,028 common shares of Energy Fuels Inc., pursuant to a private placement. The Energy Fuels shares are held for trading on an agreement which initially limited the sales to 2,250 common shares per day until November 5, 2013 when an equity financing and mergers and acquisition activities undertaken by Energy Fuels Inc. were concluded. The Company and Energy Fuels Inc. have a common director.

An officer and director of the Company was paid $108,333 (2012 - $16,667) for legal services provided to the Company.

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, 2013 and 2012 are as follows:

Salaries and consulting fees		**2013**		**2012**
Officers	$	389,273	$	54,996
Directors	$	35,000	$	8,750

Share-based compensation expense		**2013**		**2012**
Officers	$	71,277	$	-
Directors	$	225,090	$	-

(Expressed in US dollars)

13. 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% (2012 - 25%).

		2013		2012
Loss before income taxes	$	(8,698,763)	$	(7,566,396)
Income tax recovery at statutory rates		*26.00%*		*25.00%*
Income tax expense (recovery) at statutory rates		(2,261,678)		(1,891,599)
Expenses not tax deductible		616,480		1,778,709
Impact of difference in foreign tax rates		(464,181)		(160,076)
Change in unrecognized deductible temporary differences		2,074,772		274,470
Foreign exchange		34,607		(1,504)
Income tax expense	$	-	$	-

Unrecognized deferred tax assets:

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

		2013		2012
Deductible temporary difference – mineral properties and capital assets	$	6,982,734	$	3,667,463
Deductible temporary differences – other		722,665		109,932
Loss carry forwards		24,613,316		21,765,320
Net deferred income tax assets (liabilities)	$	32,318,715	$	25,542,715

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 therefrom or the initial recognition exemption prohibits recognition.

Non-Capital Losses

As at December 31, 2013, the Company had the following income tax attributes to carry forward:

		Amounts	Available to
Canada	$	3,728,840	2026 – 2033
USA		20,884,476	2026 – 3033
	$	24,613,316	