



**VIRGINIA ENERGY RESOURCES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**NINE MONTHS ENDED SEPTMEBER 30, 2017 and 2016**

(unaudited - expressed in US dollars)

## MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

*"Walter Coles, Sr."*

Walter Coles, Sr.  
President and CEO

*"Karen A. Allan"*

Karen A. Allan  
Chief Financial Officer

Vancouver, British Columbia  
November 15, 2017

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

		September 30, 2017	December 31, 2016
	<b>Note</b>		
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 875,895	\$ 1,632,631
Commodity taxes receivable		323	487
Due from related parties	9	151,691	41,835
Other assets		36,231	37,245
		1,064,140	1,712,198
Exploration and evaluation assets	4	23,203,661	23,203,661
<b>Total assets</b>		<b>\$ 24,267,801</b>	<b>\$ 24,915,859</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 117,871	\$ 33,112
<b>Total liabilities</b>		<b>117,871</b>	<b>33,112</b>
<b>Shareholders' equity</b>			
Capital stock	6	50,621,328	50,621,328
Contributed surplus		555,798	283,414
Accumulated other comprehensive income		887,922	887,922
Deficit		(27,915,118)	(26,909,917)
<b>Total shareholders' equity</b>		<b>24,149,930</b>	<b>24,882,747</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 24,267,801</b>	<b>\$ 24,915,859</b>

See accompanying notes to condensed consolidated interim financial statements

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

*"Harold Roberts" (signed)*

*"Neal Keese" (signed)*

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

	Note	For the three months ended		For the nine months ended	
		September 30		September 30	
		2017	2016	2017	2016
<b>Expenses</b>					
Compensation and benefits		\$ 69,007	\$ 7,064	\$ 162,727	\$ 91,196
Public relations		618	350	1,297	883
Professional fees	8	225,411	44,193	565,787	264,483
Technical		-	-	-	7,472
General and administrative		31,608	29,159	94,272	102,886
Amortization		-	-	-	218
Share based payments	6	272,384	-	272,384	-
		(599,028)	(80,766)	(1,096,467)	(467,138)
Other income		9,503	21,541	58,664	35,093
Foreign exchange		16,127	17,726	32,602	66,213
		25,630	39,267	91,266	101,306
<b>Net loss and comprehensive loss</b>		<b>(573,398)</b>	<b>(41,499)</b>	<b>(1,005,201)</b>	<b>(365,832)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>		<b>57,230,614</b>	<b>57,230,614</b>	<b>57,230,614</b>	<b>57,230,614</b>

See accompanying notes to condensed consolidated interim financial statements

**VIRGINIA ENERGY RESOURCES INC.**

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

	Capital Stock		Accumulated Other Comprehensive Income	Contributed Surplus	Deficit	Total Shareholders' Equity
	Common Shares	Amount				
Balance, December 31, 2015	57,230,614	\$ 50,621,328	\$ 887,922	\$ 283,414	\$ (26,348,700)	\$ 25,443,964
Net loss for nine months	-	-	-	-	(365,832)	(365,832)
Balance, September 30, 2016	57,230,614	50,621,328	887,922	283,414	(26,714,532)	25,078,132
Balance, December 31, 2016	57,230,614	50,621,328	887,922	283,414	(26,909,917)	24,882,747
Option vesting	-	-	-	272,384	-	272,384
Net loss for nine months	-	-	-	-	(1,005,201)	(1,005,201)
<b>Balance, September 30, 2017</b>	<b>57,230,614</b>	<b>\$ 50,621,328</b>	<b>\$ 887,922</b>	<b>\$ 555,798</b>	<b>\$ (27,915,118)</b>	<b>\$ 24,149,930</b>

See accompanying notes to condensed consolidated interim financial statements

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

	For the nine months ended September 30	
	2017	2016
<b>Cash from operating activities</b>		
Net income	\$ (1,005,201)	\$ (365,832)
Non-cash items:		
Amortization	-	218
Foreign exchange	(32,602)	66,213
Share based payments	272,384	-
Net changes in non-cash working capital items		
Commodity taxes receivable	164	440
Due from related parties	(109,856)	56,094
Other assets	1,014	(4,273)
Accounts payable and accrued liabilities	84,759	(8,409)
<b>Cash provided used in operating activities</b>	<b>(789,338)</b>	<b>(255,549)</b>
<b>Financing activities</b>		
Cash paid in disposition of mineral property interests	-	(4,650)
<b>Cash provided from (used in) financing activities</b>	<b>-</b>	<b>(4,650)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(789,338)</b>	<b>(260,199)</b>
<b>Foreign exchange effects on cash and cash equivalents</b>	<b>32,602</b>	<b>(66,213)</b>
<b>Cash and cash equivalents beginning of the period</b>	<b>1,632,631</b>	<b>1,279,320</b>
<b>Cash and cash equivalents end of the period</b>	<b>\$ 875,895</b>	<b>\$ 952,908</b>

See accompanying notes to condensed consolidated interim financial statements

**1. NATURE AND GOING CONCERN**

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

Name of Subsidiary	Nature of Operations	Place of Incorporation
Virginia Uranium Inc. (“VirginiaCo”)	Exploration and development of uranium 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 condensed consolidated interim 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 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. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), and are reported in United States dollars (“USD”).

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Statement of compliance (continued)

These unaudited condensed consolidated interim financial statements have been prepared using the accounting policies as set out in the audited annual financial statements for the year ended December 31, 2016. The disclosures which follow do not include all disclosures required for the annual financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements and notes for the year ended December 31, 2016.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on November 15, 2017.

### Basis of measurement

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

### Basis of consolidation

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

### Functional and presentation currency

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

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

The following new standard, and amendments to standards and interpretations, were not yet effective for the period ended September 30, 2017, and have not been applied in preparing these consolidated financial statements.

### Accounting Standards Issued and Effective January 1, 2018

A finalized version of IFRS 9 *Financial Instruments*, which contains accounting requirements for financial instruments, replaces IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The standard contains requirements in classification and measurement of financial assets and financial liabilities, impairment of financial assets, hedge accounting and de-recognition of financial assets and liabilities carried forward from IAS 39. The Company is in the process of determining the impact of IFRS 9 on its financial statements.

Amendments to the classification and measurement of share-based payment transactions provide guidance on the accounting of and classification of cash-settled share-based payments and withholding tax obligations.

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

#### Accounting Standards Issued and Effective January 1, 2019

The new standard IFRS 16 *Leases* sets out the principles for the recognition, measurement, presentation and disclosure using a single lessee accounting model arising from a lease and 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*.

#### New Accounting Standards Effective January 1, 2017

The following new standard, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2016, but are applicable to the Company's annual period beginning January 1, 2017.

#### *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.

#### *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.

### 4. EXPLORATION AND EVALUATION ASSETS

Mineral properties, December 31, 2015	\$	24,084,717
Disposition of exploration and evaluation assets		(881,056)
Mineral properties, December 31, 2016 and September 30, 2017	\$	23,203,661

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

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

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

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

Pursuant to an option agreement (the "Coles Option Agreement") dated May 31, 2007, among VirginiaCo, Walter Coles, Sr., the chairman and director of Virginia 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 Reserved Minerals (the "Burt Option") from the Burts, which option may be exercised by VirginiaCo at any time prior to 2045. Upon exercise of the Burt Option, VirginiaCo shall have the right to remove and sever all such Reserved Minerals from the Burt Lands. In the event such Reserved Minerals are extracted from the Burt Lands by VirginiaCo, VirginiaCo shall pay to the Burts a royalty of 3% for sales of Reserved Minerals at a realized price per pound of less than \$30, 4% for sales of Reserved Minerals at a realized price per pound at or greater than \$30, but less than \$100, and 5% for sales of Reserved Minerals at a realized price per pound at or greater than \$100. If the Company ceases mining operations in Pittsylvania County, Virginia, or elects to sell the Burt Lands, the Burt family shall have the right to repurchase the Burt Lands for the then fair market value.

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

#### **4. 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.

#### **4. 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. CAPITAL STOCK

### Authorized

Unlimited number of common shares without par value

### Issued and outstanding

As of September 30, 2017, there were 57,230,614 common shares issued and outstanding.

### Stock options

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

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

Stock option transactions are summarized as follows:

<b>Stock Options</b>		
	<b>Number of Options</b>	<b>Weighted Average Exercise Price (CAD\$)</b>
Outstanding, December 31, 2015	1,780,100	0.37
Expired/cancelled	(5,000)	(0.24)
Outstanding, December 31, 2016	1,775,100	0.13
Granted	3,940,000	0.10
<b>Outstanding, September 30, 2017</b>	<b>5,715,100</b>	<b>0.23</b>
<b>Number exercisable/fully vested</b>	<b>5,715,100</b>	<b>0.23</b>

As at September 30, 2017, the Company had the following outstanding stock options:

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

## 6. 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 meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

The Company manages its liquidity risk by preparing and monitoring forecasts of cash expenditures to ensure that it will have sufficient liquidity to meet liabilities when due. The Company's accounts payable and accrued liabilities generally have maturities of less than 90 days.

### 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 loss. A strengthening or weakening of 8.6% (December 31, 2016 - 15%) in the US dollar against the Canadian dollar would have an impact of \$48,000 (December 31, 2016 - \$65,000) on net and comprehensive loss.

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

Canadian dollar accounts	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 550,659	\$ 614,380
Commodity taxes receivable	405	655
Accounts payable and accrued expenses	(5,832)	(32,438)
	\$ 545,232	\$ 582,597

## **6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

### **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 loss is not material.

### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company has no significant concentration of credit risk arising from operations. Cash is held with major financial institutions. Due from related parties has been collected. The maximum exposure to credit risk is limited to amounts shown on the consolidated statement of financial position.

## **7. 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 \$24,149,930 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.

**8. RELATED PARTY TRANSACTIONS**

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

At September 30, 2017, due from related parties consists of \$151,691 (December 31, 2016 - \$41,835) from Skeena Resources Ltd. ("Skeena"), for reimbursement of certain operating expenses. The Company and Skeena have a common officer or director.

The key management personnel of the Company are the directors and officers of the Company. Compensation awarded to officers and directors for the nine months ended September 30, 2017 and 2016 are as follows:

<b>Salaries and consulting fees</b>	<b>2017</b>		<b>2016</b>	
Officers	\$	49,207	\$	65,813
Directors (for administration and legal services)	\$	77,781	\$	6,375
<hr/>				
<b>Share-based compensation expense</b>	<b>2017</b>		<b>2016</b>	
Officers	\$	20,740	\$	-
Directors	\$	241,965	\$	-

Included in accounts payable and accrued liabilities is \$Nil (December 31, 2016 - \$2,273) due to related parties for services performed during the period.