



VIRGINIA ENERGY RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 and 2017

(expressed in US dollars)

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF VIRGINIA ENERGY RESOURCES INC.

Opinion

We have audited the consolidated financial statements of Virginia Energy Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred losses for the past several years and for the year ended December 31, 2018 has a net loss of \$585,503. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 19, 2019

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

	Note	As at December 31	
		2018	2017
Assets			
Current			
Cash and cash equivalents		\$ 168,377	\$ 776,150
Commodity taxes receivable		561	166
Due from related parties	9	-	8,172
Other assets		26,503	35,740
		195,441	820,228
Exploration and evaluation assets	5	23,203,661	23,203,661
Total assets		\$ 23,399,102	\$ 24,023,889
Liabilities			
Current			
Accounts payable and accrued liabilities	9	\$ 44,882	\$ 84,166
Total liabilities		44,882	84,166
Shareholders' equity			
Capital stock	6	50,621,328	50,621,328
Contributed surplus		390,797	611,963
Accumulated other comprehensive income		887,922	887,922
Deficit		(28,545,827)	(28,181,490)
Total shareholders' equity		23,354,220	23,939,723
Total liabilities and shareholders' equity		\$ 23,399,102	\$ 24,023,889

See accompanying notes to consolidated financial statements

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

"Joe Kiely" (signed)

"Neal Keese" (signed)

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

	Note	For the year ended	
		December 31	
		2018	2017
Expenses			
Compensation and benefits	9	\$ 117,831	\$ 242,957
Public relations		15,994	1,459
Professional fees	9	320,856	677,708
General and administrative		123,570	111,587
Share-based payments	6, 9	-	328,549
		(578,251)	(1,362,260)
Interest income		1,853	-
Timber sales and other income		19,401	58,859
Foreign exchange gain (loss)		(28,506)	31,828
		(7,252)	90,687
Net loss and comprehensive loss for the year		(585,503)	(1,271,573)
Basic and diluted loss per share		\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding		57,230,614	57,230,614

See accompanying notes to consolidated financial statements

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

	Capital Stock		Accumulated Other Comprehensive Income	Contributed Surplus	Deficit	Total Shareholders' Equity
	Common Shares	Amount				
Balance, December 31, 2016	57,230,614	\$ 50,621,328	\$ 887,922	\$ 283,414	\$ (26,909,917)	\$ 24,882,747
Share-based payments	-	-	-	328,549	-	328,549
Net loss for the year	-	-	-	-	(1,271,573)	(1,271,573)
Balance, December 31, 2017	57,230,614	50,621,328	887,922	611,963	(28,181,490)	23,939,723
Options expired	-	-	-	(221,166)	221,166	-
Net loss for the year	-	-	-	-	(585,503)	(585,503)
Balance, December 31, 2018	57,230,614	\$ 50,621,328	\$ 887,922	\$ 390,797	\$ (28,545,827)	\$ 23,354,220

See accompanying notes to consolidated financial statements

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

	For the year ended December 31	
	2018	2017
Cash from operating activities		
Net loss for the year	\$ (585,503)	\$ (1,271,573)
Non-cash items:		
Foreign exchange	28,506	(29,555)
Share-based payments	-	328,549
Net changes in non-cash working capital items		
Commodity taxes receivable	(395)	345
Due from related parties	8,172	33,663
Other assets	9,237	1,553
Accounts payable and accrued liabilities	(39,284)	48,692
Cash used in operating activities	(579,267)	(888,326)
Net decrease in cash and cash equivalents	(579,267)	(888,326)
Foreign exchange effects on cash and cash equivalents	(28,506)	31,845
Cash and cash equivalents, beginning of the year	776,150	1,632,631
Cash and cash equivalents, end of the year	\$ 168,377	\$ 776,150
Composition of cash and cash equivalents:		
Cash	\$ 158,378	\$ 765,937
Cash equivalents	9,999	10,213
Cash and cash equivalents, end of year	\$ 168,377	\$ 776,150

See accompanying notes to consolidated financial statements

VIRGINIA ENERGY RESOURCES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in US dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

Name of Subsidiary	Nature of Operations	Place of Incorporation
Virginia Uranium Inc. (“VirginiaCo”)	Exploration and development of uranium	Virginia, USA
Southside Cattle Company LLC (“Southside”)	Holding Company	Virginia, USA
VA Uranium Holdings Inc. (“VAUH”)	Holding Company	Virginia, USA

The head office of the Company is located at 650 - 1021 West Hastings Street, Vancouver, British Columbia, Canada, V6E 0C3.

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation. The Company incurred a net loss of \$585,503 for the year ended December 31, 2018 (2017 - \$1,271,573) and had an accumulated deficit of \$28,545,827 as at December 31, 2018 (2017 - \$28,181,490). The Company’s ability to continue as a going concern is dependent upon the ability of the Company to raise additional equity financing to meet general working capital requirements and ultimately complete the exploration and development of its uranium deposits and the attainment of profitable operations. The Company will be required to raise additional financing for the coming year. 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.

In addition, the Company’s actual results could differ materially from those anticipated due to failure to lift the moratorium on uranium mining in Virginia. The Company is currently engaged in two lawsuits against the Commonwealth of Virginia to overturn its moratorium on uranium mining. The Company’s position in the case filed in federal court is that the Commonwealth of Virginia’s ban on uranium mining is pre-empted by federal law and is therefore invalid under the Supremacy Clause of the United States Constitution. A federal judge ruled against the lawsuit in December 2015. The Company appealed such ruling to the United States Court of Appeal for the Fourth Circuit. The appeal was heard on October 28, 2016 and the Court ruled against the Company and denied the appeal. On May 21, 2017, the Company filed a petition for writ of certiorari with the United States Supreme Court to hear its appeal of the decision of the Fourth Circuit (the “Federal Appeal”). On November 25, 2015, the Company filed a separate state law-based lawsuit in the Circuit Court of Wise County seeking injunctive and other relief overriding the ban on mining in a takings claim. The Commonwealth of Virginia filed a motion to dismiss the case and a plea in bar. A state judge issued an order denying the motion to dismiss and plea in bar, and the trial scheduled for December 2016 was postponed and no new trial date has been set.

1. NATURE OF OPERATIONS AND GOING CONCERN (Continued)

The Solicitor General of the U.S. Department of Justice and the U.S. Nuclear Regulatory Commission filed an amicus curiae brief with the United States Supreme Court in connection with the writ filed by the Company to hear the Federal Appeal. The question presented in the Federal Appeal is whether the Atomic Energy Act of 1954 pre-empts state laws that prohibit activities within a state's regulatory jurisdiction when such laws are grounded in radiological-safety concerns. In the brief, the Solicitor General expresses the view of the United States that the Company's petition for writ of certiorari should be granted and the Supreme Court should grant the Company's petition and hear the Federal Appeal. On May 21, 2018, the United States Supreme Court granted the Company's petition for writ of certiorari and arguments in the case were heard on November 5, 2018. A decision by the court is expected no later than June 2019.

These matters indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. The Company's discretionary activities have considerable scope for flexibility in terms of the amount and timing of expenditures, which may be adjusted accordingly. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. If the going concern assumptions were not appropriate for these consolidated financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ("IFRS"), as issued by the International Accounting Standards Board, and are reported in US dollars. These consolidated financial statements were authorized for issuance by the Company's Board of Directors on April 19, 2019. Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments. IFRS 9 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of each standard. As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets and impairment thereon as described in note 3.

Basis of measurement

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated. Control is based on whether an investor has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of returns.

Functional and presentation currency

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

2. BASIS OF PRESENTATION (Continued)

Use of estimates and judgments

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

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

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

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

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

2. BASIS OF PRESENTATION (Continued)

Use of estimates and judgments (Continued)

- Determination of functional currency - The determination of the functional currency for the Company and its subsidiaries is based on management's judgment of the underlying transactions, events and conditions relevant to each entity.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Exploration and evaluation assets

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclamation liabilities

Reclamation liabilities are legal obligations associated with the retirement of long-lived assets that the Company is required to settle. The Company recognizes a provision for these costs as the related disturbances occur, using the best estimate of future costs based on information available at the consolidated statement of financial position date, including an adjustment for risk when there is significant variability in possible outcomes. The Company discounts the provision using a current inflation adjusted pre-tax risk-free interest rate and includes the accretion of the discounted amount over time in finance costs in the consolidated statement of loss and comprehensive loss. The carrying amount of the related long-lived asset is increased by the same amount as the liability. At December 31, 2018 and 2017, the Company had not undertaken disturbances that would require recognition of a reclamation liability.

Capital stock

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

Share-based payments

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

Foreign currency translation

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets

(a) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

(b) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

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

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

(c) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of income (loss). However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Financial liabilities

(a) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(b) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(c) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statement of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

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. 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.

VIRGINIA ENERGY RESOURCES INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(expressed in US dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (Continued)

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

Earnings (loss) per share

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

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

4. NEWLY ADOPTED ACCOUNTING STANDARDS AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 9 *Financial Instruments*

Effective January 1, 2018, the Company adopted the requirements of IFRS 9 Financial Instruments (“IFRS 9”), which replaced the previous standard IAS 39 Financial Instruments – Recognition and Measurement (“IAS 39”) using the modified retrospective approach. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for the year ended December 31, 2017 is presented under IAS 39. There were no changes to the carrying value of any of the Company’s assets or liabilities as a result of this new accounting standard.

The Company’s financial instruments are accounted for as follows under IFRS 9 as compared to the Company’s previous policy in accordance with IAS 39:

	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Due from related parties	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

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

Accounting Standards and Interpretations Not Yet Adopted

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended December 31, 2018, and have not been applied in preparing these consolidated financial statements.

IFRS 16 Leases

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

This standard is applicable to the Company's annual period beginning January 1, 2019. The Company has assessed the implications of adoption and does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

5. EXPLORATION AND EVALUATION ASSETS

Mineral properties, December 31, 2016, 2017 and 2018	\$	23,203,661
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The Coles Lease and the Bowen Lease

On April 4, 2007, VirginiaCo entered into a deed of mineral lease with Bowen Minerals LLC (the “Bowen Lease”) and a deed of mining lease with Coles Hill LLC (the “Coles Lease” and, collectively with the Bowen Lease, the “Leases”).

Pursuant to the Leases, VirginiaCo was granted the sole and exclusive right to drill, quarry, mine, process, store, remove and sell all of the uranium and all other fissionable source materials located on or under the lands of the two adjoining properties. The Leases expire December 31, 2045, unless otherwise terminated or extended as agreed between the parties.

As part of the Leases, VirginiaCo agreed to pay Coles Hill and Bowen Minerals, as applicable, an earned revenue royalty at a fixed percentage of the actual price per pound of uranium (“U3O8”) received by VirginiaCo from arm’s length sales to third parties. VirginiaCo shall pay a revenue royalty of 3% for sales of U3O8 at a realized price per pound of less than \$30, 4% for sales of U3O8 at a realized price per pound at or greater than \$30, but less than \$100, and 5% for sales of U3O8 at a realized price per pound at or greater than \$100.

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

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

The Burt Lands

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

5. EXPLORATION AND EVALUATION ASSETS (Continued)

The Burt Lands (Continued)

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

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

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.

5. EXPLORATION AND EVALUATION ASSETS (Continued)

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.

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”).

5. EXPLORATION AND EVALUATION ASSETS (Continued)

The Martin Property (Continued)

Martin has granted to Southside an option to lease the Martin Reserved Minerals (the “Martin Option”). Southside (or its successors in interest) may exercise such option at any time prior to 2045 upon written notice to Martin. If the Martin Option is exercised, Southside shall have the right to remove and sever all Martin Reserved Minerals from the Martin Property. In the event such Martin Reserved Minerals are extracted, Southside shall pay to Martin a royalty of 3% for sales of Martin Reserved Minerals at a realized price per pound of less than \$30, 4% for sales of Martin Reserved Minerals at a realized price per pound at or greater than \$30, but less than \$100, and 5% for sales of Martin Reserved Minerals at a realized price per pound at or greater than \$100. Moreover, if Southside ceases mining operations in Pittsylvania County, Virginia, or elects to sell the Martin Property, Martin shall have the right to repurchase the Martin Property for the then fair market value determined based on the property being used for agricultural purposes.

The Jackson Property

Pursuant to a contract for the purchase and sale of property dated February 4, 2011, Southside purchased a parcel of land in Pittsylvania County (the “Jackson Property”). As consideration for the Jackson Property, Southside paid an aggregate sum of \$806,206 on closing. During the year ended December 31, 2016, a portion of the land was sold for net proceeds of \$881,056.

6. CAPITAL STOCK

Authorized

Unlimited number of common shares without par value

Issued and outstanding

As of December 31, 2018 and 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.

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6. CAPITAL STOCK (Continued)

The model inputs for options granted during the year ended December 31, 2018 included an expected volatility factor of 128%, risk-free interest rate of 1.50%, expected life of five years, and expected dividend yield of 0%. Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% in determining the expense recorded in the accompanying consolidated statements of loss and comprehensive loss.

The expected volatility is based on the Company's historical stock price volatility over the expected life of the option. The risk-free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Stock option transactions are summarized as follows:

Stock Options		
	Number of Options	Weighted Average Exercise Price (CAD\$)
Outstanding, December 31, 2016	1,775,100	0.42
Granted	3,940,000	0.15
Outstanding, December 31, 2017	5,715,100	0.23
Expired	(1,775,100)	(0.42)
Outstanding, December 31, 2018	3,940,000	0.15
Number exercisable/fully vested	3,940,000	0.15

As at December 31, 2018, the Company had the following outstanding stock options:

Number of options	Exercise Price (CAD\$)	Date of Expiry
3,940,000	0.15	August 21, 2022
3,940,000		

During the year ended December 31, 2018, 1,775,100 stock options expired unexercised. The fair value of the options of \$221,166 were reclassified from contributed surplus to deficit.

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

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

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to other price risk.

Liquidity risk and fair value hierarchy

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

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

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

Currency risk

The Company is exposed to foreign currency risk, as it operates in the United States and Canada and certain expenditures are denominated in non-US dollar currencies. Canadian dollar denominated balances generated foreign exchange gains and losses that are reported on the consolidated statement of loss and comprehensive loss. A strengthening or weakening of 10% (2017 - 7%) in the US dollar against the Canadian dollar would have an impact of \$6,900 (2017 - \$17,000) on net loss and comprehensive loss.

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

Canadian dollar amounts	December 31, 2018	December 31, 2017
Cash	\$ 85,520	\$ 545,919
Commodity taxes receivable	765	208
Accounts payable and accrued liabilities	(34,584)	(25,426)
	\$ 51,701	\$ 520,701

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore the Company does not consider interest rate risk to be significant.

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from operations. Cash is held with major financial institutions. Due from related parties is not considered a risk based on an assessment of the financial condition of related parties. The maximum exposure to credit risk is limited to amounts shown on the consolidated statement of financial position.

8. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development programs on its mineral properties. The Company manages its capital structure, consisting of shareholders' equity of \$23,354,220 (2017 - \$23,939,727) and makes adjustments to it, based on funds available to the Company, in order to support the exploration and development of its mineral properties. The Company relies primarily on the issuance of common shares for its capital requirements. All of the Company's cash is available for exploration and development programs and administrative operations. The Company has not changed its approach to capital management during the year ended December 31, 2018 and 2017, and is not subject to any external capital restrictions.

9. RELATED PARTY TRANSACTIONS

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

As at December 31, 2018, due from related parties consists of \$nil (2017 - \$8,172) from Skeena Resources Ltd. ("Skeena") for reimbursement of certain operating expenses. The Company and Skeena have a common officer and director.

The key management personnel of the Company are the directors and officers of the Company. Compensation awarded to officers and directors for the years ended December 31, 2018 and 2017 are as follows:

Salaries and consulting fees paid to:	2018		2017	
Officers	\$	49,153	\$	66,612
Directors (for administration and legal services)	\$	8,438	\$	144,343
Share-based payments	\$	-	\$	316,875

Included in accounts payable and accrued liabilities is \$2,788 (2017 - \$3,396) due to related parties for services performed during the year.

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10. INCOME TAXES

Reconciliation of effective tax rate

The provision for income tax differs from the amount that would have resulted by applying the combined Canadian federal and British Columbia statutory income tax rates of 27% (2017 - 26%).

	2018	2017
Loss before income taxes	\$ (585,503)	\$ (1,271,573)
Statutory rates	27.00%	26.00%
Income tax recovery at statutory rates	(158,086)	(330,609)
Expenses not tax deductible	7,635	85,423
Impact of difference in foreign tax rates	(74,337)	(83,444)
Change in unrecognized deductible temporary differences	(463,370)	179,196
Foreign exchange	-	(15,305)
Unused tax losses and tax offsets not recognized	688,158	164,739
Income tax recovery	\$ -	\$ -

Unrecognized deferred tax assets

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

	2018	2017
Loss carry forwards	\$ 24,861,448	19,261,922
Net deferred income tax assets	\$ 24,861,448	\$ 19,261,922

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

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10. INCOME TAXES (Continued)

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2018 and 2017 are presented below:

	2018	2017
Deferred income tax asset:		
Non-capital losses	\$ 1,488,659	\$ 1,361,421
Total deferred income tax asset	\$ 1,488,659	\$ 1,361,421
Deferred income tax liabilities:		
Exploration and evaluation assets	\$ (1,480,962)	\$ (1,353,441)
Foreign exchange	(7,697)	(7,980)
Total deferred income tax liabilities	\$ (1,488,659)	\$ (1,361,421)
Net deferred income tax assets	\$ -	\$ -

Non-capital loss carry-forward

As at December 31, 2018, the Company had the following income tax attributes to carry forward:

	Amounts	Available to
Canada	\$ 437,500	2034 – 2038
United States	18,910,300	2027 – 3038
	\$ 19,347,800	

11. SEGMENTED DISCLOSURE

The Company currently operates in one industry segment, being mineral exploration, with all long-term assets in one geographical area, being the United States.