



**VIRGINIA ENERGY RESOURCES INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2016 and 2015**

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

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

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through an audit committee, which is comprised 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  
May 20, 2016

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

		March 31, 2016	December 31, 2015
	<b>Note</b>		
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 1,307,290	\$ 1,279,320
Commodity taxes receivable		1,400	866
Due from related parties	9	62,286	116,470
Other assets		33,268	36,554
		1,404,244	1,433,210
Exploration and evaluation assets	4	24,084,717	24,084,717
Equipment	5	79	218
<b>Total assets</b>		<b>\$ 25,489,040</b>	<b>\$ 25,518,145</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 187,062	\$ 74,181
<b>Total liabilities</b>		<b>187,062</b>	<b>74,181</b>
<b>Shareholders' equity</b>			
Capital stock	6	50,621,328	50,621,328
Contributed surplus		283,414	283,414
Accumulated other comprehensive income		887,922	887,922
Deficit		(26,490,686)	(26,348,700)
<b>Total shareholders' equity</b>		<b>25,301,978</b>	<b>25,443,964</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 25,489,040</b>	<b>\$ 25,518,145</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)*

*"Norman Reynolds" (signed)*

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

	Note	For the three months ended	
		March 31	
		2016	2015
<b>Expenses</b>			
Compensation and benefits		\$ 29,093	\$ 86,977
Public relations		120	-
Professional fees	9	139,669	10,768
Technical		7,472	3,432
General and administrative		29,688	68,882
Amortization	5	140	444
		(206,182)	(170,503)
Interest income		-	4,192
Interest expense		-	-
Other income		7,750	18,235
Gain on disposition of mineral property interests in satisfaction of note payable to related party	8	-	3,588,597
Foreign exchange		56,446	(246,995)
		64,196	3,364,029
<b>Net income (loss)</b>		(141,986)	3,193,526
<b>Basic and diluted earnings (loss) per share</b>		\$ (0.00)	\$ 0.06
<b>Weighted average number of common shares outstanding</b>		57,230,614	57,230,614

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 [Note 5]	Contributed Surplus	Deficit [Note 5]	Total Shareholders' Equity
	Common Shares	Amount				
Balance, December 31, 2014	57,230,614	\$ 50,621,328	\$ 887,922	\$ 482,394	\$ (29,175,825)	22,815,819
Net income for three months	-	-	-	-	3,193,526	3,193,526
Balance, March 31, 2015	57,230,614	50,621,328	887,922	482,394	(29,175,825)	22,815,819
Balance, December 31, 2015	57,230,614	50,621,328	887,922	283,414	(26,348,700)	25,443,964
Net loss for three months	-	-	-	-	(141,986)	(141,986)
<b>Balance, March 31, 2016</b>	<b>57,230,614</b>	<b>\$ 50,621,328</b>	<b>\$ 887,922</b>	<b>\$ 283,414</b>	<b>\$ (26,490,686)</b>	<b>\$ 25,301,978</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 three months ended	
	March 31	
	2016	2015
<b>Cash from operating activities</b>		
Net income (loss)	\$ (141,986)	\$ 3,193,526
Non-cash items:		
Amortization	140	444
Gain on disposition of mineral property interests in satisfaction of note payable to related party	-	(3,588,597)
Foreign exchange	56,446	(246,995)
Net changes in non-cash working capital items		
Commodity taxes receivable	(533)	1,347
Due from related parties	54,184	(38,976)
Other assets	3,286	840
Accounts payable and accrued liabilities	112,880	(23,006)
Accrued interest on note payable to related party	-	(4,230)
<b>Cash provided by (used in) operating activities</b>	<b>84,416</b>	<b>(705,647)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>84,416</b>	<b>(705,647)</b>
<b>Foreign exchange effects on cash and cash equivalents</b>	<b>(56,446)</b>	<b>246,995</b>
<b>Cash and cash equivalents beginning of the period</b>	<b>1,279,320</b>	<b>2,150,319</b>
<b>Cash and cash equivalents end of the period</b>	<b>\$ 1,307,290</b>	<b>\$ 1,691,667</b>

See accompanying notes to condensed consolidated interim financial statements

**VIRGINIA ENERGY RESOURCES INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**March 31, 2016 and 2015**  
**(Unaudited - expressed in US dollars)**

**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 consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business, rather than through a process of forced liquidation. The Company’s ability to continue as a going concern is dependent upon the ability of the Company to raise additional equity financing 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, therefore, a material uncertainty exists that casts significant doubt over the Company’s ability to continue as a going concern. The Company’s discretionary activities do 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, 2015. 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, 2015.

These condensed consolidated interim financial statements were authorized for issuance by the Company's Board of Directors on May 20, 2016.

### 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.

### 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.

## 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 year ended December 31, 2015, 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*. The standard contains requirements in classification and measurement, 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.

## 4. EXPLORATION AND EVALUATION ASSETS

Mineral properties, December 31, 2014	\$	24,084,717
Mineral properties, December 31, 2015	\$	24,084,717



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

##### **The Coles Lease and the Bowen Lease**

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

As part of the Leases, VirginiaCo agreed to pay Coles Hill and Bowen, as applicable, an earned revenue royalty at a fixed percentage of the actual price per pound of U<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.

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.

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

##### **The Burt Lands (Continued)**

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

##### **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.

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

##### **The Holmes Property (Continued)**

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

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

##### **The Timberland Property**

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

##### **The Martin Property**

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

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

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

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

**The Jackson Property**

Pursuant to a contract for the purchase and sale of property dated February 4, 2011, Southside purchased a parcel of land in Pittsylvania County (the "Jackson Property"). As consideration for the Jackson Property, Southside paid an aggregate sum of \$806,206 on closing.

**The Otish Mountain Property**

In January 2015, the Company transferred ownership of Otish Minerals Ltd., whose primary asset is the Otish property in central Quebec, back to Anthem in full satisfaction of its indebtedness to Anthem of \$3,592,827 (CAD \$3.9 million and accrued interest) and recorded a gain of \$3,588,597 on the disposition of mineral property interests in satisfaction of the note payable.

The Company recognized an impairment loss of \$3.5 million in 2012 against the Otish mineral properties, which was equivalent to its carrying value, and included the exploration and evaluation expenditures and field equipment for the Otish mineral property.

**5. EQUIPMENT**

<b>Cost</b>		<b>Total</b>
Balance, December 31, 2014	\$	51,986
Acquired during the year		-
Balance, December 31, 2015		51,986
Acquired during the period		-
<b>Balance, March 31, 2016</b>	<b>\$</b>	<b>51,986</b>
<b>Accumulated Amortization</b>		
Balance, December 31, 2014	\$	50,467
Charge for the year		1,300
Balance, December 31, 2015		7
Charge for the period		140
<b>Balance, March 31, 2016</b>	<b>\$</b>	<b>7</b>
<b>Carrying Amounts</b>		
At December 31, 2014	\$	1,519
At December 31, 2015	\$	218
<b>At March 31, 2016</b>	<b>\$</b>	<b>79</b>

## **6. CAPITAL STOCK**

### **Authorized**

Unlimited number of common shares without par value

### **Issued and outstanding**

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

### **Stock options**

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

On April 30, 2013, the Company granted 3,029,700 stock options to directors, officers and consultants, exercisable at CAD\$0.42 until April 30, 2018, of which 1,254,600 have been forfeited or have expired. The options have an estimated fair value of CAD\$0.17 per option.

The following weighted average assumptions were used in the calculation of fair value of options granted on April 30, 2013:

---

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

---

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

6. CAPITAL STOCK (continued)

Stock options (continued)

Stock option transactions are summarized as follows:

Stock Options		
	Number of Options	Weighted Average Exercise Price (CAD\$)
Outstanding, December 31, 2014	2,914,700	0.56
Expired/cancelled	(1,134,600)	(0.80)
Outstanding, December 31, 2015	1,780,100	0.37
Expired	(5,000)	(2.80)
<b>Outstanding, March 31, 2016</b>	<b>1,775,100</b>	<b>0.37</b>
<b>Number exercisable/fully vested</b>	<b>1,775,100</b>	<b>0.37</b>

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

Number	Exercise Price (CAD\$)	Date of Expiry
1,775,100	0.42	April 30, 2018
<b>1,775,100</b>		

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

**Fair value 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**

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.

**7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**Currency risk**

The Company operates in the United States and Canada and is exposed to foreign exchange risk, as certain expenditures are denominated in non-US dollar currencies. Canadian dollar denominated balances generated foreign exchange gains and losses that are reported on the consolidated statement of income (loss) and comprehensive income (loss). A strengthening or weakening of 6% in the US dollar against the Canadian dollar would have an impact of approximately \$72,000 on net income (loss) and comprehensive income (loss).

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

<b>Canadian dollar accounts</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Cash and cash equivalents	1,170,780	1,197,095
Commodity taxes receivable	1,815	1,199
Accounts payable and accrued expenses	(32,218)	(67,999)
	<b>1,140,377</b>	<b>1,130,295</b>

**Interest rate risk**

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

**Credit risk**

The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of money market accounts that have been invested with United States and Canadian banking institutions with short-term maturities. Management believes the risk of loss is remote. Due from related parties has been collected. The maximum exposure to credit risk is limited to amounts shown on the 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 \$25,301,978 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.

**9. RELATED PARTY TRANSACTIONS**

Related party transactions are measured in the normal course of business at the exchange amount as agreed by the parties.

Due from related parties consists of \$18,859 due from Anthem (\$37,222 – December 31, 2015) and \$42,542 from Skeena Resources (\$78,588 – December 31, 2015) Ltd. ("Skeena") at March 31, 2016 for reimbursement of certain operating expenses. The Company and Anthem and Skeena have common officers.

Note payable to related party as at December 31, 2014 consists of a note payable to Anthem of \$3,592,827 (CAD\$3,900,000 and accrued interest) exchanged in the acquisition of the Otish property. Included in the loan balance is accrued interest on the note payable in the amount of \$228,153. The note was secured by the shares of Otish Minerals Ltd., which holds title to the Otish mineral claims. In January 2015, the Company transferred ownership of Otish Minerals Ltd., whose primary asset is the Otish property in central Quebec, back to Anthem in full satisfaction of its indebtedness to Anthem of \$3,592,827 (CAD\$3,900,000 and accrued interest) and recorded a gain on forgiveness of debt of \$3,588,597.

The key management personnel of the Company are the directors and officers of the Company. Compensation awarded to officers and directors for the three months ended March 31, 2016 and 2015 are as follows:

<b>Salaries and consulting fees</b>	<b>2016</b>		<b>2015</b>	
Officers	\$	22,591	\$	22,787
Directors (for legal services)	\$	4,625	\$	2,563

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

Included in accounts payable and accrued liabilities is \$10,376 (December 31, 2015 - \$16,562) due to related parties for services performed during the period.