



**ANTHEM RESOURCES INCORPORATED**  
**(formerly Virginia Energy Resources Inc.)**  
*(an exploration stage enterprise)*

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**SIX MONTHS ENDED DECEMBER 31, 2012 and 2011**

(unaudited – expressed in Canadian dollars)

## NOTICE TO READERS

Under National Instrument 51-102, Part 4.3 (3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The consolidated financial statements of Anthem Resources Incorporated (an exploration stage company) are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

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

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

The Company's independent auditors have not performed an audit or review of these condensed interim consolidated financial statements.

*"Walter Coles, Jr."*

Walter Coles, Jr.  
President and CEO

*"Karen A. Allan"*

Karen A. Allan  
Chief Financial Officer

Vancouver, British Columbia  
February 27, 2013

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**

(Unaudited - expressed in Canadian dollars)

	Note	December 31, 2012	June 30, 2012
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 672,647	\$ 483,238
Share subscription receivables		347,900	-
Receivables		22,899	63,528
Prepaid expenses and deposits		56,343	43,511
		1,099,789	590,277
Marketable securities	3	2,271,515	1,984,874
Mineral properties, exploration and evaluation costs	4	10,885,971	18,183,163
Investments	5	469,951	7,417,489
Promissory note	4 (a)	3,900,000	-
Equipment	6	43,384	48,399
		\$ 18,670,610	\$ 28,224,202
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 535,661	\$ 221,591
		535,661	221,591
<b>Shareholders' equity (deficiency)</b>			
Share capital	8	69,669,375	69,288,418
Share-based payment reserve		5,073,928	5,073,928
Accumulated other comprehensive loss		(1,723,650)	(953,013)
Deficit		(54,884,704)	(45,406,722)
		18,134,949	28,002,611
		\$ 18,670,610	\$ 28,224,202

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Unaudited - expressed in Canadian dollars)

	Note	For the three months ended		For the six months ended	
		December 31		December 31	
		2012	2011	2012	2011
<b>Expenses</b>					
Management and consulting fees	7	\$ 54,003	\$ 41,130	\$ 108,854	\$ 81,131
Investor relations		6,391	24,619	47,861	58,314
Office, rent and administration		39,321	33,604	79,335	76,160
Professional fees		31,168	50,547	260,266	68,239
Share-based compensation	8 (b)	-	8,843	-	32,423
Transfer agent and listing fees		47,145	7,897	125,444	11,692
Travel		21,418	22,375	34,606	42,210
Amortization		2,508	3,182	5,015	6,364
<b>Loss before other items and deferred taxes</b>		<b>(201,954)</b>	<b>(192,197)</b>	<b>(661,381)</b>	<b>(376,533)</b>
<b>Other items</b>					
Interest income		633	3,901	2,000	13,659
Share of loss on equity accounted investment	5	-	(321,039)	(810,190)	(991,312)
Gain (loss) on sale of mineral property interests		-	100,000	(1,871,063)	100,000
		633	(217,138)	(2,679,253)	(877,653)
<b>Loss before deferred tax</b>		<b>(201,321)</b>	<b>(409,335)</b>	<b>(3,340,634)</b>	<b>(1,254,186)</b>
Deferred tax recovery		-	118,141	-	118,141
<b>Net loss for the period</b>		<b>(201,321)</b>	<b>(291,194)</b>	<b>(3,340,634)</b>	<b>(1,136,045)</b>
<b>Items of comprehensive income</b>					
Unrealized loss on marketable securities		(830,091)	(560,545)	(770,637)	(720,422)
<b>Comprehensive loss</b>		<b>\$ (1,031,412)</b>	<b>\$ (851,739)</b>	<b>\$ (4,111,271)</b>	<b>\$ (1,856,467)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.01)</b>	<b>\$ (0.00)</b>	<b>\$ (0.10)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>		<b>32,726,539</b>	<b>32,504,746</b>	<b>32,560,650</b>	<b>32,504,746</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Share Capital			Share-based	Accumulated	Total
	Shares	Amount	Deficit	Compen- sation Reserves	Other Comprehensive Loss	Shareholders' Equity
<b>Note 1</b>						
Balance at June 30, 2011	32,504,746	\$ 69,288,418	\$ (20,345,059)	\$ 5,039,655	\$ (78,950)	\$ 53,904,064
Unrealized loss on available- for-sale securities	-	-	-	-	(720,422)	(720,422)
Share-based payments	-	-	-	32,423	-	32,423
Net loss for the six months	-	-	(1,136,045)	-	-	(1,136,045)
Balance at December 31, 2011	32,504,746	69,288,418	(21,481,104)	5,072,078	(799,272)	52,080,020
Items of comprehensive loss	-	-	-	-	(714,185)	(714,185)
Share-based payments	-	-	-	10,693	-	10,693
Net loss for the six months	-	-	(24,216,815)	-	-	(24,216,815)
Balance at June 30, 2012	32,504,746	69,288,418	(45,406,722)	5,073,928	(953,013)	28,002,611
Unrealized gain on available- for-sale securities	-	-	-	-	(770,637)	(770,637)
Distribution to shareholders on spin-off	-	-	(6,137,348)	-	-	(6,137,348)
Shares issued for cash						
Private placements	2,915,000	408,100	-	-	-	408,100
Share issue costs	-	(27,143)	-	-	-	(27,143)
Net loss for the six months	-	-	(3,340,634)	-	-	(3,340,634)
Balance at December 31, 2012	35,419,746	\$ 69,669,375	\$ (54,884,704)	\$ 5,073,928	\$ (1,723,650)	\$ 18,134,949

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

		For the six months ended December 31,	
	Note	2012	2011
<b>Cash from operating activities</b>			
Net loss for the period		\$ (3,340,634)	\$ (1,136,045)
Items not involving cash			
Amortization		5,015	6,364
Deferred tax recovered		-	(118,141)
Loss (gain) on sale of mineral property		1,871,063	(100,000)
Share based compensation		-	32,423
Share of loss on equity accounted investment		810,190	991,312
Changes in non-cash working capital			
Accounts receivable		40,629	(114,259)
Prepaid expenses		(12,832)	27,753
Accounts payable and accrued liabilities		299,155	(81,225)
<b>Cash (used in) provided by operating activities</b>		<b>(327,414)</b>	<b>(491,818)</b>
<b>Investing activity</b>			
Expenditures on mineral property interests		(143,377)	(1,476,450)
Transfer of assets with the sale of mineral property		(400,000)	-
Proceeds from option of property		1,000,000	-
<b>Cash provided by (used in) investing activities</b>		<b>456,623</b>	<b>(1,476,450)</b>
<b>Financing activity</b>			
Proceeds from issue of capital stock		60,200	-
<b>Cash provided by financing activities</b>		<b>60,200</b>	<b>-</b>
<b>Decrease in cash during the period</b>		<b>189,409</b>	<b>(1,968,268)</b>
<b>Cash, beginning of period</b>		<b>483,238</b>	<b>3,731,871</b>
<b>Cash, end of period</b>		<b>\$ 672,647</b>	<b>\$ 1,763,603</b>

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)**

*(an exploration stage enterprise)*

**Notes to the Condensed Interim Consolidated Financial Statements**

**For the six months ended December 31, 2012 and 2011**

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Anthem Resources Incorporated (the “Company” or “Anthem”), formerly Virginia Energy Resources Inc. was incorporated under the *Business Corporations Act* of Alberta on May 25, 1993. Anthem consolidated its shares on a 3 for 1 basis in conjunction with a Plan of Arrangement that concluded on September 27, 2012 which spun out Anthem’s VA Uranium Holdings, Inc. investment to a new public company renamed Virginia Energy Resources Inc. which trades under the symbol VUI. Shareholders of the Company were issued 1 share of the new VUI for every 10 of the pre consolidated shares of the Company. Pursuant to this same Plan of Arrangement passed by a shareholder vote at the Company’s AGM on August 20, 2012, the Otish claims and \$400,000 in cash were transferred to Otish Minerals Ltd., a wholly owned subsidiary of VUI. All share and per share amounts have been adjusted retroactively to reflect the share consolidation unless otherwise noted.

The Company’s principle business activities include the acquisition, exploration and development of mineral resource properties in Canada, focused primarily on the energy sector with emphasis currently placed on uranium projects. The Company’s offices are at 611 – 675 West Hastings Street, Vancouver, BC, V6B 1N2.

Details of the Company’s subsidiaries at December 31, 2012 are as follows:

	Nature of Operations	Place of incorporation and operation	Ownership interest
<b>SUBSTANTIALLY OR WHOLLY OWNED</b>			
662707 Alberta Ltd.	Holding company	Alberta	100%
Minera Santoy, S.A. de C.V.	Inactive	Mexico	99.9%
<b>SIGNIFICANT INFLUENCE</b>			
Boss Power Corp.	Mining	British Columbia	35.49%

The Company is currently exploring its mineral properties and has not yet determined whether they contain resources that are economically recoverable. The recoverability of amounts capitalized for mineral properties is dependent upon the discovery of sufficient economically recoverable ore resources, confirmation of the Company’s interest in the underlying mineral properties, the ability of the Company to arrange appropriate financing to complete the development of the mineral properties and upon future profitable production or proceeds from the sale of the mineral properties. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Statement of Compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements should be read in conjunction with the company’s consolidated annual financial statements for the year ended June 30, 2012.

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended December 31, 2012 and 2011****2. SIGNIFICANT ACCOUNTING POLICIES (continued)****(a) Statement of Compliance (continued)**

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of, and disclosed in, the consolidated annual financial statements for the year ended June 30, 2012. The policies applied in these condensed consolidated interim financial statements for the six months ended December 31, 2012 are based on IFRS issued and current as of February 27, 2013, the date the Audit Committee approved and authorized them for issue by the Company's Board of Directors.

**3. MARKETABLE SECURITIES**

Company	# of common shares	December 31, 2012		June 30, 2012
		Available-for- sale securities	Other	Available for sale securities and other
Skeena Resources Limited.	966,905	\$ 38,601	\$	\$ 67,609
Skeena Resource Ltd. warrants	384,000	-	70,485	70,485
Sparton Resources Ltd.	2,200,000	66,000		110,000
Golden Band Resources Inc	7,500,000	750,000		1,387,500
Jack's Fork Exploration Inc.	1,750,000	349,280		349,280
Nickel North Exploration Corp.	4,802,032	280,911	639,366	-
Nickel North warrants	1,151,016	-	26,872	-
Silver Spruce Resources Inc.	2,000,000	50,000	-	-
		\$ 1,534,792	\$ 736,723	\$ 1,984,874

December 31, 2012, the Company held shares of companies which were designated as available-for-sale assets and had a fair value of \$1,534,792. In addition, the Company held common share purchase warrants with a fair value, using the Black-Scholes calculation model, of \$97,357, which were classified as derivative instruments, entitling the Company to acquire 384,000 common shares of Skeena Resources Limited at \$2.50 per common share up to September 27, 2015 and 1,151,016 common shares of Nickel North Exploration Corp at \$0.35 in year one and \$0.60 in year 2 up to August 2, 2014.

	December 31, 2012	June 30, 2012
Available-for-sale securities at fair value	\$ 1,534,792	\$ 1,914,389
Available-for-sale securities held in escrow	639,366	-
Held-for-trading securities at fair value	97,357	70,485
	\$ 2,271,515	\$ 1,984,874

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended December 31, 2012 and 2011****4. MINERAL PROPERTIES, EXPLORATION AND EVALUATION COSTS**

	Sask.	Quebec	Labrador and Nfld.	Total <sup>1</sup>
Balance at June 30, 2011	\$ 6,659,233	\$ 6,676,710	\$ 5,094,236	\$ 18,430,179
Additions				
Acquisition costs	28,949	80,874	5,441	115,264
Drilling	-	493,576	-	493,576
Geology/geophysics	496,142	605,873	27,220	1,129,235
Transport	-	8,019	3,048	11,067
Analysis	28,940	84,291	-	113,231
Field support	26,056	489,226	15,235	530,517
Grants	-	(180,696)	-	(180,696)
	580,087	1,581,163	50,944	2,212,194
	7,239,320	8,257,873	5,145,180	20,642,373
Write-offs	-	(2,459,210)	-	(2,459,210)
Balance June 30, 2012	7,239,320	5,798,663	5,145,180	18,183,163
Additions				
Acquisition costs	14,219	417,583	7,492	439,294
Geology/geophysics	86,115	1,969	100	88,184
Transport	2,420	-	150	2,570
Field support	1,101	-	-	1,101
	103,855	419,552	7,742	531,149
	7,343,175	6,218,215	5,152,922	18,714,312
Options received on mineral property	-	(1,987,278)	-	(1,987,278)
Sale of mineral property	-	-	(1,926,802)	(1,926,802)
Distribution on spin-off	-	(3,914,261)	-	(3,914,261)
Balance at December 31, 2012	\$ 7,343,175	\$ 316,676	\$ 3,226,120	\$ 10,885,971

Note <sup>1</sup>. The Company holds claims in British Columbia that were written off when the Province announced an Order in Council in 2008 to restrict mining activities. The Company is seeking compensation damages.

**MINERAL PROPERTY INTERESTS (continued)**

**(a) Quebec**

Hawk Ridge – Nickel, PGE

The Company has a 100% interest in the property located in the Ungava region of northern Quebec, subject to a 3% NSR payable to the staker on the original claims. On February 7, 2012, the Company optioned the Hawk Ridge, Quebec property for \$3,000,000 in a combination of cash and shares over 2 years, after which time Nickel North Inc, (TSX.V: **NNX**), will have earned a 100% interest. On August 2, 2012, the Company received \$500,000 in cash and 10% of the escrowed 1,250,000 common shares. In addition, for exploration costs incurred prior to completion, the Company received 10% of the escrowed 2,302,032 common shares and 1,151,016 warrants for 1,151,016 common shares at \$0.35 per common share in year one and \$0.60 in year two. A cash payment of \$500,000 due in December 2012 was paid and 1,250,000 Nickel North shares were received. A final payment of \$1,000,000 and the equivalent of \$400,000 in Nickel North shares are due in December 2013, at which time, the property will be transferred to Nickel North. Subsequent to December 31, 2012, the Company agreed to an amendment of the agreement with Nickel North, subject to regulatory approval, to advance the last installment of cash and shares in equivalent number of shares in conjunction with a financing in exchange for transferring title upon receipt of said shares.

Otish Mountains – Uranium

The Company sold its 100% interest in several blocks of mineral claims in the Otish Mountains of northern Quebec, in conjunction with a Plan of Arrangement and Spin-out concluded on September 27, 2012, (See Note 1). In addition to the property interests, the Company paid \$400,000 to Otish Minerals Ltd., a wholly owned subsidiary of Virginia Energy Resources Inc. in exchange for a Promissory Note for \$3,900,000.

**(b) Newfoundland**

On September 4, 2012, the Company sold its 100% interest in the Anomaly 7 uranium property in Labrador to Silver Spruce Resources Inc. (TSX.V: **SSE**), in exchange for two million Silver Spruce common shares.

**5. INVESTMENTS**

The Company accounts for the investments of common shares using the equity method as follows:

	<b>December 31, 2012</b>	June 30, 2012
VA Uranium Holdings, Inc. ("VAUH")	\$ -	\$ 6,916,050
Boss Power Corp.	469,951	501,439
	<b>\$ 469,951</b>	<b>\$ 7,417,489</b>

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended December 31, 2012 and 2011****5. INVESTMENTS (continued)****VA Uranium Holdings, Inc.**

In conjunction with a Plan of Arrangement and Spin-out completed September 27, 2012, (See Note 1), the Company made a capital distribution to its shareholders of its 29.43% equity position in VA Uranium Holdings, Inc (“VAUH”), of which its 100% owned subsidiary, Virginia Uranium Inc., a Virginia corporation, controls the leasehold development and operating rights of the Coles Hill uranium property.

**Boss Power Corp. (“Boss Power”)**

	December 31, 2012		June 30, 2012	
	Shares	Amount	Shares	Amount
Boss Power Corp.	27,250,000	\$ 469,951	27,250,000	\$ 222,687

The Company holds 27,250,000 (35.49%) common shares of Boss. The primary asset of Boss Power is the Blizzard Uranium Project, comprising the Blizzard claim and certain surrounding mineral claims.

Due to the April 24, 2008 British Columbia government moratorium on uranium exploration and development which constructively halted the development of the Blizzard Uranium Project, Boss Power wrote-down the investment.

On October 16, 2008, Boss Power filed a Statement of Claim in the Supreme Court of British Columbia seeking compensation for the Blizzard project that was affected by the moratorium and on October 20, 2011, Boss Power announced a settlement for \$30,000,000 plus legal costs from the British Columbia government as part of an out-of-court settlement. Certain parties with possible continuing interests in the Blizzard and peripheral claims have filed notices of interest with the courts regarding the settlement of the claim for expropriation for an equitable portion of the settlement funds. Anthem is one of those claimants.

*Summary financial information*

	September 30, 2012 (in millions) (unaudited)	December 31, 2011 (in millions) (audited)
<b>Consolidated Balance Sheet</b>		
<b>Assets</b>		
Current assets including cash	\$ 2.3	\$ 1.8
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities	-	-
Shareholders' equity	2.3	1.8
	\$ 2.3	\$ 1.8
<b>Number of Shares Outstanding</b>	76.5	73.3

Boss Power has not released audited financial statements for December 31, 2012. Market valuation of the Company's Boss Power shares, as of the date of the statement filing, is \$5.7 million.

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended December 31, 2012 and 2011****6. EQUIPMENT**

	December 31, 2012			June 30, 2012		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Field equipment	\$ 108,380	\$ 69,276	\$ 39,104	\$ 108,380	\$ 64,931	\$ 43,449
Computer equipment	15,672	12,688	2,984	15,672	12,161	3,511
Office furniture	6,116	4,820	1,296	6,116	4,677	1,439
	\$ 130,168	\$ 86,784	\$ 43,384	\$ 130,168	\$ 81,769	\$ 48,399

**7. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties in addition to those discussed elsewhere in these financial statements:

- (a) paid or accrued consulting and management fees of \$108,854 (2011 - \$81,131) to companies controlled by a director or an officer. A further \$21,250 (2011 - \$48,850), paid to an officer, was capitalized to mineral property interests; and
- (b) accounts payable and accrued liabilities includes \$195,951 (2011 - \$22,258) due to directors or officers or companies controlled by common officers and directors.

**8. SHARE CAPITAL****(a) Authorized:**

Unlimited number of voting common shares  
Unlimited number of redeemable, retractable, convertible, preferred shares

**(b) Private placements**

On December 24, 2012, the Company issued 2,915,000 units at \$0.14 per unit for proceeds of \$408,100, each unit consisting of one flow-through common share and one-half of one flow-through share purchase warrant, with each whole warrant exercisable to acquire one non flow-through share at \$0.20 until December 24, 2014. Share subscription receivables of \$347,900 were received January 4, 2013, subsequent to the reporting period ended December 31, 2012. Finders' fees totalled \$27,143 in payables.

**ANTHEM RESOURCES INCORPORATED (formerly Virginia Energy Resources Inc.)***(an exploration stage enterprise)***Notes to the Condensed Interim Consolidated Financial Statements****For the six months ended December 31, 2012 and 2011****9. SHARE CAPITAL (continued)****(c) Stock options and warrants**

The Company's registered stock option plan authorizes the Company to grant incentive stock options to executive officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, as calculated on the date of grant. The options can be granted for a maximum term of five years. Stock options granted in relation to investor relations' activities vest at 25% of the grant every three months from the grant date; all other stock options vest immediately.

Stock option and share purchase warrant transactions are summarized as follows:

	<b>Warrants</b>		<b>Stock Options</b>	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
	Note 1		Note 1	
Outstanding, June 30, 2011	3,739,306	\$ 1.33	1,967,000	\$ 1.71
Expired	-	-	(12,000)	\$(3.96)
Outstanding, June 30, 2012	3,739,306	\$ 1.33	1,955,000	\$ 1.38
Expired/cancelled	(287,500)	\$(1.08)	(621,666)	\$(1.20)
Issued/granted	1,457,500	\$ 0.20	-	-
Outstanding, December 31, 2012	4,909,306	\$ 0.91	1,333,334	\$ 0.84
Number exercisable/fully vested	4,909,306	\$ 0.91	1,333,334	\$ 0.84

As at December 31, 2012, stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
<b>Options</b>	106,667	\$ 2.57	June 23, 2013 ***
	43,334	\$ 1.28	November 21, 2013 ***
	1,100,000	\$ 0.63	November 1, 2015 ***
	83,333	\$ 1.11	February 15, 2016 ***
	1,333,334		
<b>Warrants</b>	1,678,333	\$ 1.05	April 21, 2014*
	416,666	\$ 1.05	April 27, 2014*
	664,207	\$ 1.80	July 21, 2014**
	692,600	\$ 1.80	August 7, 2014**
	1,457,500	\$ 0.20	December 24, 2014
	4,909,306		

**8. SHARE CAPITAL (continued)**

**(b) Stock options and warrants (continued)**

- \* Warrants were extended for a further two years and have an acceleration clause that if the Company's shares trade at or greater than \$1.80 per share for ten consecutive days, the remaining exercise period may be reduced, at the election of the Company and upon notice to the warrant holders, to 25 days from notice.
- \*\* Warrants have an acceleration clause that if the Company's shares trade at or greater than \$6.00 per share for ten consecutive days, the remaining exercise period may be reduced, at the election of the Company and upon notice to the warrant holders, to 25 days from notice.
- \*\*\* Certain resigning insiders had early expiry of their options 90 days after the Plan of Arrangement concluded on September 27, 2012. Under the terms of the option agreements, 13,334 of the options priced at \$2.57, 8,333 of the options priced at \$1.28 and 600,000 of the options priced at \$0.63 expired on December 27, 2012.

Stock-based compensation

The Company calculates the fair value of stock options granted using the Black Scholes option pricing model.

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.

**9. CAPITAL RISK MANAGEMENT**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, cash and marketable securities.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.