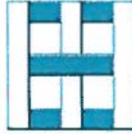
Weststar Resources Corp.

Financial Statements

For the years ended December 31, 2011 and 2010

Expressed in Canadian dollars



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Weststar Resources Corp.

We have audited the accompanying financial statements of Weststar Resources Corp. which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the statements of operations, comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained on our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Weststar Resources Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 to these financial statements which describes the existence of a material uncertainty that may cast significant doubt about the ability of Weststar Resources Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
April 27, 2012

Weststar Resources Corp.
Statements of Financial Position
(Expressed in Canadian dollars)

	Note	December 31, 2011	December 31, 2010 (Note 18)	January 1, 2010 (Note 18)
ASSETS				
Current Assets				
Cash and cash equivalents		$ 253,792	$ 276,196	$ 216,135
HST and other receivables	5	37,562	24,451	20,996
Prepaid expenses and deposits		53,196	9,112	10,229
		344,550	309,759	247,360
Investments	6	155,659	-	-
Exploration and evaluation assets	7	7,424,142	2,619,333	3,940,680
Equipment	8	24,956	30,219	4,667
		$ 7,949,307	$ 2,959,311	$ 4,192,707
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	11	$ 24,730	$ 80,175	$ 86,323
SHAREHOLDERS' EQUITY				
Share capital	9	13,196,621	5,838,044	4,874,356
Subscriptions received		-	-	20,000
Share-based payment reserve	10	3,730,184	2,885,863	2,396,093
Deficit		(9,157,887)	(5,844,771)	(3,184,065)
Accumulated other comprehensive income		155,659	-	-
		7,924,577	2,879,136	4,106,384
		$ 7,949,307	$ 2,959,311	$ 4,192,707

	Note
Going concern note	2
Commitments	13
Events occurring after reporting date	17

Approved for issuance on behalf of the Board on April 27, 2012

"Mitch Adam"
Director

"Casey Forward"
Director

See accompanying notes to financial statements

Weststar Resources Corp.
Statements of Operations and Comprehensive Loss
For the years ended December 31
(Expressed in Canadian dollars)

	Note	2011	2010 (Note 18)
Expenses			
Amortization		$ 9,994	$ 5,696
Bank charges and interest		1,694	2,196
Consulting fees	11	202,570	128,388
Loss on disposal of exploration and evaluation assets	7	-	294,567
Management and director's fees	11	120,000	140,000
Office and general		114,950	72,601
Pre-exploration costs		5,198	39,963
Professional fees	11	207,555	152,475
Rent		34,722	57,008
Shareholder communications and promotion		150,456	31,519
Share-based payments	9	-	27,909
Transfer agent and filing fees		64,968	36,846
Travel		76,515	6,288
Write-off exploration and evaluation assets	7c, 7d	2,324,494	1,665,250
Net loss		(3,313,116)	(2,660,706)
Other comprehensive income			
Unrealized gain on available-for-sale investments	6	155,659	-
Comprehensive loss		(3,157,457)	(2,660,706)
Loss per share, basic and diluted		$ (0.19)	$ (0.39)
Weighted average number of shares outstanding		17,470,021	6,884,091

See accompanying notes to financial statements

Weststar Resources Corp.

Statements of Cash Flows

For the years ended December 31
(Expressed in Canadian dollars)

	2011	2010
Operating Activities		
Net loss	$ (3,313,116)	$ (2,660,706)
Items not involving cash		
Amortization	9,994	5,696
Write-off exploration and evaluation assets	2,324,493	1,665,250
Loss on disposal of exploration and evaluation assets	-	294,567
Share based payments	-	27,909
Deferred tax on flow through shares	-	(123,750)
	(978,629)	(791,034)
Operating cash flows before movements in working capital		
Changes in non-cash working capital		
HST receivable and other receivables	(13,111)	(3,455)
Prepaid expenses	(44,084)	1,117
Accounts payable and accrued liabilities	(55,444)	(6,148)
Net cash used in operating activities	(1,091,268)	(799,520)
Financing Activities		
Shares issued for cash, net of issuance costs	2,494,398	894,999
Net cash provided by financing activities	2,494,398	894,999
Investing Activities		
Acquisition of resource properties	(1,135,000)	(74,294)
Purchase of capital assets	(4,932)	(31,248)
Disposal of equipment	200	-
Deferred exploration and evaluation costs	(285,802)	(53,626)
Net cash used in investing activities	(1,425,534)	(159,168)
Change in cash and cash equivalents	(22,404)	(63,689)
Cash and cash equivalents at beginning of year	276,196	216,135
Cash and cash equivalents at end of year	$ 253,792	$ 152,446

Supplemental cash flow information

	2011	2010
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

	2011	2010
Non-cash financing activities		
Shares issued for exploration and evaluation assets	$ 5,708,500	$ 510,550

See accompanying notes to financial statements

Weststar Resources Corp.
Statements of Changes in Equity
(Expressed in Canadian dollars)

	Note	Share Capital		Share Subscription	Share-based Payment Reserve	Deficit	Accumulated other comprehensive income	Total
		Shares	Amount					
Balance, January 1, 2010		5,503,675	$ 4,874,356	$ 20,000	$ 2,396,093	$ (3,184,065)	$ -	$ 4,106,384
Share issuance								
Private placement - February 2010		516,667	154,714	-	-	-	-	154,714
Private placement - October 2010		3,625,000	298,424	-	-	-	-	298,424
Property acquisitions								
Ellesmere Island	7g	83,333	20,000	-	-	-	-	20,000
Golden Fox	7b	41,667	15,000	-	-	-	-	15,000
Red Chris	7i	92,917	78,050	-	-	-	-	78,050
Billingsley	7i	187,500	157,500	-	-	-	-	157,500
Rita Copper	7j	208,333	150,000	-	-	-	-	150,000
Sifton	7d	250,000	90,000	-	-	-	-	90,000
Share subscriptions		-	-	(20,000)	-	-		(20,000)
Stock options granted		-	-	-	27,909	-	-	27,909
Warrants and units issued		-	-	-	461,861	-	-	461,861
Comprehensive loss		-	-	-	-	(2,660,706)	-	(2,660,706)
Balance, December 31, 2010	18	10,509,092	$ 5,838,044	$ -	$ 2,885,863	$ (5,844,771)	$ -	$ 2,879,136
Share issuance								
Private placement - July 2011	8	2,464,400	1,485,946	-	546,152	-	-	2,032,098
Property acquisitions								
Golden Fox	7b	500,000	200,000	-	-	-	-	200,000
Sunrise	7b	2,000,000	1,060,000	-	-	-	-	1,060,000
La Paloma	7k	6,650,000	3,998,749	-	449,751	-	-	4,448,500
Exercise of warrants		2,010,000	613,882	-	(151,582)	-	-	462,300
Comprehensive loss		-	-	-	-	(3,313,116)	155,659	(3,157,457)
Balance, December 31, 2011		24,133,492	$ 13,196,621	$ -	$ 3,730,184	$ (9,157,887)	$ 155,659	$ 7,924,577

See accompanying notes to financial statements

1. CORPORATE INFORMATION

The Company was incorporated on October 27, 2004 in British Columbia. During the year ended December 31, 2006 the Company completed its initial public offering on the TSX Venture Exchange, and the Company's shares were listed for trading on September 22, 2006. The head office, principal address and records office of the Company are located at 4006 - 1011 West Cordova Street, Vancouver, British Columbia, Canada, V6C 0B2. The Company's registered address is at the same address.

The Company is in the process of acquiring and exploring its resource properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. The first date at which IFRS was applied was January 1, 2010.

The Company's financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in certain respects from IFRS. In preparing these financial statements, management has adopted and changed certain accounting, valuation and consolidation policies previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Note 18 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income along with line-by-line reconciliations of the statement of financial position as at December 31, 2010 and January 1, 2010, and the statement of operations and comprehensive loss for the year ended December 31, 2010. Subject to the transition elections, the Company has consistently applied the same accounting policies in the opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 27, 2012.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting.

(c) Going Concern of Operations

The Company incurred a loss of $3,313,116 (December 31, 2010: $2,660,706) for the year ended December 31, 2011, and had an accumulated deficit of $9,157,887 at December 31, 2011 which has been funded primarily by the issuance of equity. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to fund its existing acquisition and exploration commitments on its resource properties when they come due, which would cease to exist if the Company decides to terminate its commitments, and to cover its operating costs. The Company may be able to generate working capital to fund its operations by the sale of its exploration and evaluation assets or raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. These financial statements do not give effect to any adjustments required to realize it assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements and in preparing the opening IFRS Statement of Financial Position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

(a) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(b) Exploration and Evaluation Assets

Pre-exploration Costs

Pre-exploration costs are expensed in the year in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

Mineral property acquisition costs and exploration and evaluation expenditures are recorded at cost. When shares are issued as part of mineral property exploration costs, they are valued at the closing share price on the date of issuance unless the fair value of goods or services received is determinable. Payments related to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the amounts upon payment.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration and evaluation assets.

Exploration and evaluation assets are classified as intangible.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(c) Equipment

Equipment is stated at cost less accumulated amortization. Amortization is provided for using the declining-balance method at the following rates per annum:

Computer equipment	55%
Furniture and fixtures	20%
Leasehold improvements	20%

(d) Impairment of Non-Financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financial assets, including exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive loss/income.

(e) Financial Instruments

Financial assets

Financial assets are classified as into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

The Company has classified its financial assets as follows:

Cash and cash equivalents are classified as fair value through profit or loss.

Other receivables are classified as loans and receivables.

Investments are classified as available for sale.

Fair Value Through Profit or Loss ("FVTPL")

Financial assets are classified as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Such assets are measured at fair value with unrealized gains and losses recognized through earnings.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Impairment on Financial Assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category include accounts payable and accrued liabilities.

(f) Provisions

Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the year in which the obligation is incurred. The nature of the rehabilitation activities include restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related exploration properties. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the year in which they occur.

Other Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(g) Income Taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(h) Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, share warrants and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Flow-through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognised as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a expense until paid.

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted earnings per share excludes all dilutive potential common shares if their effect is anti-dilutive.

(i) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid. The fair value of share-based compensation awards are calculated using the Black-Scholes option pricing model ("Black-Scholes"). Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(j) Government assistance

British Columbia mining exploration tax credits for certain exploration expenditures incurred in British Columbia are treated as a reduction of the exploration and development costs of the respective resource property. The amounts are accrued provided there is reasonable assurance that the credits will be realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(k) Standards, Amendments and Interpretations Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting years beginning on or after January 1, 2013 or later years. The following standards and interpretations have been issued but are not yet effective:

- **IAS 1 – Presentation of Financial Statements**

  In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be recycled to profit or loss in future periods. The Company is yet to assess the full impact of IAS 1 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- **IFRS 9 Financial Instruments**

  IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

- **IFRS 10 Consolidated Financial Statements**

  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- **IFRS 11 Joint Arrangements**

  IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- **IFRS 12 Disclosures of Interests in Other Entities**

  IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- **IFRS 13 Fair Value Measurement**

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- **IAS 19 Employee Future Benefits**

  In June 2011, the IASB issued an amendment to IAS 19, which changes the recognition, measurement and presentation of defined benefit pension expense and provides for additional disclosures for all employee benefits. The Company is yet to assess the full impact of IAS 1 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

  In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

- **IAS 27 Separate Financial Statements**

  As a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The Company is yet to assess the full impact of IAS 1 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

- **IAS 28 Investments in Associates and Joint Ventures**

  As a consequence of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended and will provided the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee. The Company is yet to assess the full impact of IAS 1 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(a) Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time of the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

(b) Exploration and Evaluation Expenditure and Impairment

The application of the Company's accounting policy for exploration and evaluation expenditure and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the year the new information becomes available.

(c) Title to Mineral Property Interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

(d) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

(e) Share-based Payment Transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

5. HST AND OTHER RECEIVABLES

HST and other receivables at December 31, 2011 include guaranteed investment certificates ("GICs") with interest rate at 1% (December 31, 2010 - 1%) per annum. At December 31, 2011, the fair value of the GICs was $5,000 (December 31, 2010 - $5,000). The GICs are held as resource reclamation deposit and are restricted for other uses. The remaining balance, being $32,562, represents HST recoverable as at December 31, 2011.

6. INVESTMENTS

During the year ended December 31, 2010, the Company disposed the Ellesmere Island Property together with the remaining outstanding commitment to Pacific Coal Corp. for 500,000 common shares of Pacific Coal Corp.. On April 12, 2011, Pacific Coal Corp. changed its name to Canada Coal Inc. ("CCI"). As at December 31, 2010, the CCI shares were not traded in any recognized stock exchange and they did not have any significant assets, management recorded a nominal value for the CCI shares and recognized a loss on disposal of $294,567.

The 500,000 common shares of CCI were escrowed shares. The shares are released on a staged basis, with 10% released on February 29, 2012, and 15% to be released every six months thereafter for a period of 36 months. As at December 31, 2011, all 500,000 common shares were held in escrow.

As at December 31, 2011, the Company held the 500,000 common shares of CCI. On July 7, 2011, CCI executed an agreement with Mercury Capital Limited ("Mercury"), a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange ("Exchange"), in respect to a proposed business combination to be effected by way of amalgamation of the parties ("Amalgamation") which is expected to constitute the Qualifying Transaction for Mercury. The Exchange has issued its acceptance of the Amalgamation, and the Resulting Issuer commenced trading on the Exchange on February 29, 2012 under the symbol "CCK". On the Effective Date, all common shares of Mercury and CCI were exchanged for common shares of the Resulting Issuer ("Resulting Issuer Shares"), on a one-for-one basis.

As at December 31, 2011, the fair value of the 500,000 CCI shares was estimated to be $155,659. As the Company recorded the investment as available-for-sale, the unrealized gain of $155,659 was recorded in other comprehensive income.

7. EXPLORATION AND EVALUATION ASSETS

For the year ended December 31, 2011

	Canada				Mexico	
	Axe Property	Golden Fox Group	McKinnon Group	Sifton	La Paloma	Total
Balance, beginning of year	$ 1,626,465	$ 412,849	$ 460,519	$ 119,500	$ -	$ 2,619,333
Acquisition costs						
Cash	-	35,000	-	-	1,100,000	1,135,000
Shares	-	1,260,000	-	-	4,448,500	5,708,500
	-	1,295,000	-	-	5,548,500	6,843,500
Deferred exploration expenditures						
Geological, mapping and consulting	11,430	36,625	-	-	237,747	285,802
	11,430	36,625	-	-	237,747	285,802
Subtotal	1,637,895	1,744,474	460,519	119,500	5,786,247	9,748,635
Write-offs	-	(1,744,474)	(460,519)	(119,500)	-	(2,324,493)
Balance, end of year	$ 1,637,895	$ -	$ -	$ -	$ 5,786,247	$ 7,424,142

For the year ended December 31, 2010

	Axe Property	18 Meter Property	Bache Peninsula Property	Ellesmere Island Property	Golden Fox	McKinnon	Silver Creek and Simonette	Red Chris	Rita Copper	Sifton	Total
Balance, beginning of year	$ 1,620,323	$ 931,349	$ 159,400	$ 272,077	$ 378,849	$ 433,225	$120,457	$ 10,000	$ 15,000	$ -	$ 3,940,680
Acquisition costs											
Cash	-	-	-	-	-	5,800	-	43,494	-	25,000	74,294
Shares	-	-	-	20,000	-	15,000	-	235,550	150,000	90,000	510,550
	-	-	-	20,000	-	20,800	-	279,044	150,000	115,000	584,844
Deferred exploration expenditures											
Geological surveys, mapping and consulting	6,142	-	-	2,490	34,000	6,494	-	-	-	4,500	53,626
	6,142	-	-	2,490	34,000	6,494	-	-	-	4,500	53,626
Subtotal	1,626,465	931,349	159,400	294,567	412,849	460,519	120,457	289,044	165,000	119,500	4,579,150
Disposals	-	-	-	(294,567)	-	-	-	-	-	-	(294,567)
Write-offs	-	(931,349)	(159,400)	-	-	-	(120,457)	(289,044)	(165,000)	-	(1,665,250)
Balance, end of year	$ 1,626,465	$ -	$ -	$ -	$ 412,849	$ 460,519	$ -	$ -	$ -	$ 119,500	$ 2,619,333

7. EXPLORATION AND EVALUATION ASSETS continued

	2011	2010
Balance, beginning of year	$ 2,619,333	$ 3,940,680
Acquisition costs		
Cash	1,135,000	74,294
Shares	5,708,500	510,550
	6,843,500	584,844
Deferred exploration expenditures		
Geological surveys, mapping, consulting, reports and other	285,802	53,626
	9,748,635	4,579,150
Disposal	-	(294,567)
Write-offs	(2,324,493)	(1,665,250)
Balance, end of year	$ 7,424,142	$ 2,619,333

(a) Axe Project

Pursuant to an option agreement dated July 19, 2005, the Company acquired a 70% interest (originally 66% but amended by mutual consent) in the Axe claims comprised of 119 units situated in the Similkameen Mining District, Province of B.C. As consideration for the property, the Company paid $5,000, issued 300,000 common shares at a fair value of $243,500 and incurred exploration costs of $500,000.

Pursuant to an agreement dated March 23, 2007, the Company acquired four additional claims. As consideration for the claims the Company paid $15,000. The claims are subject to a 2% net smelter royalty and under the terms of the agreement the Company has the right to purchase the net smelter royalty in stages for up to $3,000,000.

Subsequent to December 31, 2011 the Company entered into an option agreement. See Note 17, Events occurring after reporting date.

(b) Golden Fox Group

Golden Fox Claims

On July 7, 2009 and amended on December 22, 2010, relating to the work commitment described below, the Company entered into an agreement to acquire an undivided 100% interest in the "Golden Fox" Claims, located in the Yukon Territories, Canada. The Golden Fox Claims consist of 50 claim units totalling approximately 2,500 hectares.

The terms of the agreement are as follows:

- $75,000 due on signing of the agreement; (paid)
- $75,000 cash ($50,000 paid) and the issuance of 2,500,000 common shares (fair value of $225,000) of the Company;
- Issuance of 500,000 common shares of the Company at a fair value of $200,000 in lieu of $500,000 exploration expenditures work commitment originally to be incurred by September 1, 2010 (fair value of $200,000);
- The Vendor will retain a 3% Net Smelter Royalty, of which one-third (1%) can be purchased by the Company for $1,000,000.

7. EXPLORATION AND EVALUATION ASSETS continued

Sunrise Claims

On January 20, 2011 the Company entered into an option agreement to acquire a 100% interest in 27 quartz claims totalling approximately 121.5 hectares in the Dawson Mining District in the Yukon Territory ("the Sunrise Property"). The Golden Fox Property is situated 20km to the southeast.

- $35,000 due within five days (paid) of approval by the TSX Venture Exchange;
- the issuance of 1,000,000 common shares (fair value of $360,000) of the Company;
- Issuance of 1,000,000 common shares of the Company within six months after approval by the TSX Venture Exchange (fair value of $700,000).
- Incur exploration expenditures of $10,000 or pay $100 per claim on or before June 18, 2011 (incurred);
- Incur exploration expenditures of $25,000 on or before September 1, 2011;
- Incur exploration expenditures of $100,000 on or before September 1, 2012.
- The Vendor will retain a 3% Net Smelter Royalty, of which one-third (1%) can be purchased by the Company for $1,000,000.

During the year ended December 31, 2011, the Company decided not to pursue the Golden Fox Group and wrote off the acquisition and exploration costs of $1,744,474.

(c) McKinnon Group

McKinnon Claims

On July 20, 2009 the Company entered into an agreement to acquire a 100% interest in the McKinnon Property, located in Yukon Territory. The property consists of 66 pending quartz claims encompassing approximately 3,400 acres (1380 hectares).

The terms of the agreement are as follows:

- $84,100 due on signing of the agreement; (paid)
- $50,000 cash (paid) and 2,500,000 common shares of the Company; (fair value of $275,000)
- The Vendor will retain a 3% Net Smelter Royalty of which one-third (1%) can be purchased by the Company for $1,000,000.

Morgan Property

On May 12, 2010, the Company entered into an option agreement to acquire a 100% interest in the Morgan Claim Group. The claims are north of the McKinnon claims in the Yukon.

The terms of the acquisitions are as follows.

- $5,000 (paid) and 500,000 (fair value of $15,000) common shares paid on exchange approval of the agreement;
- $5,000 and 500,000 common shares on or before June 15, 2011;
- $5,000 and 500,000 common shares on or before June 15, 2012.

The property is Subject to a 2% Net Smelter Return ("NSR"). The company has an option to acquire 1% of the NSR for $1,000,000.

During the year ended December 31, 2011, the Company decided not to pursue both the McKinnon claims and the Morgan property and wrote off the acquisition and exploration costs of $460,519.

(d) Sifton Property

On July 6, 2010 the Company entered into an acquisition agreement to acquire a 100% interest in the Sifton Block of claims. The claims are north of Richardson Township, which is approximately fifty kilometres northwest of Fort Frances in western Ontario.

The terms of the agreement include cash payments of $175,000 over a four year period and the issuance of 3,000,000 shares upon TSX Venture Exchange acceptance. The Company paid a finder's fee of $4,500.

The terms of the agreement are as follows:

- $25,000 payment on or before October 6, 2010 (paid);
- $30,000 payment on or before July 6, 2011;
- $35,000 payment on or before July 6, 2012;
- $40,000 payment on or before July 6, 2013;
- $45,000 payment on or before July 6, 2014;
- Issuance of 3,000,000 shares within 10 days of regulatory approval (issued at a fair value of $90,000).

The Vendor will retain a 2% Net Smelter Royalty of which one-half (1%) can be purchased by the Company for $1,000,000;

During the year ended December 31, 2011, the Company decided not to pursue this property and wrote off the acquisition and exploration costs of $119,500.

7. EXPLORATION AND EVALUATION ASSETS continued

(e) 18 Meter Property

The Company entered into agreements dated June 19, 2008 and amended on December 30, 2008 to acquire 72 coal permit applications. The coal lease applications cover approximately 138,240 acres. The Company agreed to pay $1,150,000 ($200,000 paid) and issue 4,000,000 common shares (2,000,000 issued at a fair value of $260,000) over a four year period. The Company also paid a finder's fee by issuing 400,000 common shares with a fair value of $52,000.

During the year ended December 31, 2010, the Company decided not to pursue this property and wrote off the acquisition and exploration costs of $931,349.

(f) Bache Peninsula Property

The Company entered into an agreement to acquire a 100% interest in six coal exploration License applications, located on the Bache Peninsula, Ellesmere Island, Nunavut Territory. The Company agreed to pay $250,000 ($40,000 paid) and issue 2,000,000 units (1,000,000 units issued at a fair value of $90,000) over a three year period. Each unit issued consisted of one common share and one non-transferable share purchase warrant. Each warrant was exercisable into one additional common share for a period of two years from the date of issue at a price of $0.25 per share in the first year and $0.50 per share in the second year. The Company also paid a finder's fee by issuing 294,000 common shares with a fair value of $29,400.

During the year ended December 31, 2010, the Company decided not to pursue this property and wrote off the acquisition and exploration costs of $159,400.

(g) Ellesmere Island Property

On March 18, 2009 the Company entered into an agreement to acquire an 80% interest in 9 coal license applications and 7 pending licenses covering two areas of approximately 564,800 acres in total located on western Ellesmere Island, Nunavut Territory. The Company agreed to pay $100,000 ($75,000 paid) and issue 2,000,000 units (issued at a fair value of $120,000) over a three year period. Each unit consisted of one common share and one non-transferable share purchase warrant. Each warrant was exercisable into one additional common share for a period of one year from the date of issue at a price of $0.35 per share. The Company also paid a finder's fee by issuing 176,920 common shares with a fair value of $17,692.

During the year ended December 31, 2010, the Company disposed of the property together with the remaining outstanding commitment to Canada Coal Inc. (formerly Pacific Coal Corp.) ("CCI") for 500,000 common shares of CC (Note 6). As CCI's shares are not traded in any recognized stock exchange and they do not have any significant assets, management recorded a nominal value for the CCI shares and recognized a loss on disposal of $294,567.

(h) Silver Creek and Simonette Properties

On August 17, 2009 the Company acquired two lithium brine projects, located in Alberta. The Silver Creek Property is located in Alberta, and encompasses approximately 22,500 acres while the Simonette Property is located about 60 km due west of Fox Creek, and encompasses about 45,500 acres.

In order to earn its interest the Company paid $25,000 and issued 1,000,000 common shares at a fair value of $95,000. The property is subject to a 2% Net Smelter Return of which one half (1%) may be purchased for $2,000,000.

During the year ended December 31, 2010, the Company decided not to pursue these properties and wrote off the acquisition and exploration costs of $120,457.

(i) Red Chris Properties

Red Chris claims

On December 18, 2009 the Company entered into an acquisition agreement to purchase 27 mineral claims in the Liard Mining Division, British Columbia.

The Company paid $10,000, issued 1,000,000 common shares of the Company at a fair value of $70,000 and paid a finder's fee by issuing 115,000 common shares with a fair value of $8,050.

During the year ended December 31, 2010, the Company decided not to pursue this property and wrote off the acquisition and exploration costs of $91,544.

7. EXPLORATION AND EVALUATION ASSETS continued

Billingsley claims

On January 7, 2010 the Company entered into an acquisition agreement to purchase 10 mineral claims in the Liard Mining Division, British Columbia.

The Company paid $40,000, issued 2,000,000 common shares of the Company at a fair value of $140,000 and paid a finder's fee by issuing 250,000 common shares with a fair value of $17,500.

During the year ended December 31, 2010, the Company decided not to pursue this property and wrote off the acquisition costs of $197,500.

(j) Rita Copper Property

On December 2, 2009 the Company entered into an acquisition agreement to purchase four mineral claims in the Similkameen Mining Division, British Columbia.

The Company paid $15,000 and issued 2,500,000 common shares of the Company at a fair value of $150,000 to acquire the claims.

During the year ended December 31, 2010, the Company decided not to pursue this property and wrote off the acquisition costs of $165,000.

(k) Acquisition of La Paloma Property and Assignment of Option Agreement

On March 17, 2011 and as amended June 30, 2011, the Company entered into a letter of intent (the "Agreement") with Lekona Minerals Incorporated's ("Lekona") to acquire the rights, title and interest in and to the La Paloma concessions, including the 20% undivided interest held by Lekona and Lekona's rights under the underlying option agreement between Lekona and Minera Sierra de Oro S.A. de C.V. ("Minera"). The La Paloma property concession is located in the state of Jalisco, Mexico and comprises 155 hectares of mineral rights. The Company was assigned an option to acquire an 80% interest in the La Paloma concessions from Minera under an option agreement dated September 15, 2010, amended April 30, 2011 (together the "Option Agreement") between Lekona and Minera. Lekona had previously exercised a portion of the option granted under the Option Agreement and accordingly Weststar now owns a 20% undivided interest in the La Paloma concessions. The Company completed the transaction on August 9, 2011 (the "Closing Date"). The terms of the Agreement and amounts are as follows:

(a) paying Lekona, the sum of $700,000 (paid);

(b) issuing 4,000,000 common shares (fair value of $2,521,592) in the capital stock of the Company to Lekona's shareholders and 1,650,000 common shares (fair value of $1,007,157) in the capital stock of the Company to Minera;

(c) issuing 1,500,000 share purchase warrants (fair value of $449,751) to Lekona, each such warrant being exercisable into one common share of the Company at a price of $1.50 per common share for a period expiring August 9, 2012. The Warrants are only exercisable in the event:

(i) the Company completes Phase I of the work program contained in the NI 43-101 report dated June 26, 2011 on the Project and delivers a new NI 43-101 compliant report describing the results of the Phase I work, and accommodation to proceed to Phase 2 (the "Completion Date"); and

(ii) the Company completes a follow on financing of not less than $1,000,000 to fund the Phase 2 program.

(d) issue 2,000,000 common shares in the capital stock of the Company to Lekona's shareholders within 10 business days of the Completion Date;

(e) pay $1,100,000 on or before August 9, 2012 to or to the direction of Lekona;

(f) to assume all of the unfulfilled obligations of Lekona under the Option Agreement, including the payments of cash and shares due to Minera thereunder; and

7. EXPLORATION AND EVALUATION ASSETS continued

(g) on commencement of commercial production from the Project, to pay to Lekona a 2% net smelter returns royalty, on the terms set out in the Amendment Agreement.

The Option Agreement between Lekona and La Paloma provided for the following terms (all share issuances required under the Option Agreement from Lekona, to be assumed by Weststar):

(a) a non-refundable deposit of $50,000 (paid by Lekona);

(b) a payment of $300,000 (paid by Lekona), together with a transfer of 2,000,000 common shares in the capital stock of Lekona (transferred), which obligations have been satisfied and in consideration for which Lekona acquired an undivided 20% interest in the Project;

(c) on or before April 30, 2011, a further payment of $300,000.00 (paid by Lekona);

(d) on closing of the transaction between the Company and Lekona, the issuance of 1,650,000 common shares (issued at a fair value of $1,007,157) in the capital stock of the Company and the expenditure on or before October 30, 2011 of $200,000 (incurred) on or in respect of the property. In consideration for the foregoing, Weststar shall acquire a further 20% interest in the La Paloma concessions, for an aggregate 40% interest;

(e) on or before October 30, 2011, a further payment of $400,000 (paid) and the issuance of 1,000,000 common shares (fair value of $470,000) of Weststar. In addition, a further $250,000 is to be expended on or in respect of the property and a National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") level report is to be generated. In consideration of the foregoing, Weststar shall acquire a further 20% interest in the Project, for an aggregate 60% interest in the property; and

(f) on or before October 30, 2012, a final payment of $2,000,000, the issuance of an additional 2,000,000 shares in the capital stock of Weststar and the expenditure of a further $750,000 on or in respect of the property. In consideration of the foregoing, Weststar shall acquire a further 20% interest in the property, for an aggregate 80% interest.

In addition to the foregoing, in the event that Weststar receives a NI 43-101 compliant report, acceptable to both parties, drawn in accordance with NI 43-101, indicating that there are resources of gold and silver in the Project exceeding 4,000,000 ounces and 150,000,000 ounces, respectively, Weststar shall deliver to or to the order of Minera 5,000,000 common shares of Weststar. The NI 43-101 shall be undertaken and paid for by Weststar on or prior to October 31, 2014, or within 12 months following Weststar acquiring the 80% undivided interest in the Project, as contemplated by the Option Agreement, which ever event occurs first.

8. EQUIPMENT

	Computer equipment	Office equipment	Leasehold Improvements	Total
Cost				
Balance at January 1, 2010	$ 2,085	$ 1,062	$ 4,475	$ 7,622
Additions	8,000	23,249	-	31,249
Balance at December 31, 2010	10,085	24,311	4,475	38,871
Additions	2,475	2,456	-	4,931
Disposals	-	(200)	-	(200)
Balance at December 31, 2011	$ 12,560	$ 26,567	$ 4,475	$ 43,602
Amortization and impairment				
Balance at January 1, 2010	$ 1,405	$ 297	$ 1,253	$ 2,955
Amortization	2,574	2,479	644	5,697
Balance at December 31, 2010	3,979	2,776	1,897	8,652
Amortization	4,720	4,758	516	9,994
Disposals	-	-	-	-
Balance at December 31, 2011	$ 8,699	$ 7,534	$ 2,413	$ 18,646
Carrying amounts				
at January 1, 2010	$ 680	$ 765	$ 3,222	$ 4,667
at December 31, 2010	6,106	21,535	2,578	30,219
at December 31, 2011	$ 3,861	$ 19,033	$ 2,062	$ 24,956

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares of no par value

(b) Issued and outstanding

	Shares	Amount
Balance January 1, 2010	66,044,095	$ 4,874,356
Issued for cash		
Private placement - February 2010 - net	6,200,000	154,714
Shares issued for property acquisition (Note 7g)	1,000,000	20,000
Shares issued for property acquisition (Note 7c)	500,000	15,000
Shares issued for property acquisition (Note 7i)	1,115,000	78,050
Shares issued for property acquisition (Note 7i)	2,250,000	157,500
Shares issued for property acquisition (Note 7j)	2,500,000	150,000
Shares issued for property acquisition (Note 7d)	3,000,000	90,000
	82,609,095	5,539,620
Share consolidation of 12:1 on September 28, 2010	(75,725,004)	-
Issued for cash		
Private placement - October 2010, net	3,625,000	298,424
Balance December 31, 2010	10,509,091	5,838,044
Issued for cash		
Private placement - July 2011 - net	2,464,400	1,485,946
Exercise of warrants	2,010,000	613,882
Shares issued for property acquisition (Note 7b - Golden Fox)	500,000	200,000
Shares issued for property acquisition (Note 7b - Sunrise)	2,000,000	1,060,000
Shares issued for property acquisition (Note 7k - La Paloma)	6,650,000	3,998,749
Balance December 31, 2011	24,133,491	$ 13,196,621

For the year ended December 31, 2011

In July 2011, the Company pursuant to a non-brokered private placement issued 2,464,400 units ("Unit") at a price of $0.90 per Unit. Each Unit consists of one common share and one-half of one transferable share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to purchase one common share (a "Warrant Share") at a price of $1.50 until July 5, 2012. The fair value of the share purchase warrants was $462,374 and was included in contributed surplus. The Company has paid finders' fees comprising of $174,556 and 193,952 compensation warrants (the Finder's Warrants"). Each Finder's Warrant entitles the holder to acquire an additional common share (a "Finder's Warrant Share") of the Company at a price of $1.50 per Finder's Warrant Share until July 5, 2012. The fair value of the finder's warrants was $83,778 and was included in contributed surplus. Legal fees were $11,306.

For the year ended December 31, 2010

In October 2010, the Company pursuant to a non-brokered private placement issued 3,625,000 units for $0.17 per unit ("Unit"). Each Unit consists of one common share and one share purchase warrant, with each warrant exercisable into one common share at a price of $0.23 per share for a period of two years. The fair value of the share purchase warrants was $273,375 and was included in contributed surplus. The Company paid finder's fees of $37,485 and incurred legal fees of $6,966.

On September 28, 2010 the Company pursuant to a special resolution passed by its shareholders consolidated its share capital on a twelve old shares for one new share basis. The loss per share, weighted average number of shares outstanding, number of options and warrants outstanding in the financial statements have been adjusted to reflect the twelve to one consolidation.

In February 2010, the Company pursuant to a non-brokered private placement issued 6,200,000 units for $0.06 per unit ("Unit"). Each Unit consists of one common share and one share purchase warrant, with each warrant exercisable into one common share at a price of $0.10 per share for a period of two years. The fair value of the share purchase warrants was $165,486 and was included in contributed surplus. The Company paid finder's fees of $28,800 and issued 480,000 share purchase warrants at a fair value of $23,000 exercisable into common shares at $0.10 per share for a period of two years.

9. SHARE CAPITAL continued

(c) Stock options

The Company has established a stock option plan for directors, employees and consultants which is administered by the board of directors with full and final authority with respect to the granting of all options. The exercise prices shall be determined by the board, but shall, in no event, be less than the closing market price of the Company's shares on the grant date, less the maximum discount permitted under the TSX Venture Exchange's policies. The number of common shares issuable under the plan may not exceed 20% of the issued and outstanding common shares. In addition, the number of common shares which may be reserved for issuance to any one individual may not exceed 5% of the issued common shares on a yearly basis.

(i) The changes in stock options were as follows:

	2011	Weighted Average Exercise Price	2010	Weighted Average Exercise Price
Balance, beginning of year	160,420	$ 1.60	514,167	$ 1.56
Activities during the year				
Expired	(104,168)	1.52	-	-
Cancelled	-	-	(353,747)	1.60
Balance, end of year	56,252	$ 1.73	160,420	$ 1.60

For the year ended December 31, 2010, stock-based compensation of $27,909 was recorded as a result of vesting of options granted in previous periods.

(ii) The following table summarizes information about stock options outstanding at December 31, 2011:

Exercise price	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
$ 1.68	31,251	31,251	1.6
$ 1.80	25,001	25,001	1.8
	56,252	56,252	1.7

(d) Warrants

(i) The changes in warrants were as follows:

	2011	Weighted Average Exercise Price	2010	Weighted Average Exercise Price
Balance at beginning of year	5,887,163	$ 0.82	2,755,083	$ 2.28
Warrants issued	1,426,152	1.50	556,667	1.20
Warrants issued (note 7k)	1,500,000	1.50	83,333	4.20
Warrants issued	-	-	3,625,000	0.23
Warrants exercised	(2,010,000)	0.23	-	-
Warrants expired	(1,705,496)	1.79	(1,132,920)	2.29
Balance at end of year	5,097,819	$ 1.06	5,887,163	$ 0.82

(ii) A summary of warrants outstanding at December 31, 2011 is:

Number of warrants	Exercise price	Expiry date
1,615,000	$ 0.23	October 27, 2012
556,667	$ 1.20	February 10, 2012
1,232,200	$ 1.50	July 5, 2012
193,952	$ 1.50	July 5, 2012
1,500,000	$ 1.50	August 9, 2012
5,097,819		

10. SHARE-BASED PAYMENT RESERVE

	2011	2010
Balance, beginning of year	$ 2,885,863	$ 2,396,093
Options granted	-	27,909
Warrants and units issued	546,152	461,861
Warrants issued for La Paloma property	449,751	-
Fair value of exercised warrants	(151,582)	-
Balance, end of year	$ 3,730,184	$ 2,885,863

The Company uses the Black-Scholes option pricing model to calculate the fair value of agent's warrants issued. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted-average assumptions were used:

	2011	2010
Volatility percentage	180%	200%
Risk-free interest rate	1.02%	1.25%
Dividend yield	-	-
Expected life (years)	1.07	2.00

During the year ended December 31, 2011, the Company issued a total of 2,926,152 warrants for private placement, finders' fees and mineral property. The weighted average fair value of each warrant was $0.40 (2010 - $0.11).

11. RELATED PARTY TRANSACTIONS AND BALANCES

The following expenses were incurred with directors and officers of the Company and companies controlled by directors:

Key Management Compensation	**2011**	2010
Management and director fees	$ 120,000	$ 140,000
Consulting fees	84,500	93,950
Pre-exploration costs	-	18,000
Deferred exploration	54,000	-
Accounting fees	60,000	-
Group medical expense for management	13,595	60,439
Total Key Management Compensation	$ 332,095	$ 312,389
Rent recovery	(50,036)	$ -
Total related party transactions	$ 282,059	$ 312,389

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and in certain cases, by signed agreements. These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

As at December 31, 2011 accounts payable and accrued liabilities included $590 (December 31, 2010 - $47,449) due to companies controlled by directors. The amounts due are non-interest bearing, unsecured and with no stated terms of repayment.

12. INCOME TAXES

The following is a reconciliation of income taxes:	2011	2010
Statutory rates in Canada	26.5%	28.5%
Expected income tax recovery at Canadian statutory rates	$ (877,976)	$ (758,301)
Effect of reduction in statutory rate	49,697	92,148
Non-deductible expenses for tax purposes	-	7,954
	(828,279)	(658,199)
Increase in valuation allowance	828,279	534,449
Income taxes recognized	$ -	$ (123,750)

Significant components of the Company's deferred tax assets and liabilities, after applying enacted corporation income tax rates, are as follows:

Deferred income tax assets	2011	2010
Non-capital losses carried forward	$ 1,094,521	$ 817,000
Equipment	4,662	2,000
Resource expenditures	615,200	33,000
Share issue costs	64,822	53,000
Deferred income tax assets	1,779,205	905,000
Valuation allowance	(1,779,205)	(905,000)
Net deferred income tax assets	$ -	$ -

Management considers it more likely than not that the amounts will not be utilized and accordingly a full valuation allowance has been applied.

The Company has accumulated non-capital losses totaling $4,378,000, which are available to offset future years' taxable income. These losses expire as follows:

2015	52,000
2026	92,000
2027	404,000
2028	607,000
2029	1,385,000
2030	727,000
2031	1,111,000
	$ 4,378,000

13. COMMITMENTS

The Company is obligated to make certain payments, issue shares and incur exploration expenditures as described in note 7 in connection with the acquisition of its resource interests.

14. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to identify, pursue and complete the exploration and development of resource properties, to maintain financial strength, to protect its ability to meet its on-going liabilities, to continue as a going concern, to maintain credit worthiness and to maximize returns for shareholders over the long term. The Company does not have any externally imposed capital requirements to which it is subject. Capital of the Company comprises shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

The Company's investment policy is to invest its cash in financial instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected timing of expenditures from continuing operations.

15. FINANCIAL INSTRUMENTS AND RISKS

The company is exposed through its operations to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit Risk

Financial instruments that potentially expose the Company to credit risk are cash and cash equivalents. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution. The maximum exposure to loss arising from these advances is equal to their total carrying amounts. The Company is exposed to credit risk with respect to its cash and cash equivalents. However, the risk is minimized as they are held at a major Canadian Chartered Bank.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and commodity and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as held-for-trading and available-for-sale and cause fluctuations in the fair value of future cash flows for assets or liabilities classified as held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. The Company is not exposed to significant market risk. The Company is not exposed to significant interest rate risk as the Company's has no interest bearing debt. The Company's ability to raise capital to fund mineral resource exploration is subject to risks associated with fluctuations in mineral resource prices. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 14.

The Company monitors its ability to meet its short-term administrative expenditures by matching investment income received to expenditures to be incurred, and by disposing its investments when required. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms.

Foreign Exchange Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The company does not have significant exposure to foreign exchange rate fluctuation.

Interest Rate Risk

The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt..

15. FINANCIAL INSTRUMENTS AND RISKS continued

Fair Values

The Company's financial instruments include cash and cash equivalents, other receivables, investments and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of these financial instruments, the absence of secondary market and the significant cost of obtaining external appraisals. The fair value of these financial instruments approximates their carrying value under the effective interest method.

The following table summarizes the carrying values of the Company's financial instruments:

	December 31, 2011	December 31, 2010	January 1, 2010
FVTPL (i)	$ 253,792	$ 276,196	$ 216,135
Loans and receivables (ii)	5,000	-	-
Available-for-sale (iii)	155,659	-	-
Other financial liabilities (iv)	24,730	80,175	86,323

(i) Cash and cash equivalent
(ii) Other receivables
(iii) Investments
(iv) Accounts payable and accrued liabilities

Fair Value Hierarchy

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total December 31, 2011
Cash	$ 253,792	$ -	$ -	$ 253,792
Other receivables	5,000	-	-	5,000
Investments	-	-	155,659	155,659
	$ 258,792	$ -	$ 155,659	$ 414,451

16. SEGMENTED INFORMATION

The Company currently operates in one industry segment, being mineral exploration and in the geographic areas as follows.

Property and Equipment	**December 31, 2011**	December 31, 2010	January 1, 2010
Canada	$ 24,956	$ 30,219	$ 4,667
Mexico	-	-	-
	$ 24,956	$ 30,219	$ 4,667
Exploration and evaluation assets			
Canada	$ 1,637,895	$ 2,619,333	$ 3,940,680
Mexico	5,786,247	-	-
	$ 7,424,142	$ 2,619,333	$ 3,940,680

17. EVENTS OCCURRING AFTER THE REPORTING DATE

(a) The Company entered into an option agreement with Xstrata Copper Canada (a division of Xstrata Canada Corporation) ("Xstrata") and Bearclaw Capital Corp. ("Bearclaw") dated March 21, 2012 (the "Option Agreement"). Under the terms of the Option Agreement, the Company and Bearclaw have agreed to grant Xstrata an option to earn a 51% interest where Xstrata have the sole and exclusive right to carry out exploration activities on and evaluate the Axe Property described in Note 7(a). In order to exercise the Option, during the earn-In period, Xstrata must incur $3,000,000 of expenditures in exploration activities on the Axe Property.

During the earn-in period, Xstrata must pay to the Company and Bearclaw (collectively, in proportion to their participating interest in the Axe JV):

a. CDN$25,000 immediately;
b. CDN$25,000 on the first anniversary;
c. CDN$30,000 on the second anniversary;
d. CDN$40,000 on the third anniversary; and
e. CDN$60,000 on the fourth anniversary.

If Xstrata exercises the Option, the Company, Bearclaw and Xstrata will enter into a formal joint venture agreement. Xstrata will be the initial operator holding a 51% participating interest and the Company and Bearclaw a 34.3% and 14.7% participating interest respectively.

Upon exercise of the Option, Xstrata will have the option to acquire an additional 24% undivided interest in the Axe Property (increasing its interest to 75%, absent other adjustments) by either completing a feasibility study on the Axe Property or incurring no less than $15,000,000 in feasibility study expenditures on the Axe Property and providing the Company and Bearclaw with evidence of such expenditures. In the event Xstrata exercises the second option and acquires an undivided 75% interest in the Axe Property, then the Company will have a 17.5% and Bearclaw a 7.5% participating Interest in the Axe Property respectively.

Under the Option Agreement the Company and Bearclaw have also granted Xstrata a right of first refusal ("ROFR") over any direct or indirect sale or transfer by the Company and/or Bearclaw of any of their respective interest in the Axe Property, which ROFR will terminate at the end of the earn-in period if Xstrata has not exercised the Option.

(b) On February 29, 2012, Canada Coal Inc. released 50,000 escrow shares (Note 6).

(c) On March 16, 2012, the Company entered into an agreement with Apex Geoscience Ltd. ("Apex"). Apex will design and implement geological programs in Mexico on the La Paloma property. The Company is committed to pay $100,000 on March 16, 2012 (paid) and $400,000 on March 31, 2012. The remaining balance of the contract will be paid on April 30, 2012.

18. FIRST TIME ADOPTION OF IFRS

The Company's financial statements for the year-ending December 31, 2011 are the first annual financial statements prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"), requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. Therefore, the financial statements for the year-ended December 31, 2011, the comparative information presented in these financial statements for the year-ended December 31, 2010 and the opening IFRS statement of financial position at January 1, 2010 are prepared in accordance with IFRS standards effective at the reporting date. However, IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("pre-changeover Canadian GAAP").

In preparing the Company's opening IFRS financial statements, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with pre-changeover Canadian GAAP.

An explanation of how the transition from pre-changeover Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following notes and tables:

Business Combinations

The Company elected not to retrospectively apply IFRS 3 Business Combinations to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

Share-based Payment Transactions

The Company has elected not to retrospectively apply IFRS 2 Share-based Payments to equity instruments that were granted and had vested before the Transition Date. As a result of applying this exemption, the Company will apply the provisions of IFRS 2 only to all outstanding equity instruments that are unvested as at the Transition Date to IFRS.

Compound Financial Instruments

The Company has elected not to retrospectively separate the liability and equity components of compound instruments for which the liability component is no longer outstanding at the date of transition to IFRS.

Derecognition of Financial Assets and Liabilities

The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

Estimates

The estimates previously made by the Company under pre-changeover Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result the Company has not used hindsight to revise estimates.

Reconciliation of Pre-Changeover Canadian GAAP Equity and comprehensive Income to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive income as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however as there have been no material adjustments to the net cash flows, no reconciliation of the statement of cash flows has been prepared.

18. FIRST TIME ADOPTION OF IFRS continued

Reconciliation of Statement of Financial Position as at January 1, 2010 - Transition Date

	Note	As at January 1, 2010		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents		$ 216,135	$ -	$ 216,135
HST and other receivables		20,996	-	20,996
Prepaid expenses and deposits		10,229	-	10,229
		247,360	-	247,360
Resource properties		3,940,680	-	3,940,680
Equipment		4,667	-	4,667
		$ 4,192,707	$ -	$ 4,192,707
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		$ 86,323	$ -	$ 86,323
SHAREHOLDERS' EQUITY				
Share capital	18 (ii)	4,621,938	252,418	4,874,356
Subscriptions received		20,000	-	20,000
Contributed surplus		2,396,093	(2,396,093)	-
Share-based payment reserve			2,396,093	2,396,093
Deficit	18 (ii)	(2,931,647)	(252,418)	(3,184,065)
		4,106,384	-	4,106,384
		$ 4,192,707	$ -	$ 4,192,707

18. FIRST TIME ADOPTION OF IFRS continued

Reconciliation of Statement of Financial Position as at December 31, 2010

	Note	As at December 31, 2010		
		GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current Assets				
Cash and cash equivalents		$ 276,196	$ -	$ 276,196
HST and other receivables		24,451	-	24,451
Prepaid expenses and deposits		9,112	-	9,112
		309,759	-	309,759
Resource properties		2,619,333	-	2,619,333
Equipment		30,219	-	30,219
		$ 2,959,311	$ -	$ 2,959,311
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		$ 80,175	$ -	$ 80,175
SHAREHOLDERS' EQUITY				
Share capital	18 (ii)	5,461,876	376,168	5,838,044
Contributed surplus		2,885,863	(2,885,863)	-
Share-based payment reserve			2,885,863	2,885,863
Deficit	18 (ii)	(5,468,603)	(376,168)	(5,844,771)
		2,879,136	-	2,879,136
		$ 2,959,311	$ -	$ 2,959,311

18. FIRST TIME ADOPTION OF IFRS continued

Reconciliation of the Statement of Comprehensive Loss for the Year Ended December 31, 2010

	Note	For the year ended December 31, 2010		
		GAAP	Effect of transition to IFRS	IFRS
Expenses				
Amortization		$ 5,696	$ -	$ 5,696
Bank charges and interest		2,211	-	2,211
Consulting fees		128,388	-	128,388
General exploration costs		39,963	-	39,963
Management and director's fees		140,000	-	140,000
Office and general		72,601	-	72,601
Professional fees		152,475	-	152,475
Rent		57,008	-	57,008
Shareholder communications and promotion		31,519	-	31,519
Stock-based compensation		27,909	-	27,909
Transfer agent and filing fees		36,846	-	36,846
Travel		6,288	-	6,288
Loss from operations before other items		(700,904)	-	(700,904)
Other items				
Interest income		15	-	15
Loss on disposal of resource properties		(294,567)	-	(294,567)
Write-off resource properties		(1,665,250)	-	(1,665,250)
		(1,959,802)	-	(1,959,802)
Loss before income taxes		(2,660,706)	-	(2,660,706)
Deferred income tax recovery	18 (ii)	123,750	(123,750)	-
Net loss and comprehensive loss for the year		(2,536,956)	(123,750)	(2,660,706)
Deficit, beginning of year	18 (ii)	(2,931,647)	(252,418)	(3,184,065)
Deficit, end of year		$ (5,468,603)	$ (376,168)	$ (5,844,771)

18. FIRST TIME ADOPTION OF IFRS continued

Explanation for Areas of Differences

(i) Share-based Payments

IFRS 2 is effective for the Company as at January 1, 2010 and is applicable to:

- New grants of stock-based payments subsequent to January 1, 2010;
- Equity-settled stock-based compensation awards granted subsequent to November 7, 2002 and that vest after January 1, 2010; and
- Awards that are modified on or after January 1, 2010, even if the original grant of the award was not accounted for in accordance with IFRS 2.

Pre-changeover Canadian GAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using either the straight line or graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model.

IFRS 2 requires each tranche in an award granted to an employee with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

As all of the stock options vested on the date of granting there was no change to contributed surplus and accumulated deficit.

(ii) Flow-through Shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon exploration expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting year, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital was increased by $252,418 at the date of transition (December 31, 2010 - $376,168) and retained earnings were decreased by $252,418 (December 31, 2010 - $376,168). There was no impact to the statement of operations.