

Weststar Resources Corp.

Unaudited Condensed Interim Financial Statements

For the three months ended March 31, 2012

Expressed in Canadian dollars

Weststar Resources Corp.

**Unaudited Condensed Interim Financial Statements
For the three months ended March 31, 2012**

Notice of No Auditor Review of Interim Condensed Financial Statements

The accompanying unaudited condensed interim financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

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

	Note	March 31, 2012	December 31, 2011
ASSETS			
Current Assets			
Cash and cash equivalents		\$ 7,179	\$ 253,792
HST and other receivables	5	64,537	37,562
Prepaid expenses and deposits		-	53,196
		71,716	344,550
Investments	6	90,000	155,659
Exploration and evaluation assets	7	7,587,436	7,424,142
Equipment	8	-	24,956
		\$ 7,749,152	\$ 7,949,307
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	11	\$ 61,602	\$ 24,730
SHAREHOLDERS' EQUITY			
Share capital	9	13,196,621	13,196,621
Share-based payment reserve	10	3,730,184	3,730,184
Deficit		(9,329,255)	(9,157,887)
Accumulated other comprehensive income		90,000	155,659
		7,687,550	7,924,577
		\$ 7,749,152	\$ 7,949,307
Going concern note	3		
Commitments	13		
Events occurring after reporting date	17		

Approved for issuance on behalf of the Board on May 28, 2012

"William Rescan"
 Director

"Casey Forward"
 Director

Weststar Resources Corp.
Condensed Statements of Comprehensive Income
(unaudited)
For the three months ended March 31
(Expressed in Canadian dollars)

	Note	2012	2011
Expenses			
Amortization		\$ 3,545	\$ 2,045
Bank charges and interest		349	187
Consulting fees	11	59,000	36,506
Management and director's fees	11	30,000	30,000
Office and general		19,425	33,170
Pre-exploration costs		-	1,125
Professional fees	11	30,750	37,354
Rent		12,450	12,000
Shareholder communications and promotion		9,238	25,973
Transfer agent and filing fees		6,461	11,799
Travel		150	13,004
Write-off exploration and evaluation assets		-	20,000
Net loss		(171,368)	(223,163)
Other comprehensive income			
Unrealized gain on available-for-sale investments	6	(65,659)	-
Comprehensive loss		(237,027)	(223,163)
Loss per share, basic and diluted		\$ (0.01)	\$ (0.03)
Weighted average number of shares outstanding		24,133,491	7,261,556

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

Weststar Resources Corp.
Condensed Statements of Cash Flows
(unaudited)
For the three months ended March 31
(Expressed in Canadian dollars)

	Note	2012	2011
Operating Activities			
Net loss		\$ (171,368)	\$ (223,163)
Items not involving cash			
Amortization		3,545	2,045
Write-off exploration and evaluation assets		-	20,000
		(167,823)	(201,118)
Operating cash flows before movements in working capital			
Changes in non-cash working capital			
HST receivable and other receivables		(1,452)	(10,390)
Prepaid expenses		-	2,950
Accounts payable and accrued liabilities		36,872	8,815
Net cash used in operating activities		(132,403)	(199,743)
Financing Activities			
Shares issued for cash, net of issuance costs		-	248,400
Net cash provided by financing activities		-	248,400
Investing Activities			
Acquisition of resource properties		(5,000)	(58,000)
Deferred exploration and evaluation costs		(109,210)	(9,000)
Net cash used in investing activities		(114,210)	(67,000)
Change in cash and cash equivalents		(246,613)	(18,343)
Cash and cash equivalents at beginning of year		253,792	276,196
Cash and cash equivalents at end of period		\$ 7,179	\$ 257,853
Supplemental cash flow information			
Cash paid for:			
Interest		\$ -	\$ -
Income taxes		\$ -	\$ -
Non-cash financing activities			
Shares issued for exploration and evaluation assets		\$ -	\$ 550,000

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

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

	Note	Share Capital		Share-based Payment Reserve	Deficit	Accumulated other comprehensive income	Total
		Shares	Amount				
Balance, January 1, 2011		10,509,092	\$ 5,461,876	\$ 2,885,863	\$ (5,468,603)	\$ -	\$ 2,879,136
Share issuance							
Property acquisition		1,500,000	550,000	-	-	-	550,000
Exercise of warrants		1,080,000	248,400	-	-	-	248,400
Comprehensive loss		-	-	-	(223,163)	-	(223,163)
Balance, March 31, 2011		13,089,092	\$ 6,260,276	\$ 2,885,863	\$ (5,691,766)	\$ -	\$ 3,454,373
Balance, January 1, 2012		24,133,492	\$ 13,196,621	\$ 3,730,184	\$ (9,157,887)	\$ 155,659	\$ 7,924,577
Comprehensive loss		-	-	-	(171,368)	(65,659)	(237,027)
Balance, March 31, 2012		24,133,492	\$ 13,196,621	\$ 3,730,184	\$ (9,329,255)	\$ 90,000	\$ 7,687,550

The accompanying notes are an integral part of these condensed interim 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

These condensed interim financial statements have been prepared by management and reported in Canadian dollars in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") and have been prepared following the same accounting policies and method of computation as the annual Financial Statements for the year ended December 31, 2011. The disclosures provided below are incremental to those included with the annual Financial Statements. Certain information and disclosures normally included in the notes to the annual Financial Statements have been condensed or have been disclosed on an annual basis only. Accordingly, these condensed interim financial statements should be read in conjunction with the annual Financial Statements for the year ended December 31, 2011, which have been prepared in accordance with IFRS as issued by the IASB.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 28, 2012.

3. GOING CONCERN ISSUES

These condensed interim financial statements have been prepared using IFRS applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary financing (through debt, equity or sale of assets) to fund its future development capital requirements and thereby achieve a profitable level of operations through finding and developing reserves and optimizing future production. These material uncertainties lend doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These condensed interim financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported revenues and expenses and balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 3 to the audited Financial Statements for the year ended December 31, 2011.

5. HST AND OTHER RECEIVABLES

HST and other receivables at March 31, 2012 include guaranteed investment certificates ("GICs") with interest rate at 1% (December 31, 2011 - 1%) per annum. At March 31, 2012, the fair value of the GICs was \$5,000 (December 31, 2011 - \$5,000). The GICs are held as resource reclamation deposit and are restricted for other uses. The remaining balance, represents HST recoverable of \$31,218 and receivable from the disposal of office equipment and miscellaneous for \$28,318.

Weststar Resources Corp.
Notes to Condensed Interim Financial Statements
For the three months ended March 31, 2012
(Expressed in Canadian dollars)

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 March 31, 2012, 450,000 common shares were held in escrow.

As at March 31, 2012, 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. At March 31, 2012 the fair value was \$90,000.

7. EXPLORATION AND EVALUATION ASSETS continued

For the three months ended March 31, 2012

	Canada				Mexico	
	Axe Property	Golden Fox Group	McKinnon Group	Sifton	La Paloma	Total
Balance, beginning of year	\$ 1,637,895	\$ -	\$ -	\$ -	\$ 5,786,247	\$ 7,424,142
Acquisition costs						
Cash	-	-	-	-	5,000	5,000
Shares	-	-	-	-	-	-
	-	-	-	-	5,000	5,000
Deferred exploration expenditures						
Geological consulting	-	-	-	-	158,294	158,294
	-	-	-	-	158,294	158,294
Subtotal	1,637,895	-	-	-	5,949,541	7,587,436
Write-offs	-	-	-	-	-	-
Balance, end of period	\$ 1,637,895	\$ -	\$ -	\$ -	\$ 5,949,541	\$ 7,587,436

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 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

7. EXPLORATION AND EVALUATION ASSETS continued

(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.

On March 21, 2012 the Company entered into an option agreement with Xstrata Copper Canada (a division of Xstrata Canada Corporation) ("Xstrata") and Bearclaw Capital Corp. ("Bearclaw") (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. \$25,000 immediately (received \$17,500 in April 2012) ;
- b. \$25,000 on the first anniversary;
- c. \$30,000 on the second anniversary;
- d. \$40,000 on the third anniversary; and
- e. \$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) 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 property was subject to a 3% Net Smelter Royalty, of which one-third (1%) could have been 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 property was subject to a 3% Net Smelter Royalty of which one-third (1%) could have been 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 was subject to a 2% Net Smelter Return ("NSR"). The company had 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 property was subject to a 2% Net Smelter Royalty of which one-half (1%) could have been 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) 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.

(f) 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:

- paying Lekona, the sum of \$700,000 (paid);
- 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;
- 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.
- 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;
- pay \$1,100,000 on or before August 9, 2012 to or to the direction of Lekona;
- 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
- 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.

Weststar Resources Corp.
Notes to Condensed Interim Financial Statements
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(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS continued

(f) Acquisition of La Paloma Property and Assignment of Option Agreement continued

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 non-refundable deposit of \$50,000 (paid by Lekona);
- 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;
- on or before April 30, 2011, a further payment of \$300,000.(paid by Lekona);
- 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;
- 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
- 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, 2011	\$ 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
Disposals	(12,560)	(26,567)	-	(39,127)
Balance at March 31, 2012	\$ -	\$ -	\$ 4,475	\$ 4,475
Amortization and impairment				
Balance at January 1, 2011	\$ 3,979	\$ 2,776	\$ 1,897	\$ 8,652
Amortization	4,720	4,758	516	9,994
Balance at December 31, 2011	8,699	7,534	2,413	18,646
Amortization	952	531	2,062	3,545
Disposals	(9,651)	(8,065)	-	(17,716)
Balance at March 31, 2012	\$ -	\$ -	\$ 4,475	\$ 4,475
Carrying amounts				
at December 31, 2011	\$ 3,861	\$ 19,033	\$ 2,062	\$ 24,956
at March 31, 2012	\$ -	\$ -	\$ -	\$ -

Weststar Resources Corp.
Notes to Condensed Interim Financial Statements
For the three months ended March 31, 2012
(Expressed in Canadian dollars)

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares of no par value

(b) Issued and outstanding

	Shares	Amount
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 7f - La Paloma)	6,650,000	3,998,749
Balance December 31, 2011	24,133,491	13,196,621
Issued	-	-
Balance March 31, 2012	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.

(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:

	For the three months ended March 31, 2012	Weighted Average Exercise Price	For the year ended December 31, 2011	Weighted Average Exercise Price
Balance, beginning of period	56,252	\$ 1.73	160,420	\$ 1.60
Activities during the period				
Expired	-	-	(104,168)	1.52
Cancelled	(25,002)	1.73	-	-
Balance, end of period	31,250	\$ 1.73	56,252	\$ 1.73

(ii) The following table summarizes information about stock options outstanding at March 31, 2012:

Exercise price	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
\$ 1.68	18,750	18,750	1.4
\$ 1.80	12,500	12,500	1.5
	31,250	31,250	1.5

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9. SHARE CAPITAL continued

(d) Warrants

(i) The changes in warrants were as follows:

	For the three months ended March 31, 2012	Weighted Average Exercise Price	For the year ended December 31, 2011	Weighted Average Exercise Price
Balance at beginning of period	5,097,819	\$ 1.06	5,887,163	\$ 0.82
Warrants issued			1,426,152	1.50
Warrants issued (note 7f)			1,500,000	1.50
Warrants issued			-	-
Warrants exercised			(2,010,000)	0.23
Warrants expired	(556,557)	1.20	(1,705,496)	1.79
Balance at end of period	4,541,262	\$ 1.05	5,097,819	\$ 1.06

(ii) A summary of warrants outstanding at March 31, 2012 is:

	Number of warrants	Exercise price	Expiry date
	1,615,000	\$ 0.23	October 27, 2012
	1,232,200	\$ 1.50	July 5, 2012
	193,952	\$ 1.50	July 5, 2012
	1,500,000	\$ 1.50	August 9, 2012
	4,541,152		

10. SHARE-BASED PAYMENT RESERVE

	For the three months ended March 31, 2012	For the year ended December 31, 2011
Balance, beginning of year	\$ 3,730,184	\$ 2,885,863
Warrants and units issued	-	546,152
Warrants issued for La Paloma property	-	449,751
Fair value of exercised warrants	-	(151,582)
Balance, end of period	\$ 3,730,184	\$ 3,730,184

The Company used 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:

	2012	2011
Volatility percentage	0%	180%
Risk-free interest rate	0%	1.02%
Dividend yield	-	-
Expected life (years)	0	1.07

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.

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11. RELATED PARTY TRANSACTIONS AND BALANCES

The following expenses were incurred with directors and officers of the Company and companies controlled by directors for the three months ended March 31:

Key Management Compensation	2012	2011
Management and director fees	\$ 30,000	\$ 30,000
Consulting fees	37,500	7,500
Pre-exploration costs	-	9,000
Deferred exploration	15,000	-
Accounting fees	22,500	15,000
Group medical expense for management	2,794	-
Total Key Management Compensation	\$ 107,794	\$ 61,500
Rent recovery	(12,450)	-
Total related party transactions	\$ 95,344	\$ 61,500

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 March 31, 2012 accounts payable and accrued liabilities included \$21,500 (December 31, 2011 - \$590) due to companies controlled by directors. The amounts due are non-interest bearing, unsecured and with no stated terms of repayment.

12. INCOME TAXES

There is no current or deferred income tax expense in the period due to the losses incurred. The Company has accumulated non-capital losses at December 31, 2011 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
	<u>\$ 4,378,000</u>

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, policies 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.

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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:

	March 31, 2012	December 31, 2011
FVTPL (i)	\$ 7,179	\$ 253,792
Loans and receivables (ii)	5,000	5,000
Available-for-sale (iii)	90,000	155,659
Other financial liabilities (iv)	61,602	24,730

- (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	March 31, 2012
Cash	\$ 7,179	\$ -	\$ -	\$ 7,179
Other receivables	5,000	-	-	5,000
Investments	-	-	90,000	90,000
	\$ 12,179	\$ -	\$ 90,000	\$ 102,179

16. SEGMENTED INFORMATION

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

	March 31, 2012	March 31, 2011
<u>Property and Equipment</u>		
Canada	\$ -	\$ 24,956
Mexico	-	-
	\$ -	\$ 24,956
<u>Exploration and evaluation assets</u>		
Canada	\$ 1,637,895	\$ 1,637,895
Mexico	5,949,541	5,786,247
	\$ 7,587,436	\$ 7,424,142

17. EVENTS OCCURRING AFTER THE REPORTING DATE

Nil