Weststar Resources Corp.

Unaudited Condensed Interim Financial Statements

Three Months Ended March 31, 2013

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor Smythe Ratcliffe LLP, Chartered Accountants has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

May 30, 2013

WESTSTAR RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars - unaudited)

	Notes		March 31, 2013		December 31, 2012 audited
Assets					
Current assets					
Cash		$	13,119	$	2,893
Amounts receivable	5		10,645		20,473
Prepaid expenses			709		2,949
			24,473		26,315
Non-current assets					
Investments	6		18,200		33,750
Reclamation deposit	7		5,000		5,000
Property and equipment	8		5,449		5,918
Exploration and evaluation assets	9		1,619,895		1,620,395
Total assets		**$**	**1,673,017**	**$**	**1,691,378**
Liabilities and shareholders' equity					
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	10	$	253,031	$	339,820
Total liabilities			253,031		339,820
Shareholders' equity					
Share capital	11		13,334,959		13,196,621
Reserves	12		3,879,590		3,876,883
Deficit			(15,812,763)		(15,755,696)
Accumulated other comprehensive income			18,200		33,750
Total equity			1,419,986		1,351,558
Total liabilities and shareholders' equity		**$**	**1,673,017**	**$**	**1,691,378**

Approved by the Board of Directors

"Keith Anderson " *Director* — *"William Rascan"* *Director*

Keith Anderson — William Rascan

The accompanying notes are an integral part of these financial statements

WESTSTAR RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
For the three months ended March 31
(Expressed in Canadian Dollars - unaudited)

	Notes	2013	2012
Expenses			
Amortization		$ 469	$ 3,545
Bank charges and interest		574	349
Consulting fees	10	12,500	59,000
Management and directors' fees	10	28,500	30,000
Office and general		5,623	19,425
Accounting, legal and audit	10	3,500	30,750
Rent		3,250	12,450
Shareholder communications		617	9,238
Transfer agent and filing fees		2,490	6,461
Travel		534	150
		58,057	171,368
Other (income) expense			
Realized gain on available-for-sale investments		(990)	-
		(990)	-
Net loss for the period		57,067	171,368
Other comprehensive loss item			
Realized gain on available-for-sale investments		990	-
Unrealized loss on available-for-sale investments		14,560	65,659
Total comprehensive loss for the period		$ 72,617	$ 237,027
Loss per share, basic and diluted		$ (0.00)	$ (0.01)
Weighted average number of common shares outstanding		25,909,391	24,133,491

The accompanying notes are an integral part of these financial statements

WESTSTAR RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the three months ended March 31
(Expressed in Canadian Dollars - unaudited)

	Number of shares issued	Share capital	Reserves	Accumulated other comprehensive	Deficit	Total
Balance, January 1, 2012	24,133,492	$ 13,196,621	$ 3,730,184	$ 155,659	$ (9,157,887)	$ 7,924,577
Comprehensive loss	-	-	-	(65,659)	(171,368)	(237,027)
Balance, March 31, 2012	24,133,492	$ 13,196,621	$ 3,730,184	$ 90,000	$ (9,329,255)	$ 7,687,550
Balance, January 1, 2013	24,133,492	13,196,621	3,876,883	33,750	(15,755,696)	1,351,558
Comprehensive loss	-	-	-	(15,550)	(57,067)	(72,617)
Shares issued - private placement	3,915,000	137,025	-	-	-	137,025
Shares issued - exploration and evaluation assets	300,000	12,000	-	-	-	12,000
Finders' fees	-	(7,980)	-	-	-	(7,980)
Finders' Warrants issued	-	(2,707)	2,707	-	-	-
Balance, March 31, 2013	28,348,492	$ 13,334,959	$ 3,879,590	$ 18,200	$ (15,812,763)	$ 1,419,986

The accompanying notes are an integral part of these financial statements

WESTSTAR RESOURCES CORP.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
For the three months ended March 31
(Expressed in Canadian Dollars - unaudited)

		2013		2012
Cash provided by (used in):				
Operating activities				
Net loss for the period	$	(57,067)	$	(171,368)
Items not involving cash				
Amortization		469		3,545
Realized gain on available-for-sale investments		(990)		-
		(57,588)		(167,823)
Changes in non-cash working capital				
Amounts receivable		9,828		(1,452)
Prepaid expenses		2,240		-
Accounts payable and accrued liabilities		(86,789)		36,872
Net cash used in operating activities		(132,309)		(132,403)
Investing activities				
Acquisition of exploration and evaluation assets		(5,000)		(5,000)
Recovery of acquisition costs				
Proceeds from sales of investments		990		-
Deferred exploration costs and evaluation costs		17,500		(109,210)
Net cash provided by (used in) investing activities		13,490		(114,210)
Financing activities				
Shares issued for cash, net of issuance costs		129,045		-
Net cash provided by financing activities		129,045		-
Decrease in cash		10,226		(246,613)
Cash, beginning of the period		2,893		253,792
Cash, end of the period	$	13,119	$	7,179

Additional cash flow information (Note 16)

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Weststar Resources Corp. (the "Company") is a Vancouver, British Columbia based company listed on the TSX Venture Exchange (the "Exchange"). The Company was incorporated on October 27, 2004 in the Province of British Columbia. During the year ended December 31, 2006, the Company completed its initial public offering on the Exchange, and the Company's shares were listed for trading on September 22, 2006.

The principal address of the Company is located at 601-121 Brew Street, Port Moody, British Columbia, Canada, V3H 0E2.

2. GOING CONCERN UNCERTAINTY

To date, the Company has not generated revenue from operations. As at March 31, 2013, the Company has a net working capital deficiency of $228,558 (December 31, 2012 - $313,505) and a deficit of $15,812,763 (December 31, 2012 - $15,755,696). The Company incurred a comprehensive loss of $72,617 during the three months ended March 31, 2013 (March 31, 2012 - $237,027). Until the Company attains profitability, it will be necessary to raise additional financings for general working capital and for exploration costs on its property. Consequently, there is substantial doubt about the Company's ability to continue as a going concern. The operations of the Company have been primarily funded by the issuance of share capital. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. The Company's future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, or generate profitable operations in the future. The Company has no assurance that it will be successful in its efforts.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development and upon future profitability. Should the Company be unable to continue as a going concern, it is likely that it would be unable to recover the amounts shown as property and equipment and exploration and evaluation assets. These financial statements do not include any adjustments that would be necessary should the Company be unable to raise sufficient capital and consequently be unable to continue as a going concern.

3. BASIS OF PRESENTATION

Statement of compliance

The condensed interim financial statements ("financial statements") of the Company have been prepared in accordance with IAS 34 Interim Financial Reporting.

The financial statements of the Company should be read in conjunction with the Company's 2012 annual financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim financial statements have been prepared using accounting policies consistent with those used in the Company's 2012 annual financial statements.

3. BASIS OF PRESENTATION (continued)

Approval of the financial statements

The financial statements of the Company for the three months ended March 31, 2013, were reviewed by the Audit Committee and approved and authorized for issue on May 30, 2013 by the Board of Directors of the Company.

Basis of preparation

The financial statements of the Company have been prepared on an accrual basis, except for cash flow information, and are based on historical costs, except for certain financial instruments, which are stated at their fair values. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in Note 4 to the audited financial statements for the year ended December 31, 2012.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

Significant Accounting Judgments

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 statement are discussed below:

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 agreement or transfers and title may be affected by undetected defects.

Exploration and Evaluation Expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

If, after exploration and evaluation expenditure is capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash-generating unit ("CGU") or group of CGUs level in the year the new information becomes available.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Significant Accounting Estimates and Assumptions (continued)

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Estimated Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical and industry experience. Adjustments to useful life are made when considered necessary.

Share-Based Payments

Equity-settled share awards are recognized as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of the Black-Scholes option pricing model, which require inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life, and is expensed over the vesting period. Using different input estimates or models can produce different option values, which would result in the recognition of a higher or lower expense.

Accounting standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting years beginning after January 1, 2013. None of these are expected to have a significant effect on the financial statements. The following standards and interpretations have been issued but are not yet effective:

IFRS 9 Financial Instruments (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a "business model" test and a "cash flow characteristics" test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of "embedded derivatives" does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for annual periods beginning before January 1, 2015. For annual periods beginning on or after January 1, 2015, the Company must adopt IFRS 9 (2010).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting standards, amendments and interpretations not yet effective (continued)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of "currently has a legally enforceable right of set-off"
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to annual periods beginning on January 1, 2014.

5. AMOUNTS RECEIVABLE

Amounts receivable at March 31, 2013 includes HST recoverable of $6,534 (December 31, 2012 - $16,361) and a receivable from the disposal of office and computer equipment of $4,112 (December 31, 2012 – $4,112).

6. INVESTMENTS

The Company received 500,000 common shares of Canada Coal Inc. ("CCK") after the disposition of exploration and evaluation assets during the year ended December 31, 2010. The 500,000 common shares are subject to escrow and 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, 2013, 300,000 common shares were held in escrow (December 31, 2012 – 375,000).

During the three months ended March 31, 2013, the Company sold 11,000 common shares of CCK for proceeds of $990. At March 31, 2013, the fair value of the remaining 364,000 common shares of CCK held was $18,200, and an unrealized loss of $14,560 was recorded in other comprehensive loss for the three months ended March 31, 2013.

During the year ended December 31, 2012, the Company sold 125,000 common shares of CCK for proceeds of $13,600. As at December 31, 2012, the fair value of the remaining 375,000 CCK shares held was $33,750, and an unrealized loss of $121,909 was recorded in other comprehensive income for the year ended December 31, 2012.

7. RECLAMATION DEPOSIT

At March 31, 2013, the Company held a guaranteed investment certificate ("GIC") with an interest rate of 1% (December 31, 2012 – 1%) per annum. At March 31, 2013, the fair value of the GIC was $5,000 (December 31, 2012 - $5,000). The GIC is held as a resource reclamation deposit and is restricted for other uses.

(Expressed in Canadian dollars - unaudited)

8. PROPERTY AND EQUIPMENT

		Computer Equipment		Office Equipment		Leasehold Improvement		Total
Cost								
Balance at December 31, 2011	$	12,560	$	26,567	$	4,475	$	43,602
Additions		2,724		4,381		-		7,105
Disposals		(12,560)		(26,567)		-		(39,127)
Balance at December 31, 2012		2,724		4,381		4,475		11,580
Balance at March 31, 2013	$	2,724	$	4,381	$	4,475	$	11,580
Amortization and disposals								
Balance at December 31, 2011	$	8,699	$	7,534	$	2,413	$	18,646
Amortization		1,390		1,280		2,062		4,732
Disposals		(9,651)		(8,065)		-		(17,716)
Balance at December 31, 2012		438		749		4,475		5,662
Amortization		272		197		-		469
Balance at March 31, 2013	$	710	$	946	$	4,475	$	6,131
Net book value at December 31, 2012	$	2,286	$	3,632	$	-	$	5,918
Net book value at March 31, 2013	$	2,014	$	3,435	$	-	$	5,449

During the three months ended March 31, 2013, the Company did not dispose or acquire any equipment.

During the year ended December 31, 2012, the Company disposed of equipment with a net book value of $21,411 for proceeds of $29,999 resulting in a gain of $8,588.

9. EXPLORATION AND EVALUATION ASSETS

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 situated in the Similkameen Mining District, British Columbia. 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 (“NSR”) and under the terms of the agreement the Company has the right to purchase the NSR in stages for up to $3,000,000.

On March 21, 2012 the Company entered into an option agreement with Xstrata Copper Canada ("Xstrata") and Bearclaw Capital Corp. ("Bearclaw"). 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 will have the sole and exclusive right to carry out exploration activities on and evaluate the Axe Property. 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.

9. EXPLORATION AND EVALUATION ASSETS (continued)

Axe Project (continued)

During the earn-in period, Xstrata must pay to the Company and Bearclaw (collectively, in proportion to their participating interests in the Axe Property, which are 70% for the Company and 30% for Bearclaw):

- $25,000 immediately (received);
- $25,000 on March 31, 2013 (received);
- $30,000 on March 31, 2014;
- $40,000 on March 31, 2015; and
- $60,000 on March 31, 2016.

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, the Company and Bearclaw will have a 17.5% and 7.5% participating interest, 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. The ROFR will terminate at the end of the earn-in period if Xstrata has not exercised the option.

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 with Lekona Minerals Incorporated ("Lekona") to acquire the rights, title and interest in and to the La Paloma concessions, located in Jalisco, Mexico, 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 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 and amended April 30, 2011, between Lekona and Minera. Lekona had previously exercised a portion of the option granted under the option agreement, and accordingly the Company now owns a 20% undivided interest in the La Paloma concessions. The Company completed the transaction on August 9, 2011.

9. EXPLORATION AND EVALUATION ASSETS (continued)

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

The terms of the agreement and the amounts owing are as follows:

- \$700,000 to Lekona (paid);
- Issuance of 4,000,000 common shares of the Company to Lekona's shareholders (issued at a fair value of \$2,521,592);
- Issuance of 1,650,000 common shares of the Company to Minera (issued at a fair value of \$1,007,157); and
- Issuance of 1,500,000 share purchase warrants to Lekona (issued at a fair value of \$449,751), 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 that:
  1. The Company completes Phase I of the work program contained in the National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“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; and
  2. The Company completes a follow on financing of not less than \$1,000,000 to fund the Phase 2 program.

Once the financing is complete (the “Completion Date”), the following additional payments would be required:

- Issuance of 2,000,000 common shares of the Company to Lekona's shareholders within 10 business days of the Completion Date; and
- \$1,100,000 on or before August 9, 2012 to or to the direction of Lekona.

The Company would also be required to assume the unfulfilled obligations of Lekona under Lekona’s previous option agreement, including the payments of cash and shares due to Minera. Lekona would retain a 2% NSR.

The Option Agreement between Lekona and Minera provided for the following payments:

In order for Lekona to acquire an undivided 20% interest in La Paloma:

- \$50,000 non-refundable deposit (paid by Lekona);
- \$300,000 (paid by Lekona); and
- Issuance of 2,000,000 common shares of Lekona (issued).

As a result, Lekona acquired an undivided 20% interest in La Paloma.

9. EXPLORATION AND EVALUATION ASSETS (continued)

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

In order for Lekona to acquire a further 20% interest in La Paloma (for an aggregate of 40%):

- $300,000 on or before April 30, 2011 (paid by Lekona);
- Upon 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 share capital 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, the Company 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 (issued at a fair value of $470,000) of the Company. In addition, a further $250,000 is to be expended on or in respect of the property and a NI 43-101 level report is to be generated. In consideration of the foregoing, the Company 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 share capital of the Company and the expenditure of a further $750,000 on or in respect of the property. In consideration of the foregoing, the Company shall acquire a further 20% interest in the property, for an aggregate 80% interest.

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

At December 31, 2012, the Company was in default of payments. As there were no immediate plans to remedy the default, the property was impaired and written-down to $Nil.

Tahts Reach Property

On February 7, 2013, the Company entered into an option agreement with Caribou King Resources Ltd. (the “Option Agreement”) to earn a 70% interest in the Tahts Reach Property and Barkerville Claims (collectively, the “Property”) comprising 6 mining claims located in British Columbia.

Payment terms are as follows:

- $5,000 (paid) and 300,000 common shares (issued and valued at $12,000) in conjunction with receipt of approval from the Exchange;
- $10,000 and 150,000 common shares on February 15, 2014, and
- $25,000 and 150,000 common shares on February 15, 2015.

In addition, the Company must incur exploration expenditures on the Property of $45,000 over 2 years.

(Expressed in Canadian dollars - unaudited)

9. EXPLORATION AND EVALUATION ASSETS (continued)

	Canada	Canada	
	Axe Property	Tahts Reach Property	Total
Balance, December 31, 2012	**$ 1,620,395**	**$ -**	**$ 1,620,395**
Acquisition costs			
Cash	-	5,000	5,000
Shares	-	12,000	12,000
Total acquisition costs	-	17,000	17,000
Exploration costs			
Option agreement	(17,500)	-	(17,500)
Total deferred exploration costs	(17,500)	-	(17,500)
Balance, March 31, 2013	**$ 1,602,895**	**$ 17,000**	**$ 1,619,895**

	Canada	Mexico	
	Axe Property	La Paloma	Total
Balance, December 31, 2011	**$ 1,637,895**	**$ 5,786,247**	**$ 7,424,142**
Acquisition costs			
Cash	-	5,000	5,000
Total acquisition costs	-	5,000	5,000
Exploration costs			
Geological consulting fees	-	166,778	166,778
Option agreement	(17,500)	-	(17,500)
Total deferred exploration costs	(17,500)	166,778	149,278
Impairment charge	-	(5,958,025)	(5,958,025)
Balance, December 31, 2012	**$ 1,620,395**	**$ -**	**$ 1,620,395**

(Expressed in Canadian dollars - unaudited)

10. RELATED PARTY TRANSACTIONS

Key management personnel compensation for the three months ended March 31, 2013 and 2012 is as follows:

		March 31, 2013		March 31, 2012
Short-term compensation	$	32,587	$	95,344
	$	32,587	$	95,344

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.

As at March 31, 2013 accounts payable and accrued liabilities included $113,266 (December 31, 2012 - $163,246) due to companies controlled by directors and officers and former directors and officers. The amounts due are non-interest-bearing, unsecured and are without stated terms of repayment.

Due to related parties

		March 31, 2013		December 31, 2012
A former director for managment fees	$	22,400	$	22,400
A former director for consulting fees		22,400		22,400
A director for deferred exploration fees		700		13,440
A former director for accounting fees		25,200		25,200
A company with directors in common		42,566		63,421
A director for business activity expenses		-		16,385
	$	113,266	$	163,246

11. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

At March 31, 2013, there were 28,348,492 common shares issued and outstanding.

During the year ended December 31, 2012, there were no share capital transactions.

11. SHARE CAPITAL (continued)

Issued share capital (continued)

During the three months ended March 31, 2013, the following share capital transactions occurred:

(a) 300,000 common shares valued at $12,000 were issued as acquisition costs on the Tahts Reach Property (note 9);

(b) 3,915,000 units were issued in a private placement at a price of $0.035 per unit. Each unit consists of one common share and one-half of one transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of $0.07 in the first year and $0.10 per share in the second year.

The Company paid finder's fees comprising $7,980 and 153,000 finder's warrants. Each finder's warrant entitles the holder to acquire an additional common share of the Company at a price of $0.07 in the first year and $0.10 per share in the second year. The Black-Scholes fair value of the finders's warrants was $2,707 and was included in reserves.

Basic and diluted loss per share

Diluted loss per share did not include the effect of 2,031,250 share options and 3,342,700 warrants as the effect would be anti-dilutive.

Share options

The Company has adopted a share option plan pursuant to which the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of grant and the options are exercisable for a period not to exceed 10 years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares. Options may be exercised within 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, employment or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

(Expressed in Canadian dollars - unaudited)

11. SHARE CAPITAL (continued)

Share options (continued)

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.

On July 9, 2012, the Company granted 2,000,000 share options to its directors and consultants exercisable at a price of $0.15 per common share. The options are fully vested and exercisable upon grant and expire on July 9, 2017 unless otherwise terminated earlier.

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following assumptions: risk-free interest rate of 1.14%; expected dividend yield of zero; expected share price volatility of 166%; and expected life of 5 years. The Company used historical volatility to estimate the volatility of the share price. The grant date fair value of each option was $0.07. Accordingly, $146,699 was recognized as share-based payment expense during the year ended December 31, 2012.

Options granted to directors, employees and consultants vest immediately. Options granted to consultants engaged in investor relation activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three month period.

The changes in share options during the three months ended March 31, 2013 and the year ended December 31, 2012 are as follows:

	For the three months ended March 31, 2013	**Weighted Average Exercise Price**	For the year ended December 31, 2012	Weighted Average Exercise Price
Balance, beginning of period	2,031,250	$0.17	56,252	$1.73
Activities during the period				
Granted	-	-	2,000,000	$0.15
Cancelled	-	-	(25,002)	$1.74
Balance, end of period	2,031,250	$0.17	2,031,250	$0.17

(Expressed in Canadian dollars - unaudited)

11. SHARE CAPITAL (continued)

Share options (continued)

The following table summarizes information about share options outstanding at March 31, 2013:

Exercise price	Number outstanding / exercisable	Weighted average remaining contractual life (years)	Expiry date
$1.68	18,750	0.39	August 22, 2013
$1.80	12,500	0.54	October 15, 2013
$0.15	2,000,000	4.28	July 9, 2017
	2,031,250	4.22	

The following table summarizes information about share options outstanding at December 31, 2012:

Exercise price	Number outstanding / exercisable	Weighted average remaining contractual life (years)	Expiry date
$1.68	18,750	0.64	August 22, 2013
$1.80	12,500	0.79	October 15, 2013
$0.15	2,000,000	4.52	July 9, 2017
	2,031,250	4.46	

Warrants

The changes in warrants during the three months ended March 31, 2013 and the year ended December 31, 2012 are as follows:

	For the three months ended March 31, 2013	Weighted Average Exercise Price	For the year ended December 31, 2012	Weighted Average Exercise Price
Balance at beginning of period	1,232,200	$0.94	5,097,819	$1.06
Issued	2,110,500	$0.07	-	-
Expired	-	-	(3,865,619)	$0.93
Balance at end of period	3,342,700	$0.39	1,232,200	$0.94

(Expressed in Canadian dollars - unaudited)

11. SHARE CAPITAL (continued)

Warrants (continued)

A summary of warrants outstanding at March 31, 2013 is as follows:

Number of warrants	Exercise price	Expiry date	Weighted average remaining contractual life (years)
1,232,200	$0.94	July 5, 2013	0.26
2,110,500	$0.07	February 22, 2015	1.90
3,342,700	$0.39		1.30

A summary of warrants outstanding at December 31, 2012 is as follows:

Number of warrants	Exercise price	Expiry date	Weighted average remaining contractual life (years)
1,232,200	$0.94	July 5, 2013	0.52

The Company used the Black-Scholes option pricing model to calculate the fair value of warrants issued as finders' fees. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted-average assumptions were used:

	2013	2012
Volatility	110%	-
Risk-free interest rate	1.07%	-
Dividend yield	-	-
Expected life (years)	2	-

The Company used historical volatility to estimate the volatility of the share price.

On June 1, 2012, the Company amended the terms of 1,232,200 outstanding share purchase warrants that were issued on July 5, 2011 by extending the expiry date from July 5, 2012 to July 5, 2013 and reducing the exercise price $1.50 to $0.94.

12. RESERVE

The share-based payment reserve records items recognized as share-based payment expense until such time as the share options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire or are cancelled unexercised, the related amount remains in the reserve account.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in the reserve. If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in the reserve account.

13. FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

All of the Company's financial liabilities have contractual maturities of 30 days or due on receipt and are subject to normal trade terms.

13. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and GICs held with the bank. The Company considers this risk to be immaterial.

Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 – Input for assets or liabilities that are not based on observable market data.

Assets and liabilities are classified entirely based on the lowest level of input that is significant to the fair value measurement.

The fair values of the Company’s cash, amounts receivable and accounts payable and accrued liabilities approximate the carrying amounts due to the short term nature of these instruments.

14. CAPITAL MANAGEMENT

The Company considers its capital structure to include shareholders’ equity and debt. The Company’s objectives when managing capital are to maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern and optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company’s financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

There were no changes in the Company’s approach to capital management during the three months ended March 31, 2013.

The Company is not exposed to externally imposed capital requirements.

(Expressed in Canadian dollars - unaudited)

15. SEGMENTED INFORMATION

Geographic segments

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

Property and Equipment		March 31, 2013		December 31, 2012
Canada	$	5,449	$	5,918

Exploration and Evaluation Assets		March 31, 2013		December 31, 2012
Canada	$	1,619,895	$	1,620,395

16. ADDITIONAL CASH FLOW INFORMATION

Significant non-cash transactions during the three months ended March 31, 2013 and 2012 are as follows:

		March 31, 2013		March 31, 2012
Fair value of warrants granted	$	2,707	$	-
Shares issued for exploration and evaluation assets	$	12,000	$	-

17. COMMITMENTS

The Company entered into management services and consulting agreements with officers, directors and consultants expiring on various dates from May 16, 2012 to June 15, 2013 with a total monthly commitment of $19,500. All the management services and consulting agreements can be terminated with 90 days notice.

18. SUBSEQUENT EVENTS

On May 22, 2013, the Company entered into an arm's length Letter of Intent ("LOI") with Cartier Resources Inc. ("Cartier"), a Quebec corporation listed on the Exchange whereby the Company will be entering into an exclusive option agreement with Cartier to acquire up to an 80% undivided interest in and to fifty-three mining claims located in the Lescure, Druillettes, Drouet and Gradis Townships of Quebec, Canada (the "Property"). Pursuant to the terms of the LOI, in order to earn a 50% interest in the Property (the "First Option"), the Company must pay and issue to Cartier $15,000 and 350,000 common shares in the capital of the Company upon Exchange approval and incur $1,000,000 in exploration expenditures on the Property over a period of three years. The Company may acquire an additional 30% interest (the "Second Option") by incurring an additional $1,000,000 in exploration expenditures over a period of two years following the completion of the First Option. The LOI holds a condition precedent that the Company completes a non-brokered private placement financing for minimum gross proceeds of $500,000.