

Weststar Resources Corp.

Unaudited Condensed Interim Financial Statements

Six Months Ended June 30, 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.

August 28, 2013

Weststar Resources Corp.
Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

| | June 30, 2013 | December 31, 2012 |
|---|---------------------|----------------------|
| Assets | | |
| Current | | |
| Cash | \$ 1,944 | \$ 2,893 |
| Amounts receivable (note 4) | 6,083 | 20,473 |
| Prepaid expenses | 1,809 | 2,949 |
| | 9,836 | 26,315 |
| Investment (note 5) | 12,000 | 33,750 |
| Reclamation Deposit (note 6) | - | 5,000 |
| Property and Equipment (note 7) | 4,981 | 5,918 |
| Exploration and Evaluation Assets (note 8) | 1,620,175 | 1,620,395 |
| | \$ 1,646,992 | \$ 1,691,378 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 257,671 | \$ 339,820 |
| | 257,671 | 339,820 |
| Shareholders' Equity | | |
| Share Capital (note 9) | 13,334,959 | 13,196,621 |
| Reserves | 3,879,590 | 3,876,883 |
| Accumulated Other Comprehensive Income | 12,000 | 33,750 |
| Deficit | (15,837,228) | (15,755,696) |
| | 1,389,321 | 1,351,558 |
| | \$ 1,646,992 | \$ 1,691,378 |

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

Approved on behalf of the Board:

"Keith Anderson"
..... Director
Keith Anderson

"William Rascan"
..... Director
William Rascan

Weststar Resources Corp.
Condensed Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-------------------|------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Expenses | | | | |
| Amortization | \$ 468 | \$ - | \$ 937 | \$ 3,545 |
| Consulting fees (recovery) (note 10) | (7,320) | 38,750 | 5,180 | 97,750 |
| Management and director's fees (note 10) | 28,500 | 32,879 | 57,000 | 62,879 |
| Office and general | 4,250 | 7,772 | 10,447 | 27,546 |
| Professional fees | 8,017 | 34,333 | 11,517 | 65,083 |
| Rent | 2,100 | 8,300 | 5,350 | 20,750 |
| Transfer agent and filing fees | 9,425 | 4,824 | 11,915 | 11,285 |
| Travel and promotion | 1,000 | 2,110 | 2,151 | 11,498 |
| Net Loss From Operations | (46,440) | (128,968) | (104,497) | (300,336) |
| Other Income (Expense) | | | | |
| Realized gain on available-for-sale investments | 1,975 | 2,135 | 2,965 | 2,135 |
| Write-off of debt | 20,000 | - | 20,000 | - |
| Gain on sale of equipment | - | 8,588 | - | 8,588 |
| Total Other Income | 21,975 | 10,723 | 22,965 | 10,723 |
| Net Loss for the Period | (24,465) | (118,245) | (81,532) | (289,613) |
| Other Comprehensive Loss Item | | | | |
| Realized gain on available-for-sale investments | (1,975) | - | (2,965) | - |
| Unrealized loss on available-for-sale investments | (4,225) | (52,640) | (18,785) | (118,299) |
| Total Comprehensive Loss for the Period | (30,665) | (170,885) | (103,282) | (407,912) |
| Basic and Diluted Loss Per Share | \$ 0.001 | \$ 0.005 | \$ 0.004 | \$ 0.012 |
| Weighted Average Number of Common Shares Outstanding – Basic and Diluted | | | | |
| | 28,348,492 | 24,133,492 | 27,142,492 | 24,133,492 |

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

Weststar Resources Corp.
Condensed interim Statements of Changes in Equity
(Unaudited - Expressed in Canadian Dollars)

| | Number of Shares | Share Capital | Reserve | Accumulated Other Comprehensive Income | 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 for the period | - | - | - | (118,299) | (289,613) | (407,912) |
| Balance, June 30, 2012 | 24,133,492 | \$ 13,196,621 | \$ 3,730,184 | \$ 37,360 | \$ (9,447,500) | \$ 7,516,665 |

| | Number of Shares | Share Capital | Reserve | Accumulated Other Comprehensive Income | Deficit | Total |
|---|---------------------|----------------------|---------------------|--|------------------------|---------------------|
| Balance, January 1, 2013 | 24,133,492 | \$ 13,196,621 | \$ 3,876,883 | \$ 33,750 | \$ (15,755,696) | \$ 1,351,558 |
| 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 | - | (2,707) | 2,707 | - | - | - |
| Comprehensive loss for the period | - | - | - | (21,750) | (81,532) | (103,282) |
| Balance, June 30, 2013 | 28,348,492 | \$ 13,334,959 | \$ 3,879,590 | \$ 12,000 | \$ (15,837,228) | \$ 1,389,321 |

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

Weststar Resources Corp.
Condensed Interim Statements of Cash Flows
For the Six Months Ended June 30,
(Unaudited - Expressed in Canadian Dollars)

| | 2013 | 2012 |
|--|------------------|------------------|
| Operating Activities | | |
| Net loss | \$ (81,532) | \$ (289,613) |
| Items not involving cash | | |
| Amortization | 937 | 3,545 |
| Realized gain on available-for-sale investments | (2,965) | (2,135) |
| Write-off of debt | (20,000) | - |
| Gain on sale of equipment | - | (8,588) |
| | (103,560) | (296,791) |
| Changes in non-cash working capital | | |
| Amounts receivable | 14,390 | 9,686 |
| Prepaid expenses | 1,140 | 36,576 |
| Accounts payable and accrued liabilities | (62,149) | 107,463 |
| Cash Used in Operating Activities | (150,179) | (143,066) |
| Investing Activities | | |
| Proceeds from investments | 2,965 | 2,135 |
| Proceeds from sale of equipment | - | 29,999 |
| Recovery of reclamation deposit | 5,000 | - |
| Acquisition of exploration and evaluation assets | (5,000) | (5,000) |
| Exploration and evaluation expenditures recovery (net) | 17,220 | (136,794) |
| Cash Provided By (Used in) Investing Activities | 20,185 | (109,660) |
| Financing Activity | | |
| Net proceeds from share issuance | 129,045 | - |
| Cash Provided by Financing Activity | 129,045 | - |
| Outflow of Cash | (949) | (252,726) |
| Cash, Beginning of Year | 2,893 | 253,792 |
| Cash, End of Period | \$ 1,944 | \$ 1,066 |

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

WESTSTAR RESOURCES CORP.

Notes to the Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

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 1656 Scarborough Crescent, British Columbia, Canada, V3C 2R1.

2. GOING CONCERN UNCERTAINTY

To date, the Company has not generated revenue from operations. As at June 30, 2013, the Company has a net working capital deficiency of \$247,835 (December 31, 2012 - \$313,505) and a deficit of \$15,837,228 (December 31, 2012 - \$15,755,696). The Company incurred a comprehensive loss of \$103,282 during the six months ended June 30, 2013 (June 30, 2012 - \$407,912). Until the Company attains profitability, it will be necessary to raise additional financings for general working capital and for exploration costs on its properties. 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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

3. BASIS OF PRESENTATION (continued)

Statement of compliance (continued)

The condensed interim 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 condensed interim 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.

Approval of the financial statements

The financial statements of the Company for the six months ended June 30, 2013, were reviewed by the Audit Committee and approved and authorized for issue on August 28, 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. AMOUNTS RECEIVABLE

Amounts receivable at June 30, 2013 includes HST recoverable of \$1,971 (December 31, 2012 - \$16,361) and a receivable from the disposal of office and computer equipment of \$4,112 (December 31, 2012 - \$4,112).

5. INVESTMENT

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 June 30, 2013, 300,000 common shares were held in escrow (December 31, 2012 - 375,000).

During the six months ended June 30, 2013, the Company sold 75,000 common shares of CCK for proceeds of \$2,965. At June 30, 2013, the fair value of the remaining 300,000 common shares of CCK held was \$12,000, and an unrealized loss of \$18,785 was recorded in other comprehensive loss for the six months ended June 30, 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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

6. RECLAMATION DEPOSIT

At December 31, 2012, the Company held a guaranteed investment certificate (“GIC”) with an interest rate of 1% per annum and a fair value of \$5,000. The GIC was held as a resource reclamation deposit and was restricted for other uses. During the six months ended June 30, 2013, the GIC was refunded to the Company as it was no longer required to be held as a reclamation deposit.

7. PROPERTY AND EQUIPMENT

| | Computer Equipment | Office Equipment | Leasehold Improvement | Total |
|-----------------------------------|-----------------------|---------------------|--------------------------|-----------|
| Cost | | | | |
| Balance, January 1, 2012 | \$ 12,560 | \$ 26,567 | \$ 4,475 | \$ 43,602 |
| Additions | 2,724 | 4,381 | - | 7,105 |
| Disposals | (12,560) | (26,567) | - | (39,127) |
| Balance, December 31, 2012 | 2,724 | 4,381 | 4,475 | 11,580 |
| Disposal | - | - | (4,475) | (4,475) |
| Balance, June 30, 2013 | \$ 2,724 | \$ 4,381 | \$ - | \$ 7,105 |
| Amortization | | | | |
| Balance, January 1, 2012 | \$ 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, December 31, 2012 | 438 | 749 | 4,475 | 5,662 |
| Amortization | 543 | 394 | - | 937 |
| Disposal | - | - | (4,475) | (4,475) |
| Balance, June 30, 2013 | \$ 981 | \$ 1,143 | \$ - | \$ 2,124 |
| Net Book Value, December 31, 2012 | \$ 2,286 | \$ 3,632 | \$ - | \$ 5,918 |
| Net Book Value, June 30, 2013 | \$ 1,743 | \$ 3,238 | \$ - | \$ 4,981 |

During the six months ended June 30, 2013, the Company disposed of a leasehold improvement for no proceeds and no gain or loss.

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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

8. EXPLORATION AND EVALUATION ASSETS

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.

Diego Property

On May 22, 2013, the Company entered into an arm's length Letter of Intent ("LOI") with Cartier Resources Inc. ("Cartier"), 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 ("Diego"). Pursuant to the terms of the LOI, in order to earn a 50% interest in Diego the Company must pay and issue to Cartier \$15,000 and 350,000 common shares in the capital of the Company upon Exchange approval. The Company must also incur \$1,000,000 in exploration expenditures on the Property over a period of three years.

The Company may acquire an additional 30% interest by incurring an additional \$1,000,000 in exploration expenditures over a period of two years following completion of the initial exploration expenditure requirements.

The LOI holds a condition precedent that the Company completes a non-brokered private placement financing for minimum gross proceeds of \$500,000. Subsequent to period-end, the LOI was extended to November 21, 2013 (note 15).

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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

8. EXPLORATION AND EVALUATION ASSETS (continued)

Axe Project (continued)

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.

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.

Subsequent to period-end, the Company received notification of Xstrata electing to terminate its option agreement to earn a 51% interest on the Axe Property from the Company and Bearclaw. The Company and Bearclaw then entered into an LOI to enter into an option agreement with another party (note 15).

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

8. EXPLORATION AND EVALUATION ASSETS (continued)

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.

The terms of the agreement and the amounts owing were 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 were only exercisable in the event that:
 - i. The Company completed 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 delivered a new NI 43-101 compliant report describing the results of the Phase I work, and accommodation to proceed to Phase 2; and
 - ii. The Company completed a follow on financing of not less than \$1,000,000 to fund the Phase 2 program.

Once the financing was complete (the "Completion Date"), the following additional payments would have been 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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

8. EXPLORATION AND EVALUATION ASSETS (continued)

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

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.

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 acquired 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 was to be expended on or in respect of the property and a NI 43-101 level report was to be generated. In consideration of the foregoing, the Company would have acquired a further 20% interest in the La Paloma concessions, 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 would have acquired a further 20% interest in the property, for an aggregate 80% interest.

In addition to the foregoing, in the event the Company received a NI 43-101 compliant report, acceptable to both parties, indicating that there were resources of gold and silver in the project exceeding 4,000,000 ounces and 150,000,000 ounces, respectively, the Company would have been required to deliver to or to the order of Minera 5,000,000 common shares of the Company. The NI 43-101 would have been 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 occurred 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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

8. EXPLORATION AND EVALUATION ASSETS (continued)

| | Axe Property | Tahts Reach Property | Total |
|----------------------------------|--------------|----------------------|--------------|
| Balance, January 1, 2013 | \$ 1,620,395 | \$ - | \$ 1,620,395 |
| Acquisition Costs | - | 17,000 | 17,000 |
| Exploration Costs | | | |
| Geological consulting fees | - | 280 | 280 |
| Option payment received | (17,500) | - | (17,500) |
| Total Deferred Exploration Costs | (17,500) | 17,280 | (500) |
| Balance, June 30, 2013 | \$ 1,602,895 | \$ 17,280 | \$ 1,620,175 |

| | Axe Property | La Paloma Property | Total |
|---|--------------|--------------------|--------------|
| Balance, January 1, 2012 | \$ 1,637,895 | \$ 5,786,247 | \$ 7,424,142 |
| Acquisitions Costs | - | 5,000 | 5,000 |
| Exploration Costs | | | |
| Geological consulting fees | - | 166,778 | 166,778 |
| Option payment received | (17,500) | - | (17,500) |
| Total Deferred Exploration Costs | (17,500) | 166,778 | 149,278 |
| Write-down of Acquisition and Exploration Costs | - | (5,958,025) | (5,958,025) |
| Balance, December 31, 2012 | \$ 1,620,395 | \$ - | \$1,620,395 |

WESTSTAR RESOURCES CORP.

Notes to the Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

9. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

During the six months ended June 30, 2013

In February 2013, 300,000 common shares valued at \$12,000 were issued as acquisition costs on the Tahts Reach Property (note 8);

On February 22, 2013, the Company closed a non-brokered private placement and issued 3,915,000 units at a price of \$0.035 per unit for gross proceeds of \$137,025. Each unit consists of one common share in the capital of the Company and one-half of one share purchase warrant. Each whole warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of \$0.07 in the first year and \$0.10 in the second year. The units are subject to a four-month hold period.

In addition, the Company paid a finder's fee of \$7,980 and 153,000 finder's warrants. Each finder's warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of \$0.07 in the first year and \$0.10 in the second year. The finder's warrants are also subject to a four-month hold period. The Black-Scholes fair value of the finders' warrants was \$2,707 and was included in reserves.

During the year ended December 31, 2012

There were no shares issued during the year ended December 31, 2012.

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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

9. 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.

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 six months ended June 30, 2013 and the year ended December 31, 2012 are summarized as follows:

| | June 30, 2013 | | December 31, 2012 | |
|----------------------------------|----------------------|---------------------------------------|----------------------|---------------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding, beginning of period | 2,031,250 | \$ 0.17 | 56,252 | \$ 1.73 |
| Granted | - | - | 2,000,000 | \$ 0.15 |
| Cancelled | - | - | (25,002) | \$ 1.74 |
| Outstanding, end of period | 2,031,250 | \$ 0.17 | 2,031,250 | \$ 0.17 |

During the six months ended June 30, 2013

No share options were granted, cancelled or expired during the six months ended June 30, 2013.

During the year ended December 31, 2012

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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

(Expressed in Canadian dollars - unaudited)

For the six months ended June 30, 2013

9. SHARE CAPITAL (continued)

Share options (continued)

The following table summarizes information about share options outstanding at June 30, 2013:

| Expiry Date | Weighted Average Remaining Contractual Life in Years | Exercise Price | Options Outstanding | Options Exercisable |
|------------------|--|-------------------|------------------------|------------------------|
| August 22, 2013 | 0.15 | \$ 1.68 | 18,750 | 18,750 |
| October 15, 2013 | 0.29 | \$ 1.80 | 12,500 | 12,500 |
| July 9, 2017 | 4.03 | \$ 0.15 | 2,000,000 | 2,000,000 |
| | 3.97 | \$ 0.17 | 3,450,000 | 3,450,000 |

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

| Expiry Date | Weighted Average Remaining Contractual Life in Years | Exercise Price | Options Outstanding | Options Exercisable |
|------------------|--|-------------------|------------------------|------------------------|
| August 22, 2013 | 0.64 | \$ 1.68 | 18,750 | 18,750 |
| October 15, 2013 | 0.79 | \$ 1.80 | 12,500 | 12,500 |
| July 9, 2017 | 4.52 | \$ 0.15 | 2,000,000 | 2,000,000 |
| | 4.46 | \$ 0.17 | 3,450,000 | 3,450,000 |

Subsequent to June 30, 2013, 18,750 share options expired unexercised.

Warrants

The changes in warrants during the six months ended June 30, 2013 and the year ended December 31, 2012 are summarized as follows:

| | June 30, 2013 | | December 31, 2012 | |
|----------------------------------|----------------------|---------------------------------------|----------------------|---------------------------------------|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding, 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 |
| Outstanding, end of period | 3,342,700 | \$ 0.39 | 1,232,200 | \$ 0.94 |

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9. SHARE CAPITAL (continued)

Warrants (continued)

During the six months ended June 30, 2013

The Company used the Black-Scholes option pricing model to calculate the fair value of warrants issued as finders' fees with the following assumptions: risk-free interest rate of 1.07%; expected dividend yield of zero; expected share price volatility of 110%; and expected life of 2 years. The Company used historical volatility to estimate the volatility of the share price. The grant date fair value of the warrants was \$0.02. Accordingly, \$2,707 was recognized as share-based payment expense during the six months ended June 30, 2013.

During the year ended December 31, 2012

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.

The following table summarizes information about warrants outstanding at June 30, 2013:

| Expiry Date | Weighted Average Remaining Contractual Life in Years | Exercise Price | Warrants Outstanding |
|-------------------|--|-------------------|-------------------------|
| July 5, 2013 | 0.01 | \$ 0.94 | 1,232,200 |
| February 22, 2015 | 1.65 | \$ 0.07/\$0.10 | 2,110,500 |
| | 1.05 | \$ 0.39 | 3,342,700 |

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

| Expiry Date | Weighted Average Remaining Contractual Life in Years | Exercise Price | Options Outstanding |
|--------------|--|-------------------|------------------------|
| July 5, 2013 | 0.52 | \$ 0.94 | 1,232,200 |
| | 0.52 | \$ 0.94 | 1,232,200 |

Subsequent to June 30, 2013, 1,232,200 warrants expired unexercised.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

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For the six months ended June 30, 2013

10. RELATED PARTY TRANSACTIONS

Key management personnel compensation for the six months ended June 30, 2013 and 2012 is as follows:

| | June 30, 2013 | June 30, 2012 |
|------------------------------------|---------------|---------------|
| Short-term compensation (recovery) | \$ 67,010 | \$ 55,500 |
| Share-based payments | \$ - | \$ 67,483 |

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 June 30, 2013 accounts payable and accrued liabilities included \$155,637 (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.

11. 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.

WESTSTAR RESOURCES CORP.

Notes to the Condensed Interim Financial Statements

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For the six months ended June 30, 2013

11. 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.

12. 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 six months ended June 30, 2013.

The Company is not exposed to externally imposed capital requirements.

13. SEGMENTED INFORMATION

The Company currently operates in one industry segment, being mineral exploration, and in one geographic area, being Canada.

WESTSTAR RESOURCES CORP.

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14. COMMITMENTS

The Company entered into management services and consulting agreements with officers, directors and consultants expiring on various dates from June 1, 2014 to June 15, 2014 with a total monthly commitment of \$14,000. All the management services and consulting agreements can be terminated with 90 days notice.

15. SUBSEQUENT EVENTS

On July 3, 2013, the Company received notification of Xstrata electing to terminate its option agreement to earn a 51% interest on the Axe Property from the Company and Bearclaw (note 8).

On July 15, 2013, the Company acquired a 100% interest in the Albany South East Property comprising 19 mineral claims in the Porcupine Mining Division of Ontario ("Albany"). In consideration, the Company issued 2,750,000 common shares of the Company (valued at \$55,000) and must pay \$15,000.

On August 22, 2013, the Company received an extension on the Diego Property LOI (note 8). The Company must complete a non-brokered private placement financing for minimum gross proceeds of \$500,000 by November 21, 2013.

On August 23, 2013, the Company and Bearclaw entered into an LOI to enter into an option agreement with Copper Mountain Mining Corp. ("Copper Mountain"). Under the terms of the option agreement, the Company and Bearclaw have agreed to grant Copper Mountain an option to earn a 75% undivided interest in and to the Axe Property.

Copper Mountain can earn a 51% interest in the Axe Property by incurring \$3,000,000 of expenditures in exploration activities on the Axe Property during a four year earn-in period. During the earn-in period, Copper Mountain 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):

- \$5,000 upon signing the LOI (received);
- \$25,000 upon commencement of the earn-in period;
- \$50,000 on the first anniversary of the earn-in period;
- \$100,000 on the second anniversary of the earn-in period;
- \$150,000 on the third anniversary of the earn-in period; and
- \$200,000 on the fourth anniversary of the earn-in period.

If Copper Mountain exercises the option, the Company, Bearclaw and Copper Mountain will enter into a formal joint venture agreement. Copper Mountain 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, Copper Mountain 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 \$12,000,000 in feasibility study expenditures on the Axe Property. In the event Copper Mountain 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.