Weststar Resources Corp.

Unaudited Condensed Interim Financial Statements

Nine Months Ended September 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.

November 28, 2013

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

		September 30, 2013		December 31, 2012
Assets				
Current				
Cash	$	**1,342**	$	2,893
Amounts receivable (note 4)		**7,730**		20,473
Prepaid expenses		**359**		2,949
		9,431		26,315
Investment (note 5)		**9,000**		33,750
Reclamation Deposit (note 6)		**-**		5,000
Property and Equipment (note 7)		**2,650**		5,918
Exploration and Evaluation Assets (note 8)		**1,677,847**		1,620,395
	$	**1,698,928**	$	1,691,378
Liabilities				
Current				
Accounts payable and accrued liabilities	$	**321,053**	$	339,820
		321,053		339,820
Shareholders' Equity				
Share Capital (note 9)		**13,395,459**		13,196,621
Reserves		**3,901,080**		3,876,883
Accumulated Other Comprehensive Income		**9,000**		33,750
Deficit		**(15,927,664)**		(15,755,696)
		1,377,875		1,351,558
	$	**1,698,928**	$	1,691,378

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

Approved on behalf of the Board:

"Keith Anderson"	*"William Rascan"*
……………………………… Director	……………………………… Director
Keith Anderson	William Rascan

Weststar Resources Corp.

Condensed Interim Statements of Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Expenses				
Advertising and shareholder communication	$ **4,450**	$ -	$ **4,450**	$ -
Amortization	**334**	-	**1,271**	3,545
Consulting fees (recovery) (note 10)	**23,520**	24,000	**28,700**	121,750
Management and director's fees (note 10)	**31,500**	28,500	**88,500**	91,379
Office and general	**3,435**	3,735	**13,883**	31,283
Professional fees	**2,300**	3,728	**13,817**	68,811
Rent	**-**	3,080	**5,350**	23,830
Share-based payments (note 9)	**21,490**	146,699	**21,490**	146,699
Transfer agent and filing fees	**2,559**	1,715	**14,474**	13,000
Travel and promotion	**1,235**	-	**3,386**	11,498
Net Loss From Operations	**(90,823)**	(211,457)	**(195,321)**	(511,795)
Other Income (Expense)				
Realized gain on available-for-sale investments	**2,135**	1,275	**5,100**	3,410
Write-off of debt	**-**	-	**20,000**	-
Gain (loss) on sale of equipment	**(1,747)**	-	**(1,747)**	8,588
Total Other Income	**388**	1,275	**23,353**	11,998
Net Loss for the Period	**(90,435)**	(210,182)	**(171,968)**	(499,797)
Other Comprehensive Loss Item				
Realized gain on available-for-sale investments	**(2,135)**	(1,275)	**(5,100)**	(3,410)
Unrealized loss on available-for-sale investments	**(865)**	(18,085)	**(19,650)**	(134,249)
Total Comprehensive Loss for the Period	**(93,435)**	(229,542)	**(196,718)**	(637,456)
Basic and Diluted Loss Per Share	$ **0.00**	$ 0.01	$ **0.01**	$ 0.02
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**29,204,834**	24,133,492	**31,373,492**	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)**	**$**	**7,924,577**
Comprehensive loss for the period	-		-		-		(137,659)		(499,797)		637,456
Options granted	-		-		146,699		-		-		146,699
Balance, September 30, 2012	**24,133,492**	**$**	**13,196,621**	**$**	**3,876,883**	**$**	**18,000**	**$**	**(9,657,684)**	**$**	**7,433,820**

	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)**	**$**	**1,351,558**
Shares issued – private placement	3,915,000		137,025		-		-		-		137,025
Shares issued – exploration and evaluation assets	3,325,000		72,500		-		-		-		72,500
Finders' fees	-		(7,980)		-		-		-		(7,980)
Finders' warrants	-		(2,707)		2,707		-		-		-
Options granted	-		-		21,490		-		-		21,490
Comprehensive loss for the period	-		-		-		(24,750)		(171,968)		(196,718)
Balance, September 30, 2013	**31,373,492**	**$**	**13,395,459**	**$**	**3,901,080**	**$**	**9,000**	**$**	**(15,927,664)**	**$**	**1,377,875**

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

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

		2013		2012
Operating Activities				
Net loss	$	**(171,968)**	$	(499,797)
Items not involving cash				
Amortization		**1,271**		3,545
Share-based payments		**21,490**		146,699
Realized gain on available-for-sale investments		**(5,100)**		(3,410)
Write-off of debt		**(20,000)**		-
Loss (gain) on sale of equipment		**1,747**		(8,588)
		(172,560)		(361,551)
Changes in non-cash working capital				
Amounts receivable		**12,743**		2,372
Prepaid expenses		**2,590**		37,367
Accounts payable and accrued liabilities		**1,233**		175,148
Cash Used in Operating Activities		**(155,994)**		(146,664)
Investing Activities				
Proceeds from investments		**5,100**		3,410
Proceeds from sale of equipment		**250**		29,999
Recovery of reclamation deposit		**5,000**		-
Acquisition of exploration and evaluation assets		**(5,000)**		(5,000)
Exploration and evaluation expenditures recovery (net)		**20,048**		(150,793)
Cash Provided By (Used in) Investing Activities		**25,398**		(122,384)
Financing Activity				
Net proceeds from share issuance		**129,045**		-
Cash Provided by Financing Activity		**129,045**		-
Outflow of Cash		**(1,551)**		(269,048)
Cash, Beginning of Year		**2,893**		253,792
Cash (Bank Indebtedness), End of Period	$	**1,342**	$	(15,256)

The accompanying notes are an integral part of these condensed interim 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 1656 Scarborough Crescent, Port Coquitlam, British Columbia, Canada, V3C 2R1.

2. GOING CONCERN UNCERTAINTY

To date, the Company has not generated revenue from operations. As at September 30, 2013, the Company has a net working capital deficiency of $311,622 (December 31, 2012 - $313,505) and a deficit of $15,927,664 (December 31, 2012 - $15,755,696). The Company incurred a comprehensive loss of $196,718 during the nine months ended September 30, 2013 (September 30, 2012 - $637,456). 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.

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 nine months ended September 30, 2013, were reviewed by the Audit Committee and approved and authorized for issue on November 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 September 30, 2013 includes HST recoverable of $3,618 (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 September 30, 2013, 225,000 common shares were held in escrow (December 31, 2012 – 375,000).

During the nine months ended September 30, 2013, the Company sold 150,000 common shares of CCK for proceeds of $5,100. At September 30, 2013, the fair value of the remaining 225,000 common shares of CCK held was $9,000, and an unrealized loss of $19,650 was recorded in other comprehensive loss for the nine months ended September 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.

(Expressed in Canadian dollars - unaudited)

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 nine months ended September 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	-	(2,349)	(4,475)	(6,824)
Balance, September 30, 2013	$ 2,724	$ 2,032	$ -	$ 4,756
Amortization				
Balance, January 1, 2012	$ 8,699	$ 7,534	$ 2,413	$ 18,646
Amortization	1,701	969	2,062	4,732
Disposals	(9,651)	(8,065)	-	(17,716)
Balance, December 31, 2012	749	438	4,475	5,662
Amortization	815	456	-	1,271
Disposal	-	(352)	(4,475)	(4,827)
Balance, September 30, 2013	$ 1,564	$ 542	$	$ 2,106
Net Book Value, December 31, 2012	$ 2,286	$ 3,632	$ -	$ 5,918
Net Book Value, September 30, 2013	$ 1,160	$ 1,490	$ -	$ 2,650

During the nine months ended September 30, 2013, the Company disposed of a leasehold improvement for no proceeds and no gain or loss. The Company also disposed of office equipment with a net book value of $1,997 for proceeds of $250, resulting in a loss of $1,747.

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.

8. EXPLORATION AND EVALUATION ASSETS

Axe Property

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 agreed to grant Xstrata an option to earn a 51% interest where Xstrata would 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 was required to incur $3,000,000 of expenditures in exploration activities on the Axe Property.

During the earn-in period, Xstrata was required to 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 exercised the option, the Company, Bearclaw and Xstrata would enter into a formal joint venture agreement. Under the option agreement, the Company and Bearclaw 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 would terminate at the end of the earn-in period if Xstrata had not exercised the option.

On July 3, 2013, the Company received notification of Xstrata electing to terminate its option agreement.

On August 23, 2013, the Company and Bearclaw entered into a Letter of Intent ("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 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):

8. EXPLORATION AND EVALUATION ASSETS (continued)

Axe Property (continued)

- $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.

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.

Albany South East Property

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. The Company also paid finder's fees of 275,000 common shares of the Company (valued at $5,500).

8. EXPLORATION AND EVALUATION ASSETS (continued)

East Miller Claims

On September 25, 2013, the Company entered into an agreement to acquire a 100% interest in 10 mineral claims in Quebec, Canada. In consideration, the Company must make a cash payment of $2,500 and issue 2,000,000 commons shares of the Company.

Diego Property

On May 22, 2013, the Company entered into an arm's length 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. On August 22, 2013, the LOI was extended to November 21, 2013. Subsequent to period-end, the LOI was terminated (note 15).

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

8. EXPLORATION AND EVALUATION ASSETS (continued)

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

- 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.

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;

(Expressed in Canadian dollars - unaudited)

8. EXPLORATION AND EVALUATION ASSETS (continued)

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

- 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.

	Axe Property	Tahts Reach Property	Albany South East Property	Total
Balance, January 1, 2013	$ 1,620,395	$ -	$ -	$ 1,620,395
Acquisition Costs	-	17,000	60,500	77,500
Exploration Costs				
Geological consulting fees	672	280	-	952
Option payment received	(21,000)	-	-	(21,000)
Total Deferred Exploration Costs	(20,328)	17,280	-	(20,048)
Balance, September 30, 2013	$ 1,600,067	$ 17,280	$ 60,500	$ 1,677,847

(Expressed in Canadian dollars - unaudited)

8. EXPLORATION AND EVALUATION ASSETS (continued)

	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

9. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

<u>During the nine months ended September 30, 2013</u>

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’s warrants was $2,707 and was included in reserves.

In July 2013, 3,025,000 common shares valued at $60,500 were issued as acquisition costs and finder's fees on the Albany South East Property (note 8).

9. SHARE CAPITAL (continued)

Issued share capital (continued)

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.

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

(Expressed in Canadian dollars - unaudited)

9. SHARE CAPITAL (continued)

Share options (continued)

	September 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	1,100,000	$ 0.05	2,000,000	$ 0.15
Cancelled	-	-	(25,002)	$ 1.74
Expired	(18,750)	$ 1.68	-	-
Outstanding, end of period	3,112,500	$ 0.12	2,031,250	$ 0.17

<u>During the nine months ended September 30, 2013</u>

On September 18, 2013, the Company granted 1,100,000 share options to its consultants exercisable at a price of $0.05 per common share. The options are fully vested and exercisable upon grant and expire on September 18, 2014 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 1.26%; expected dividend yield of zero; expected share price volatility of 147%; and expected life of 1 year. The Company used historical volatility to estimate the volatility of the share price. The grant date fair value of each option was $0.02. Accordingly, $21,490 was recognized as share-based payment expense during the nine months ended September 30, 2013.

<u>During the year ended December 31, 2012</u>

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.

(Expressed in Canadian dollars - unaudited)

9. SHARE CAPITAL (continued)

Share options (continued)

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

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Options Outstanding	Options Exercisable
October 15, 2013	0.04	$ 1.80	12,500	12,500
September 18, 2014	0.97	$ 0.05	1,100,000	1,100,000
July 9, 2017	3.78	$ 0.15	2,000,000	2,000,000
	2.77	$ 0.12	3,112,500	3,112,500

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 September 30, 2013, 172,500 share options expired unexercised.

Warrants

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

	September 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	(1,232,200)	$ 0.94	(3,865,619)	$ 0.93
Outstanding, end of period	2,110,500	$ 0.07	1,232,200	$ 0.94

(Expressed in Canadian dollars - unaudited)

9. SHARE CAPITAL (continued)

Warrants (continued)

<u>During the nine months ended September 30, 2013</u>

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 nine months ended September 30, 2013.

<u>During the year ended December 31, 2012</u>

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 September 30, 2013:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Warrants Outstanding
February 22, 2015	1.65	$ 0.07/$0.10	2,110,500

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

10. RELATED PARTY TRANSACTIONS

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

	September 30, 2013	September 30, 2012
Short-term compensation (recovery)	$ 102,430	$ 211,683
Share-based payments	$ -	$ 90,953

10. RELATED PARTY TRANSACTIONS (continued)

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 September 30, 2013 accounts payable and accrued liabilities included $203,631 (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.

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.

11. FINANCIAL INSTRUMENTS (continued)

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 nine months ended September 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.

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.

14. COMMITMENTS (continued)

On August 1, 2013, the Company entered into a consulting agreement expiring on August 1, 2014 with a monthly commitment of $5,000. The agreement can be terminated with 30 days notice.

15. SUBSEQUENT EVENTS

Subsequent to the nine months ended September 30, 2013, the Company entered into debt settlement agreements with former management and directors. Accounts payable of $84,000 were forgiven for nominal consideration. The amounts consisted of $22,500 of accounting, audit and legal expenses, $52,500 of management and director's fees and $9,000 of HST.

On November 21, 2013, the Diego Property LOI was terminated.