Weststar Resources Corp.

Unaudited Condensed Interim Financial Statements

For the six months ended June 30, 2011

in Canadian dollars

Weststar Resources Corp.

Unaudited Condensed Interim Financial Statements
For the six months ended June 30, 2011

Notice of No Auditor Review of Interim Condensed Financial Statements

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

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

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

	June 30, 2011	December 31, 2010	January 1, 2010
ASSETS			
Current Assets			
Cash and cash equivalents (note 5)	$ 147,263	$ 276,196	$ 216,135
HST and other receivables	68,512	24,451	20,996
Prepaid expenses and deposits	14,112	9,112	10,229
	229,887	309,759	247,360
Resource properties (note 7) (schedule 1)	3,092,643	2,619,333	3,940,680
Equipment (note 8)	25,949	30,219	4,667
	$ 3,348,479	$ 2,959,311	$ 4,192,707
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities (note 11)	$ 44,977	$ 80,175	$ 86,323
SHAREHOLDERS' EQUITY			
Share capital (note 9)	6,474,176	5,461,876	4,621,938
Subscriptions received (note 16)	86,580	-	20,000
Share-based payment reserve (note 10)	2,885,863	2,885,863	2,396,093
Deficit	(6,143,117)	(5,468,603)	(2,931,647)
	3,303,502	2,879,136	4,106,384
	$ 3,348,479	$ 2,959,311	$ 4,192,707

Approved on behalf of the Board (note 2a):

"Mitch Adam"
Director

"Casey Forward"
Director

Nature of operation and ability to continue as a going concern (note 1)
Commitments (note 12)
Subsequent events (note 16)

See accompanying notes to the unaudited condensed interim financial statements

Weststar Resources Corp.
Condensed Statement of Comprehensive Loss
(unaudited)
(in Canadian dollars)

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	**For the six months ended June 30, 2011**	**For the six months ended June 30, 2010**
Expenses				
Amortization	$ 2,026	$ 293	$ 4,071	$ 586
Bank charges and interest	60	136	247	572
Consulting fees	32,500	24,588	69,006	65,578
General exploration costs	-	3,406	1,125	23,377
Management and director's fees (note 11)	40,000	30,000	70,000	60,000
Office and general	41,080	15,961	74,250	37,124
Professional fees (note 11)	55,169	63,064	92,523	91,903
Rent	11,458	15,778	23,458	27,608
Shareholder communications and promotion	47,052	6,002	73,025	23,626
Stock-based compensation (note 9)	-	-	-	54,821
Transfer agent and filing fees	60,610	6,638	72,409	19,187
Travel	41,896	-	54,900	-
Loss from operations before other items	(331,851)	(165,866)	(535,014)	(404,382)
Other items				
Write-off resource properties (note 7c & note 7d) (Schedule 1)	(119,500)	-	(139,500)	(1,090,749)
	(119,500)	-	(139,500)	(1,090,749)
Net loss and comprehensive loss for the period	(451,351)	(165,866)	(674,514)	(1,495,131)
Deficit, beginning of period	(5,691,766)	(4,260,912)	(5,468,603)	(2,931,647)
Deficit, end of period	$ (6,143,117)	$ (4,426,778)	$ (6,143,117)	$ (4,426,778)
Loss per share, basic and diluted	$ (0.03)	$ (0.03)	$ (0.05)	$ (0.03)
Weighted average number of shares outstanding	12,827,363	6,377,617	12,827,363	6,377,617

See accompanying notes to the unaudited condensed interim financial statements

Weststar Resources Corp.
Condensed Statements of Cash Flows
(unaudited)
(in Canadian dollars)

	For the three months ended June 30, 2011	For the three months ended June 30, 2010	**For the six months ended June 30, 2011**	**For the six months ended June 30, 2010**
Operating Activities				
Net loss for the period	$ (451,351)	$ (165,866)	$ (674,514)	$ (1,495,131)
Items not involving cash				
Amortization	2,026	293	4,071	586
Write-off resource properties	119,500	-	139,500	1,090,749
Stock-based compensation	-	-	-	54,821
	(329,825)	(165,573)	(530,943)	(348,975)
Operating cash flows before movements in working capital				
Changes in non-cash working capital				
HST receivable and other receivables	(33,671)	2,398	(44,061)	13,096
Prepaid expenses	(7,950)	-	(5,000)	-
Accounts payable and accrued liabilities	(67,014)	73,677	(35,199)	12,086
Net cash used in operating activities	(438,460)	(89,498)	(615,203)	(323,793)
Financing Activities				
Share subscriptions	86,580	-	86,580	-
Shares issued for cash, net of issuance costs	213,900	-	462,300	343,200
Net cash provided from financing activities	300,480	-	548,880	343,200
Investing Activities				
Acquisition of resource properties	-	(5,000)	(35,000)	(45,000)
Disposal of equipment	200	-	200	-
Deferred exploration costs, net of recoveries	(18,810)	(25,884)	(27,810)	(28,968)
Net cash used in investing activities	(18,610)	(30,884)	(62,610)	(73,968)
Change in cash	(156,590)	(120,382)	(128,933)	(54,561)
Cash and cash equivalents at beginning of period	303,853	281,956	276,196	216,135
Cash and cash equivalents at end of period	$ 147,263	$ 161,574	$ 147,263	$ 161,574

Supplemental cash flow information		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Non-cash financing activities		
Shares issued for resource properties	$ 550,000	$ 400,550
Shares issued in settlement of debt	$ -	$ -

See accompanying notes to the unaudited condensed interim financial statements

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

	Share Capital										
	Shares		Amount		Share Subscription		Share-based Payment Reserves		Deficit		Total
Balance, January 1, 2010	5,503,675	$	4,621,938	$	20,000	$	2,396,093	$	(2,931,647)	$	4,106,384
Share issuance											
Private placement - February 2010	516,666		181,009		-		-		-		181,009
Property acquisition	530,417		400,550		-		-		-		400,550
Stock options granted	-		-		-		54,821		-		54,821
Warrants and units issued	-		-		-		162,191		-		162,191
Comprehensive loss	-		-		-		-		(1,495,131)		(1,495,131)
Balance, June 30, 2010	6,550,758	$	5,203,497	$	20,000	$	2,613,105	$	(4,426,778)	$	3,409,824
Balance, January 1, 2011	10,509,091	$	5,461,876	$	-	$	2,885,863	$	(5,468,603)	$	2,879,136
Share issuance											
Property acquisition	1,500,000		550,000		-		-		-		550,000
Exercise of warrants	2,010,000		462,300		-		-		-		462,300
Share subscriptions	-		-		86,580						86,580
Comprehensive loss	-		-		-		-		(674,514)		(674,514)
Balance, June 30, 2011	14,019,091	$	6,474,176	$	86,580	$	2,885,863	$	(6,143,117)	$	3,303,502

See accompanying notes to the unaudited condensed interim financial statements

Weststar Resources Corp.
Schedule of Resource Properties
(Unaudited)
(in Canadian dollars)

Schedule 1

For the six months ended June 30, 2011

	Axe Property	Golden Fox Group	McKinnon Group	Sifton	Total
Balance, beginning of period	$ 1,626,465	$ 412,849	$ 460,519	$ 119,500	$ 2,619,333
Acquisition costs					
Cash	-	35,000	-	-	35,000
Shares	-	550,000	-	-	550,000
	-	585,000	-	-	585,000
Deferred exploration expenditures					
Geological, mapping and consulting	1,185	26,625	-	-	27,810
	1,185	26,625	-	-	27,810
Subtotal	1,627,650	1,024,474	460,519	119,500	3,232,143
Write-offs	-	-	(20,000)	(119,500)	(139,500)
Balance, end of period	$ 1,627,650	$ 1,024,474	$ 440,519	$ -	$ 3,092,643

For the year ended December 31, 2010

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

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN

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

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

The Company incurred a loss of $674,514 (December 31, 2010: $2,536,956) for the six months ended June 30, 2011, and had an accumulated deficit of $6,143,117 at June 30, 2011 which has been funded primarily by the issuance of equity. These factors raise substantial doubt about the Company's ability to continue as a going concern.

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

These interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of May 12, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the annual financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

These are the Company's first IFRS interim financial statements for part of the period covered by the Company's first IFRS annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

As these are the Company's first set of interim financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual financial statements prepared in accordance with Canadian GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's interim financial statements under IFRS as the reader will be able rely on these and the annual financial statements which will be prepared in accordance with IFRS.

(b) Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS. The presentation of the cash flow statement in accordance with IFRS differs from the presentation of the cash flow statement in accordance with Canadian GAAP. The transition from previous GAAP to IFRS has had no effect upon the reported cash flows generated by the Company. The reconciling items between the previous GAAP presentation and the IFRS presentation have no net impact on the cash flows generated.

2. BASIS OF PREPARATION continued

(c) Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning January 1, 2013, and has not yet considered the impact of the adoption of IFRS 9.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

3. First Time Adoption of IFRS

For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles (GAAP). The Company has prepared financial statements which comply with IFRS applicable for periods beginning on or after January 1, 2011 as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at January 1, 2010, the Company's date of transition to IFRS.

This note explains the principal adjustments made by the Company in restating its Canadian GAAP statement of financial position as at January 1, 2010 and the GAAP financial statements for the six months period ended June 30, 2010 and the year ended 31 December 2010.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustment to assets and liabilities taken to retained earnings unless certain exemptions are applied.

The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

(a) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

(b) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of operations, statement of comprehensive profit, statement of financial position and statement of cash flows for the six months ended June 30, 2010 and the year ended December 31, 2010 have been reconciled to IFRS, with the resulting differences explained.

3. First Time Adoption of IFRS continued

(c) Stock-based compensation

IFRS

• Each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches.

• Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods.

Canadian GAAP

• The Company had elected to recognize the fair value of stock-based awards with graded vesting method, which is the same requirement under IFRS.

• Forfeitures of awards are recognized as they occur.

(d) Accounts payable, accrued liabilities and provisions

IFRS – a provision is a liability of uncertain timing or amount. Provisions are disclosed separately from liabilities and accrued liabilities and require additional disclosure.

Canadian GAAP – Accounts payable, accrued liabilities and provisions are disclosed on the statement of financial position as a single line item.

(e) Impairment

IFRS – If indication of impairment is identified, the asset's carrying value is compared to the asset's discounted cash flows. If the discounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value.

Canadian GAAP – If indication of impairment is identified, the asset's carrying value is compared to the asset's undiscounted cash flows. If the undiscounted cash flows are less than the carrying value, the asset is impaired by an amount equal to the difference between the discounted cash flows and the carrying value. The Company completed an impairment review of its assets at January 1, 2010 and at December 31, 2010 and June 30, 2011, and concluded that the assets were not impaired in accordance with IFRS.

3. First Time Adoption of IFRS continued

The Canadian GAAP statement of financial position as at January 1, 2010 has been reconciled to IFRS as follows:

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

3. First Time Adoption of IFRS continued

The Canadian GAAP statement of operations for the six months ended June 30, 2010 has been reconciled to IFRS as follows:

	For the six months ended June 30, 2010		
	GAAP	Effect of transition to IFRS	IFRS
Expenses			
Amortization	$ 586	$ -	$ 586
Bank charges and interest	572	-	572
Consulting fees	65,578	-	65,578
General exploration costs	23,377	-	23,377
Management and director's fees	60,000	-	60,000
Office and general	37,124	-	37,124
Professional fees	91,903	-	91,903
Rent	27,608	-	27,608
Shareholder communications and promotion	23,626	-	23,626
Stock-based compensation	54,821	-	54,821
Transfer agent and filing fees	19,187	-	19,187
Loss from operations before other items	(404,382)	-	(404,382)
Other items			
Write-off resource properties	(1,090,749)	-	(1,090,749)
	(1,090,749)	-	(1,090,749)
Total comprehensive loss for the period	$ (1,495,131)	$ -	$ (1,495,131)

The Canadian GAAP statement of financial position as at June 30, 2010 has been reconciled to IFRS as follows:

	As at June 30, 2010		
	GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current Assets			
Cash and cash equivalents	$ 161,574	$ -	$ 161,574
HST and other receivables	7,900	-	7,900
Prepaid expenses and deposits	10,229	-	10,229
	179,703	-	179,703
Resource properties	3,324,449	-	3,324,449
Equipment	4,081	-	4,081
	$ 3,508,233	$ -	$ 3,508,233
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	$ 118,409	$ -	$ 118,409
SHAREHOLDERS' EQUITY			
Share capital	5,203,497	-	5,203,497
Subscriptions received	-	-	-
Contributed surplus	2,613,105	(2,613,105)	-
Share-based payment reserve		2,613,105	2,613,105
Deficit	(4,426,778)	-	(4,426,778)
	3,389,824	-	3,389,824
	$ 3,508,233	$ -	$ 3,508,233

3. First Time Adoption of IFRS continued

The Canadian GAAP statement of financial position as at December 31, 2010 has been reconciled to IFRS as follows:

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

3. First Time Adoption of IFRS continued

The Canadian GAAP statement of operations for the year ended December 31, 2010 has been reconciled to IFRS as follows:

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

4. SIGNIFICANT ACCOUNTING POLICIES

Cash and equivalents

Cash and cash equivalents include cash on deposit and highly liquid short-term interest bearing guaranteed investment certificates that are readily convertible to known amounts of cash.

Equipment

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

Computer equipment	55%
Furniture and fixtures	20%

Where an item of plant and equipment comprises significant components with different useful lives, the components are accounted for as separate items of plant and equipment. Subsequent costs to replace parts of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and the cost of the item cane be measured reliably. The costs of day-to-day servicing are recognized in profit or loss as incurred. These costs are more commonly referred to as "maintenance and repairs."

Impairment

The Company's tangible and intangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Asset retirement obligations

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities and may from time to time incur asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at June 30, 2011, December 31, 2010 and January 1, 2010, the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral properties.

Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

4. SIGNIFICANT ACCOUNTING POLICIES continued

Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under the liability method, deferred income taxes and liabilities are recognized to reflect the expected deferred tax consequences arising from temporary differences between the carrying value and the tax bases of the deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A valuation allowance is recorded against any deferred income tax asset if it is probable that the asset will not be realized.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Flow-through shares

The Company has financed a portion of its exploration activities through the issue of flow-through shares. As permitted under the Income Tax Act (Canada), the tax attributes of eligible expenditures incurred with the proceeds of flow-through share issuances were renounced to subscribers.

At the time of share issuance, the proceeds must be allocated between share capital and the obligation to deliver the tax deduction. The allocation is based on the difference between the quoted price of the Company's non-flow through shares and the amount the investor pays for the flow-through shares (given no other differences between the securities).

For expenditures that are capitalized, the date of recognition of the deferred tax liability is:

- If renunciation is under general method: in the year of share issuance when expenditures are made, assuming there is an expectation of renouncing qualifying exploration expenditures. The entity records a deferred tax liability and corresponding income tax expense. The obligation is reduced and a corresponding tax reduction is recorded.
- If renunciation is under look-back method: if the expenditures are made (i.e. not upon renouncement), the entity records a deferred tax liability and a corresponding income tax expense. Also at that time, the obligation is reduced and a corresponding income tax expense reduction is recorded.

Financial instruments

The Company classifies financial assets and liabilities as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition, except for those arising from certain related party transactions which are accounted for at the transferor's carrying amount or exchange amount.

Subsequent to their initial recognition, financial assets and liabilities classified as held-for-trading are measured at fair value, with gains and losses recognized in net income; financial assets classified as held-to-maturity, loans and receivables, and financial liabilities other than those classified as held-for-trading are measured at amortized cost, using the effective interest method of amortization; financial assets classified as available-for-sale are measured at fair value, with unrealized gains and losses being recognized as other comprehensive income until realized, or if an unrealized loss is considered other than temporary, the unrealized loss is recorded in income. The Company has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments.

The Company classifies its cash and cash equivalents as held-for-trading, its investments as available for sale, its other receivables as loans and receivables, and its accounts payable as other financial liabilities.

Investments

The Company classifies investments in the shares of private companies that are non-quoted equity instruments whose fair value cannot be reliably measured as available-for-sale financial instruments. These investments are initially recorded at cost which is their fair value at the time of acquisition. Subsequently, these non-quoted investments are measured at cost.

4. SIGNIFICANT ACCOUNTING POLICIES continued

Comprehensive loss

Comprehensive loss reflects net loss and other comprehensive income (loss) for the period. Other comprehensive income (loss) includes changes in unrealized foreign currency translation amounts arising from self-sustaining foreign operations, unrealized gains and losses on available-for-sale assets and changes in the fair value of derivatives designated as cash flow hedges to the extent they are effective.

Resource properties

The Company records its interests in resource properties at the lower of cost or estimated recoverable value. Where specific exploration programs are planned and budgeted by management, the cost of resource properties and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

The costs include the cash or other consideration and the fair value of shares issued, if any, on the acquisition of mineral properties. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. For properties held jointly with other parties the Company only records its proportionate share of acquisition and exploration costs. The proceeds from options granted are deducted from the cost of the related property and any excess is deducted from other remaining capitalized property costs. The Company does not accrue estimated future costs of maintaining its mineral properties in good standing.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect actual, present, or future values. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the mineral interests. It is reasonably possible, based on existing knowledge that changes in future conditions could require a change in the recognized amounts. Although the Company has taken steps to verify title to resource properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Properties may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements. Some foreign jurisdictions are subject to political instability and laws and regulations regarding title to mineral properties could change significantly in the near future.

Management evaluates each mineral interest on a reporting period basis or as events and circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to which costs are capitalized or charged as impairment charges. Write-downs due to impairment in value are charged to operations.

Resource property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on results of exploration work, management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

Government assistance

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

Stock-based compensation

The Company has stock-based compensation and other stock-based payments, and accounts for all grants of options to employees, non-employees and directors in accordance with the fair value method for accounting for stock-based compensation as defined by accounting principles generally accepted in Canada. The fair value of stock-based compensation awards are calculated using the Black-Scholes option pricing model ("Black-Scholes"). Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

The Company has a stock-based compensation plan. See Note 9c for details with respect to the fair value determination, including assumptions.

4. SIGNIFICANT ACCOUNTING POLICIES continued

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Share issue costs

The Company charges all costs incurred in relation to financing transactions to share capital when the related shares are issued. The transaction costs related to financing transactions that are not completed are expensed.

Warrants

The Company bifurcates the fair value of the warrants included in units offered to subscribers in connection with financings using the Black-Scholes option pricing model and records the fair value in contributed surplus with an offsetting reduction in the value ascribed to the shares issued in the units. Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in contributed surplus.

Use of estimates and judgments

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty. Actual results could differ from these estimates. Significant areas requiring the use of management estimates relate to the determination of impairment of resource property interests, the determination of fair value for investments and stock based transactions and future income tax valuation allowance. Where estimates have been used financial results as determined by actual events could differ from those estimates.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year.

(i) Impairment of mineral properties and equipment as described in Note 4.

(ii) Stock-based payment transactions as described in Note 9c.

Critical accounting judgments

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The Directors monitor future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

(ii) 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, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If information becomes available after expenditure is capitalized suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2011 include guaranteed investment certificates ("GICs") with interest rate at 1% (December 31, 2010 - 1%) per annum. At June 30, 2011, the fair value of the GICs was $5,000 (December 31, 2010 - $5,000). The GICs are held as resource reclamation deposit and are restricted for other uses.

6. INVESTMENTS

During the year the Company acquired 500,000 common shares of Canada Coal Inc. (formerly Pacific Coal Corp.), as described in Note 7(g). The shares have a nominal carrying value.

7. RESOURCE PROPERTIES (See Schedule of Resource Properties)

	For the six months ended June 30, 2011	For the year ended December 31, 2010
Balance, beginning of period	$ 2,619,333	$ 3,940,680
Acquisition costs		
Cash	35,000	74,294
Shares	550,000	510,550
	585,000	584,844
Deferred exploration expenditures		
Geological surveys, mapping, consulting, reports and other	27,810	53,626
	3,232,143	4,579,150
Disposal	-	(294,567)
Write-offs	(139,500)	(1,665,250)
Balance, end of period	$ 3,092,643	$ 2,619,333

(a) Axe Project

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

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

(b) Golden Fox Group

Golden Fox Claims

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

The terms of the agreement are as follows:

- $75,000 due on signing of the agreement; (paid)
- $75,000 cash ($50,000 paid) and the issuance of 2,500,000 common shares (issued at a fair value of $225,000) of the Company;
- Issuance of 500,000 common shares of the Company in lieu of $500,000 exploration expenditures work commitment originally to be incurred by September 1, 2010 (issued at a fair value of $160,000);
- The Vendor will retain a 3% Net Smelter Royalty, of which one-third (1%) can be purchased by the Company for $1,000,000.

7. RESOURCE PROPERTIES continued

Sunrise Claims

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

- $35,000 due within five days (paid) of approval by the TSX Venture Exchange;
- the issuance of 1,000,000 common shares (issued at a fair value of $390,000) of the Company;
- Issuance of 1,000,000 common shares of the Company within six months after approval by the TSX Venture Exchange (see note 16, subsequent events).
- Incur exploration expenditures of $10,000 or pay $100 per claim on or before June 18, 2011 (incurred);
- Incur exploration expenditures of $25,000 on or before September 1, 2011;
- Incur exploration expenditures of $100,000 on or before September 1, 2012.
- The Vendor will retain a 3% Net Smelter Royalty, of which one-third (1%) can be purchased by the Company for $1,000,000.

(c) McKinnon Group

McKinnon Claims

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

The terms of the agreement are as follows:

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

Morgan Property

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

The terms of the acquisitions are as follows.

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

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

During the period ended June 30, 2011, the Company decided not to pursue this property and wrote off the acquisition and exploration costs of $20,000.

(d) Sifton Property

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

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

The terms of the agreement are as follows:

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

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

During the period ended June 30, 2011, the Company decided not to pursue this property and wrote off the acquisition and exploration costs of $119,500.

7. RESOURCE PROPERTIES continued

(e) 18 Meter Property

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

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

(f) Bache Peninsula Property

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

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

(g) Ellesmere Island Property

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

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

(h) Silver Creek and Simonette Properties

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

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

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

(i) Red Chris Properties

- Red Chris claims

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

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

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

7. RESOURCE PROPERTIES continued

- Billingsley claims

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

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

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

(j) Rita Copper Property

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

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

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

8. EQUIPMENT

	For the six months ended June 30, 2011			December 31, 2010	January 1, 2010
	Cost	Accumulated amortization	Net book value	Net book value	Net book value
Computer equipment	$ 10,085	$ 5,658	$ 4,427	$ 6,106	$ 680
Office equipment	28,586	7,064	21,522	24,113	3,987
Total	$ 38,671	$ 12,722	$ 25,949	$ 30,219	$ 4,667

9. SHARE CAPITAL

(a) Authorized

Unlimited common shares of no par value

(b) Issued and outstanding	Shares	Amount
Balance January 1, 2010	66,044,095	4,621,938
Issued for cash		
Private placement - February 2010 - net	6,200,000	154,714
Shares issued for property acquisition (Note 7g)	1,000,000	20,000
Shares issued for property acquisition (Note 7c)	500,000	15,000
Shares issued for property acquisition (Note 7i)	1,115,000	78,050
Shares issued for property acquisition (Note 7i)	2,250,000	157,500
Shares issued for property acquisition (Note 7j)	2,500,000	150,000
Shares issued for property acquisition (Note 7d)	3,000,000	90,000
	82,609,095	5,287,202
Share consolidation of 12:1 on September 28, 2010	(75,725,004)	-
Issued for cash		
Private placement - October 2010, net	3,625,000	298,424
Reduction from renunciation of flow-through shares	-	(123,750)
Balance December 31, 2010	10,509,091	$ 5,461,876
Shares issued for property acquisition (Note 7b)	500,000	160,000
Shares issued for property acquisition (Note 7b)	1,000,000	390,000
Exercise of warrants	2,010,000	462,300
Balance June 30, 2011	14,019,091	$ 6,474,176

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

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

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

9. SHARE CAPITAL continued

(c) Stock options

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

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

	For the six months ended June 30, 2011	Weighted Average Exercise Price	For the year ended December 31, 2010	Weighted Average Exercise Price
Balance, beginning of period	160,420	$ 1.60	514,167	$ 1.56
Activities during the period				
Expired	(104,168)	1.52	-	-
Cancelled	-	-	(353,747)	1.60
Balance, end of period	56,252	$ 1.73	160,420	$ 1.60

During the year ended December 31, 2009, the Company granted 316,667 post-consolidated options to directors and officers and consultants. 158,333 of these options vested 25% on the date of grant, and 12.5% every quarter thereafter. The Company recorded stock-based compensation of $201,900 for options granted to directors and officers of the Company, and consultants fees of $355,100 for options granted to consultants. The following weighted average assumptions were used under the Black Scholes option pricing model. For the year ended December 31, 2010, stock-based compensation of $27,909 was recorded as a result of vesting of options granted in previous periods.

Risk free interest rate	1.37%
Expected dividend yield	0%
Expected stock price volatility	184%
Expected life of options	2 years

(ii) The following table summarizes information about stock options outstanding at June 30, 2011:

Exercise price	Number outstanding	Number exercisable	Weighted average remaining contractual life (years)
$ 1.68	31,251	31,251	2.1
$ 1.80	25,001	25,001	2.3
	56,252	56,252	2.2

9. SHARE CAPITAL continued

(d) Warrants

(i) The changes in warrants were as follows:

	For the six months ended June 30, 2011	Weighted Average Exercise Price	For the year ended December 31, 2010	Weighted Average Exercise Price
Balance at beginning of period	$ 5,887,163	$ 0.82	2,755,083	$ 2.28
Warrants issued	-	-	556,667	1.20
Warrants issued	-	-	83,333	4.20
Warrants issued	-	-	3,625,000	0.23
Warrants exercised	(2,010,000)	0.23	-	-
Warrants expired	(352,165)	2.39	(1,132,920)	2.29
Balance at end of period	3,524,998	$ 0.92	5,887,163	$ 0.82

(ii) A summary of warrants outstanding at June 30, 2011 is:

Number of warrants	Exercise price	Expiry date
1,615,000	$ 0.23	October 27, 2012
41,667	$ 1.20	September 11, 2011
655,000	$ 1.20	December 15, 2011
556,667	$ 1.20	February 10, 2012
156,665	$ 1.80	September 4, 2011
416,666	$ 1.80	September 11, 2011
83,333	$ 4.20	August 30, 2011
3,524,998		

10. SHARE-BASED PAYMENT RESERVE

	For the six months ended June 30, 2011	For the year ended December 31, 2010
Balance, beginning of period	$ 2,885,863	$ 2,396,093
Options granted	-	27,909
Warrants and units issued	-	461,861
Balance, end of period	$ 2,885,863	$ 2,885,863

11. RELATED PARTY TRANSACTIONS AND BALANCES

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

	For the six months ended June 30, 2011	For the six months ended June 30, 2010
Management and director fees	$ 70,000	$ 60,000
Consulting fees	30,000	24,000
Deferred exploration	24,000	-
Accounting fees	25,000	30,000
Total	$ 149,000	$ 114,000

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

As at June 30, 2011 accounts payable and accrued liabilities included $1,034 (December 31, 2010 - $47,449) due to companies controlled by directors. The amounts due are non-interest bearing, unsecured and with no stated terms of repayment.

12. COMMITMENTS

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

13. CAPITAL DISCLOSURES

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

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

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

14. FINANCIAL INSTRUMENTS AND RISKS

As at June 30, 2011, the Company's financial instruments consist of cash and cash equivalents, investments and accounts payable. Except as to investments in non-quoted equity investments (note 6 and 7), the fair values of these financial instruments approximate their carrying values because of their current nature or adjustments to fair value made at each period end.

Fair Value

The Company classifies its fair value measurements in accordance with an established hierarchy that priorities the inputs in valuation techniques used to measure fair value as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and

Level 3 - Inputs that are not based on observable market date

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

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 147,263	$ -	$ -	$ 147,263

Credit Risk

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

Market Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13.

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

Foreign Exchange Risk

The Company's operations are transacted in Canadian dollar and it not exposed to significant foreign exchange risk.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

15. SEGMENTED INFORMATION

The Company operates in one industry segment, namely exploration of mineral resources in one geographic region, Canada.

16. SUBSEQUENT EVENTS

Acquisition of La Paloma Property and Assignment of Option Agreement

The Company completed the assignment of all of Lekona Minerals Incorporated's ("Lekona") right, title and interest in and to the La Paloma concessions (the "Acquisition"), including the 20% undivided interest held by Lekona therein and Lekona's rights under the underlying option agreement between Lekona and Minera Sierra de Oro S.A. de C.V. ("Minera"). On closing, 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 as amended by agreement dated April 30, 2011 (together the "Option Agreement") between Lekona and Minera. Lekona had previously exercised a portion of the option granted under the Option Agreement and accordingly Weststar now owns a 20% undivided interest in the La Paloma concessions. Pursuant to an amendment agreement (the "Amendment Agreement") with Lekona dated June 30, 2011, amending the terms of the letter of intent with Lekona dated March 17, 2011, the Company completed the Acquisition on August 9, 2011 (the "Closing Date")by:

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

(b) issuing 4,000,000 common shares (issued August 9, 2011) in the capital stock of the Company to Lekona's shareholders and 1,650,000 common shares in the capital stock of the Company to Minera;

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

(i) the Company completes Phase I of the work program contained in the NI 43-101 report dated June 26, 2011 on the Project prepared by Snowden Mining Industry Consultants and delivers a new NI 43-101 compliant report describing the results of the Phase I work, which new report recommends proceeding with Phase 2 (the "Completion Date"); and

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

Resource Property - Sunrise Claims

On July 27, 2011 the Company issued 1,000,000 common shares in respect of the Sunrise Claims.

Private Placement

The Company completed a non-brokered private placement by the issuance of 2,464,400 units (each a "Unit") at a price of $0.90 per Unit. Each Unit consists of one common share (a "Share") and one-half of one transferable share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to purchase one common share (a "Warrant Share") at a price of $1.50 until July 5, 2012. The Company has paid finders' fees comprising of 8% cash commission and compensation warrants (the Finder's Warrants") equal to 8% of securities placed by the finders. Each Finder's Warrant entitles the holder to acquire an additional common share (a "Finder's Warrant Share") of the Company at a price of $1.50 per Finder's Warrant Share for a term of 12 months from the closing of the Private Placement.