Weststar Resources Corp.

Condensed Interim Financial Statements

Nine Months Ended September 30, 2014

(Unaudited - Expressed in Canadian Dollars)

Weststar Resources Corp.

Nine Months Ended September 30, 2014

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Condensed Interim Financial Statements

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.

December 1, 2014

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

		September 30, 2014		December 31, 2013
Assets				
Current				
Cash	$	**103,269**	$	1,586
Receivables (note 6)		**11,986**		3,618
Prepaid expenses		**75,000**		-
		190,255		5,204
Investment (note 7)		**2,250**		2,250
Property and Equipment (note 8)		**1,507**		2,047
Exploration and Evaluation Assets (note 9)		**1,694,218**		1,587,458
	$	**1,888,230**	$	1,596,959
Liabilities				
Current				
Accounts payable and accrued liabilities (note 11)	$	**146,367**	$	317,159
		146,367		317,159
Shareholders' Equity				
Share Capital (note 10)		**14,195,318**		13,395,459
Reserves (note 10)		**3,887,867**		3,901,080
Accumulated Other Comprehensive Income		**2,250**		2,250
Deficit		**(16,343,572)**		(16,018,989)
		1,741,863		1,297,800
	$	**1,888,230**	$	1,596,959

Going Concern (note 2)
Commitments (note 13)
Subsequent Event (note 14)

Approved on behalf of the Board:

"Keith Anderson" ……………………………… Director
Keith Anderson

"William Rascan" ……………………………… Director
William Rascan

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

Weststar Resources Corp.

Condensed Interim Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended September 30, 2014	2013	Nine Months Ended September 30, 2014	2013
Expenses				
Accounting, legal and audit (note 11)	**$ 750**	$ 2,300	**$ 2,650**	$ 13,817
Amortization	**180**	334	**540**	1,271
Consulting fees (note 11)	**65,500**	23,520	**141,709**	28,700
Management fees (note 11)	**31,500**	31,500	**94,500**	88,500
Office and general	**2,853**	4,670	**6,394**	17,269
Rent	**-**	-	**-**	5,350
Share-based payments	**28,459**	21,490	**66,123**	21,490
Shareholder communications and investor relations	**313**	4,450	**5,326**	4,450
Transfer agent and filing fees	**1,950**	2,559	**24,150**	14,474
	(131,505)	(90,823)	**(341,392)**	(195,321)
Other Expenses (Income)				
Realized gain on available-for-sale investments (note 7)	**2,150**	2,135	**6,472**	5,100
Gain on settlement of debt	**10,337**	-	**10,337**	-
Loss on sale of equipment	**-**	(1,747)	**-**	(1,747)
Write-off of debt	**-**	-	**-**	20,000
Net Loss for the Period	**(119,018)**	(90,435)	**(324,583)**	(171,968)
Items that may be reclassified subsequently to profit or loss				
Unrealized gain loss on available-for-sale investments (note 7)	**(3,750)**	(3,000)	**-**	(24,750)
Comprehensive Loss for the Period	**$ (122,768)**	$ (93,435)	**$ (324,583)**	$ (196,718)
Basic and Diluted Loss Per Share	**$ 0.01**	$ 0.01	**$ 0.02**	$ 0.01
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	**19,959,164**	14,602,417	**19,403,845**	14,203,373

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

Weststar Resources Corp.

Condensed Interim Statements of Changes in Equity
For the Nine Months Ended September 30, 2014 and 2013
(Unaudited - Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2012	**12,066,746**	**$ 13,196,621**	**$ 3,876,883**	**$ 33,750**	**$ (15,755,696)**	**$ 1,351,558**
Private placement	1,957,500	137,025	-	-	-	137,025
Share issue costs	-	(10,687)	2,707	-	-	(7,980)
Shares issued for exploration and evaluation assets	1,662,500	72,500	-	-	-	72,500
Fair value of options granted	-	-	21,490	-	-	21,490
Comprehensive loss for the period	-	-	-	(24,750)	(171,968)	(196,718)
Balance, September 30, 2013	**15,686,746**	**$ 13,395,459**	**$ 3,901,080**	**$ 9,000**	**$ (15,927,664)**	**$ 1,377,875**

	Number of Shares	Share Capital	Reserves	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2013	**15,686,746**	**$ 13,395,459**	**$ 3,901,080**	**$ 2,250**	**$ (16,018,989)**	**$ 1,279,800**
Private placement	8,140,000	407,000	-	-	-	407,000
Share issue costs	-	(16,807)	-	-	-	(16,807)
Shares issued for exploration and evaluation assets	1,675,000	106,500	-	-	-	106,500
Shares issued for debt settlement	1,225,800	122,580	-	-	-	122,580
Shares issued on the exercise of share options	1,012,500	101,250	-	-	-	101,250
Fair value of share options exercised	-	79,336	(79,336)	-	-	-
Fair value of share options granted	-	-	60,483	-	-	60,483
Re-pricing of share options	-	-	5,640	-	-	5,640
Comprehensive loss for the period	-	-	-	-	(324,583)	(324,583)
Balance, September 30, 2014	**27,740,046**	**$ 14,195,318**	**$ 3,887,867**	**$ 2,250**	**$ (16,343,572)**	**$ 1,741,863**

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)

	2014	2013
Operating Activities		
Net loss for the period	$ **(324,583)**	$ (171,968)
Items not involving cash		
Amortization	**540**	1,271
Share-based payments	**66,123**	21,490
Realized gain on available-for-sale investments	**(6,472)**	(5,100)
Gain on settlement of debt	**(10,337)**	-
Write-off of debt	**-**	(20,000)
Loss on sale of equipment	**-**	1,747
Changes in non-cash working capital		
Receivables	**(8,368)**	12,743
Prepaid expenses	**(75,000)**	2,590
Accounts payable and accrued liabilities	**(37,875)**	1,233
Cash Used in Operating Activities	**(395,972)**	(155,994)
Investing Activities		
Proceeds from investments	**6,472**	5,100
Deferred exploration and evaluation assets expenditures	**(260)**	20,048
Proceeds from sale of equipment	**-**	250
Recovery of reclamation deposit	**-**	5,000
Acquisition of exploration and evaluation assets	**-**	(5,000)
Cash Provided by Investing Activities	**6,212**	25,398
Financing Activity		
Shares issued for cash, net of issue costs	**491,443**	129,045
Cash Provided by Financing Activity	**491,443**	129,045
Inflow (Outflow) of Cash	**101,683**	(1,551)
Cash, Beginning of Period	**1,586**	2,893
Cash, End of Period	$ **103,269**	$ 1,342

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2014	2013
Income tax paid	$ -	$ -
Interest paid	$ -	$ -
Shares issued for exploration and evaluation assets	$ 106,500	$ -
Shares issued for debt settlement	$ 122,580	$ -
Fair value of options exercise	$ 79,336	$ -

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

1. NATURE OF OPERATIONS

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.

On June 9, 2014, the Company consolidated its common shares on a one new for two old share basis. All share and per share amounts have been revised to reflect the consolidation.

2. GOING CONCERN

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions cast substantial doubt on the validity of this assumption. The Company incurred an operating loss during the nine months ended September 30, 2014 of $324,583 (September 30, 2013 - $171,968) and has a deficit of $16,343,572 (December 31, 2013 - $16,018,989), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these condensed interim financial statements then adjustments may be necessary in the carrying value of assets and liabilities, the reported expenses and the statements of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the presentation of interim financial statements, including IAS 34, Interim Financial Reporting.

b) Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, except for financial instruments classified as available-for-sale ("AFS") and fair value through profit or loss ("FVTPL"). These condensed interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

3. BASIS OF PRESENTATION (Continued)

c) Approval of the condensed interim financial statements

The condensed interim financial statements of Weststar Resources Corp. for the nine months ended September 30, 2014 were approved and authorized for issue by the Board of Directors on December 1, 2014.

d) Use of estimates and judgments

The preparation of these condensed interim financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

The key area of judgment applied in the preparation of the condensed interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is as follows:

- The carrying value of the exploration and evaluation assets and the recoverability of the carrying value.

  Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's resource properties.

  Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economics assessment/studies, accessible facilities and existing permits.

The key estimates applied in the preparation of the condensed interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The recoverability of deferred tax assets;
- Useful lives of depreciable assets;
- Provision for reclamation costs, among others; and
- Assumptions used to calculate share-based payments.

Actual results could differ from those estimates. Key judgments and estimates made by management with respect to those areas noted previously have been disclosed in the notes to the condensed interim financial statements, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 4 of the financial statements for the year ended December 31, 2013. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2013.

5. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as financial assets at FVTPL; receivables as loans and receivables; investment as AFS; and accounts payable and accrued liabilities as other financial liabilities, which are measured at amortized cost. The carrying value of these instruments approximates their fair values due to their short term to maturity.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash and cash equivalents, by placing at major Canadian financial institutions. The Company has minimal credit risk.

b) 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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of September 30, 2014 equal $146,367 (December 31, 2013 - $317,159). All of the liabilities presented as accounts payable are due within 90 days of September 30, 2014.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

As at September 30, 2014 the Company is not exposed to significant market risk.

5. FINANCIAL INSTRUMENTS (Continued)

d) Capital management

The Company considers its capital to be comprised of 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. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the nine months ended September 30, 2014. The Company is not subject to external restrictions on its capital.

6. RECEIVABLES

Receivables at September 30, 2014 consisted of GST recoverable and an outstanding expense reimbursement. Receivables at December 31, 2013 consisted of GST recoverable.

7. INVESTMENT

The Company received 500,000 common shares of Canada Coal Inc. ("CCK") pursuant to 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, 2014, 150,000 common shares were held in escrow (December 31, 2013 - 225,000).

During the nine months ended September 30, 2014, the Company sold 150,000 common shares of CCK for proceeds of $6,472. At September 30, 2014, the fair value of the remaining 75,000 common shares of CCK held was $2,250. No unrealized gain or loss was recorded in other comprehensive income for the nine months ended September 30, 2014. At December 31, 2013, the fair value of the remaining 225,000 common shares of CCK held was $2,250.

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.

8. PROPERTY AND EQUIPMENT

During the year ended December 31, 2013, the Company disposed of office equipment with a net book value of $1,997 for proceeds of $250, resulting in a loss of $1,747.

(Unaudited - Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT (Continued)

	Computer Equipment	Office Equipment	Leasehold Improvement	Total
Cost				
Balance, December 31, 2012	$ 2,724	$ 4,381	$ 4,475	$ 11,580
Disposals	-	(2,349)	(4,475)	(6,824)
Balance, December 31, 2013 and September 30, 2014	$ 2,724	$ 2,032	$ -	$ 4,756
Amortization				
Balance, December 31, 2012	$ 749	$ 438	$ 4,475	$ 5,662
Amortization	1,086	788	-	1,874
Disposals	-	(352)	(4,475)	(4,827)
Balance, December 31, 2013	1,835	874	-	2,709
Amortization	366	174	-	540
Balance, September 30, 2014	$ 2,201	$ 1,048	$ -	$ 3,249
Net Book Value, December 31, 2013	$ 889	$ 1,158	$ -	$ 2,047
Net Book Value, September 30, 2014	$ 523	$ 984	$ -	$ 1,507

9. 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 150,000 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):

9. EXPLORATION AND EVALUATION ASSETS (Continued)

Axe Property (continued)

- $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 from 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"). The option agreement was completed with an effective date of December 21, 2013. 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 five year period, with a minimum of $100,000 per year. Copper Mountain must pay to the Company and Bearclaw (collectively, in proportion to their participating interests in the Axe Property, which are 70% for the Company and 30% for Bearclaw):

- $5,000 upon signing the LOI (received);
- $20,000 upon completion of the agreement (received);
- $30,000 on December 21, 2014;
- $50,000 on December 21, 2015;
- $100,000 on December 21, 2016;
- $150,000 on December 21, 2017; and
- $200,000 on December 21, 2018.

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 incurring an additional $6,000,000 in expenditures on the Axe Property in two stages of $3,000,000 per stage. 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.

East Miller Claims

On September 25, 2013 (amended December 10, 2013), the Company entered into an agreement to acquire a 100% interest in 9 mineral claims in Quebec, Canada. On January 6, 2014, the Company issued 1,250,000 common shares (valued at $75,000) as consideration for the agreement and 125,000 common shares (valued at $7,500) as finders' fees.

9. EXPLORATION AND EVALUATION ASSETS (Continued)

Page Property

On December 16, 2013, the Company entered into an agreement to acquire a 100% interest in the Page Property comprising 16 mineral claims in the Porcupine Mining Division of Ontario. On January 8, 2014, the Company issued 300,000 common shares (valued at $24,000) as consideration for the agreement.

Lac Gueret West Property

On March 6, 2014, the Company entered into an agreement to acquire a 100% interest in the Lac Gueret West Property, consisting of 75 mineral claims located in Quebec. In order to acquire the Property, the Company must:

- issue 1,250,000 common shares of the Company within 14 days of Exchange approval;
- pay $15,000 within 14 days of closing of the Company's next financing; and
- pay $10,000 within 14 days of the first anniversary of Exchange approval.

The vendor retains a 2% NSR on the Property, of which the Company can buy-back 1% at any time for $1,000,000.

The Company did not issue any shares or make any payments and is no longer pursuing the Lac Gueret West Property.

Albany South East Property

On July 15, 2013, the Company entered into an agreement to acquire a 100% interest in the Albany South East Property comprising 19 mineral claims in the Porcupine Mining Division of Ontario. In consideration, the Company issued 1,375,000 common shares of the Company (valued at $55,000) and was required to pay $15,000. The Company also paid finder's fees of 137,500 common shares of the Company (valued at $5,500).

The $15,000 cash payment was not made and the Company is in default of the agreement. The property was deemed to be impaired at December 31, 2013 and written down to $Nil.

Tahts Reach Property

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

Payment terms are as follows:

- $5,000 (paid) and 150,000 common shares (issued and valued at $12,000) in conjunction with receipt of approval from the Exchange;
- $10,000 and 75,000 common shares on February 15, 2014, and
- $25,000 and 75,000 common shares on February 15, 2015.

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

The property was deemed to be impaired at December 31, 2013 and written down to $Nil. During the three months ended March 31, 2014, the Company terminated the option agreement.

9. EXPLORATION AND EVALUATION ASSETS (Continued)

Diego Property

On May 22, 2013, the Company entered into a LOI to enter into an option agreement with Cartier Resources Inc. ("Cartier"). The agreement was to acquire up to an 80% interest in the Diego Property, comprising 53 mining claims located in Quebec.

Pursuant to the terms of the LOI, the Company could earn a 50% interest in Diego by paying $15,000 and issuing 175,000 common shares in the capital of the Company upon Exchange approval. The Company was also required to incur $1,000,000 in exploration expenditures on the Property over a period of three years.

The Company could 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 held a condition precedent that the Company complete 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, at which time the LOI was terminated.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and the expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

Title to exploration and evaluation interests

Although the Company has taken steps to verify the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and may be affected by undetected defects.

(Unaudited - Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (Continued)

	Axe Property	East Miller Claims	Page Property	Total
Balance, December 31, 2013	**$ 1,587,458**	**$ -**	**$ -**	**$ 1,587,458**
Acquisition costs	-	82,760	24,000	106,760
Balance, September 30, 2014	**$ 1,587,458**	**$ 82,760**	**$ 24,000**	**$ 1,694,218**

	Axe Property	Albany South East Property	Tahts Reach Property	Total
Balance, December 31, 2012	**$ 1,620,395**	**$ -**	**$ -**	**$ 1,620,395**
Acquisition costs	-	60,500	17,000	77,500
Exploration costs				
Geological consulting	2,063	-	280	2,343
Option payments received	(35,000)	-	-	(35,000)
Total deferred exploration costs	(32,937)	-	280	(32,657)
Impairment of acquisition and exploration costs	-	(60,500)	(17,280)	(77,780)
Balance, December 31, 2013	**$ 1,587,458**	**$ -**	**$ -**	**$ 1,587,458**

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

During the nine months ended September 30, 2014

On January 6, 2014, the Company issued 1,375,000 common shares of the Company as payment and finder's fees for the East Miller Claims (note 9).

On January 8, 2014, the Company issued 300,000 common shares of the Company as payment for the Page Property (note 9).

On February 28, 2014, the Company issued 1,225,800 common shares of the Company in order to settle debts of $122,580 with directors, officers, consultants and a company with common directors.

On September 18, 2014, the Company closed a non-brokered private placement and issued 8,140,000 units at a price of $0.05 per unit for gross proceeds of $407,000. Each unit consists of one common share in the capital of the Company and 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 $0.075 per share. The units are subject to a four-month hold period. The Company paid finder's fees of $13,900 and other share issue costs of $2,907.

During the nine months ended September 30, 2014, the Company received $101,250 on the exercise of 1,012,500 share options. The Company transferred $79,336 from the share-based payments reserve to share capital on the exercise of the options.

During the year ended December 31, 2013

In February 2013, 150,000 common shares valued at $12,000 were issued as acquisition costs on the Tahts Reach Property (note 9).

On February 22, 2013, the Company closed a non-brokered private placement and issued 1,957,500 units at a price of $0.07 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 $0.14 in the first year and $0.20 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 76,500 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 $0.14 in the first year and $0.20 in the second year. The finder’s warrants are also subject to a four-month hold period. The Black-Scholes fair value of the finder’s warrants was $2,707 and was included in reserves.

In July 2013, 1,512,500 common shares valued at $60,500 were issued as acquisition costs and finder's fees on the Albany South East Property (note 9).

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	September 30, 2014		**December 31, 2013**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	1,055,250	$0.20	616,100	$ 1.88
Issued	8,140,000	$0.08	1,055,250	$ 0.14
Expired	-	-	(616,100)	$ 1.88
Outstanding, end of period	9,195,250	$0.09	1,055,250	$ 0.14

During the nine months ended September 30, 2014

During the nine months ended September 30, 2014 the exercise price of the warrants granted February 22, 2013 increased from $0.14 to $0.20 as per the original terms.

During the year ended December 31, 2013

The Company used the Black-Scholes option pricing model to calculate the fair value of warrants issued as finders' fees with the following assumptions: risk-free interest rate of 1.07%; expected dividend yield of zero; expected share price volatility of 110%; and expected life of 2 years. The Company used historical volatility to estimate the volatility of the share price. The grant date fair value of the warrants was $0.04. Accordingly, $2,707 was recognized as share-based payments expense during the year ended December 31, 2013.

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**September 30, 2014**
February 22, 2015	0.40	$ 0.20	1,055,250
September 16, 2016	1.96	$ 0.075	8,140,000
	1.75		9,195,250

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

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 relations 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.

Share option transactions and the number of share options outstanding are summarized as follows:

	September 30, 2014		**December 31, 2013**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,550,000	$ 0.23	1,015,625	$ 0.34
Granted	1,290,000	$ 0.06	550,000	$ 0.10
Exercised	(1,012,500)	$ 0.10	-	-
Expired	(355,000)	$ 0.30	(15,625)	$ 3.46
Outstanding, end of period	1,472,500	$ 0.07	1,550,000	$ 0.23

During the nine months ended September 30, 2014

During the nine months ended September 30, 2014, the Company granted 1,290,000 stock options to consultants with expiry dates of two years from the date of grant and exercise prices ranging from $0.05 to $0.10 per share. All the options granted are fully vested and exercisable upon grant.

The Company applied the fair value method using the Black-Scholes option pricing model in accounting for its share options granted with the following weighted-average assumptions: risk-free interest rate of 1.11%; expected dividend yield of zero; expected share price volatility of 149%; and expected life of 2 year. The Company used historical volatility to estimate the volatility of the share price. The weighted average grant date fair value of each option was $0.05. Accordingly, $60,483 was recognized as share-based payment expense during the nine months ended September 30, 2014.

(Unaudited - Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Share options (continued)

During the nine months ended September 30, 2014, the Company received $101,250 on the exercise of 1,012,500 share options. The Company transferred $79,336 from the share-based payments reserve to share capital on the exercise of the options.

During the nine months ended September 30, 2014, the Company amended the exercise price of 645,00 share options granted on July 9, 2012, from $0.30 to $0.10. To calculate the incremental value of the amendment, the Company used the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 1.15%; expected dividend yield of zero; expected share price volatility of 149%; expected life of 3.23 years. The Company used the historical volatility to estimate the volatility of the share price. The incremental value of $5,640 was recorded as share-based payment expense.

During the year ended December 31, 2013

On September 18, 2013, the Company granted 550,000 share options to its consultants exercisable at a price of $0.10 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 $0.04. Accordingly, $21,490 was recognized as share-based payment expense during the year ended December 31, 2013.

The following share options were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**September 30, 2014**
April 7, 2016	1.52	$ 0.10	207,500
June 13, 2016	1.70	$ 0.055	150,000
July 2, 2016	1.76	$ 0.05	750,000
July 4, 2016	1.76	$ 0.055	50,000
July 9, 2017	2.78	$ 0.10	315,000
	1.94	$ 0.23	1,472,500

11. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of comprehensive loss for the nine months ended September 30:

	2014	**2013**
Short-term compensation	$ 102,000	$ 102,430

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.

11. RELATED PARTY TRANSACTIONS (Continued)

As at September 30, 2014, accounts payable and accrued liabilities included $38,360 (December 31, 2013 - $125,556) due to current and former directors and officers. The amounts due are non-interest-bearing, unsecured and without stated terms of repayment.

On February 28, 2014, the Company issued 430,000 common shares of the Company in order to settle debts of $43,000 with directors and officers of the Company and 441,070 common shares of the Company in order to settle debts of $44,107 with a Company with common directors and officers.

During the year ended December 31, 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, $20,000 of consulting fees, $32,500 of management and directors' fees and $9,000 of GST.

12. SEGMENTED DISCLOSURE

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

13. COMMITMENTS

The Company entered into management services and consulting agreements with officers, directors and consultants expiring on various dates from June 1, 2015 to August 1, 2015 with a total monthly commitment of $14,000. All the management services and consulting agreements can be terminated with 90 days' notice.

14. SUBSEQUENT EVENT

On November 25, 2014, the Company granted 140,000 stock options at an exercise price of $0.07 per share with an expiry date of three years from the date of grant to a consultant. The options vested immediately upon grant.