

Weststar Resources Corp.

Financial Statements

December 31, 2014 and 2013

(Expressed in Canadian Dollars)

Weststar Resources Corp.

December 31, 2014 and 2013

INDEX

Page

Financial Statements

Independent Auditors' Report to the Shareholders

Statements of Financial Position 1

Statements of Comprehensive Loss 2

Statements of Changes in Equity 3

Statements of Cash Flows 4

Notes to the Financial Statements 5-27

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF WESTSTAR RESOURCES CORP.

We have audited the accompanying financial statements of Weststar Resources Corp., which comprise the statements of financial position as at December 31, 2014 and 2013, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Weststar Resources Corp. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2 in the financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia

April 27, 2015

Weststar Resources Corp.
 Statements of Financial Position
 December 31, 2014 and 2013
 (Expressed in Canadian Dollars)

	2014	2013
Assets		
Current		
Cash	\$ 90,004	\$ 1,586
Receivables (note 6)	18,160	3,618
Share subscriptions receivable (note 10)	57,000	-
Prepaid expenses	47,250	-
	212,414	5,204
Investments (note 7)	60,750	2,250
Property and Equipment (note 8)	1,327	2,047
Exploration and Evaluation Assets (note 9)	1	1,587,458
	\$ 274,492	\$ 1,596,959
Liabilities		
Current		
Accounts payable and accrued liabilities (note 11)	\$ 147,741	\$ 317,159
	147,741	317,159
Shareholders' Equity		
Share Capital (note 10)	14,278,181	13,395,459
Reserves (note 10)	3,901,439	3,901,080
Accumulated Other Comprehensive Income	27,050	2,250
Deficit	(18,079,919)	(16,018,989)
	126,751	1,279,800
	\$ 274,492	\$ 1,596,959

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

Approved on behalf of the Board:

<i>"Keith Anderson"</i>	<i>"William Rascan"</i>
..... Director Director
Keith Anderson	William Rascan

Weststar Resources Corp.
Statements of Comprehensive Loss
Years Ended December 31 2014 and 2013
(Expressed in Canadian Dollars)

	2014	2013
Expenses		
Accounting, legal and audit (note 11)	\$ 19,650	\$ 7,817
Amortization (note 8)	720	1,874
Consulting fees (note 11)	219,409	19,200
Management fees (note 11)	126,000	87,500
Office and general	8,618	19,729
Rent	-	9,021
Share-based payments (note 10)	79,695	21,490
Shareholder communications and investor relations	6,829	5,250
Transfer agent and filing fees	30,260	16,985
	491,181	188,866
Realized gain on available-for-sale investments (note 7)	(6,472)	(5,100)
Gain on debt settlement (note 12)	(84,296)	-
Impairment of exploration and evaluation assets (note 9)	1,587,457	77,780
Loss on sale of exploration and evaluation assets (note 9)	76,760	-
Loss on sale of equipment	-	1,747
Loss Before Income Taxes	2,064,630	263,293
Income Taxes		
Deferred income tax recovery	(3,700)	-
Net Loss for the Year	2,060,930	263,293
Items that may be reclassified subsequently to profit or loss		
Unrealized loss (gain) on available-for-sale investments (note 7)	(28,500)	31,500
Income tax effect on unrealized gain	3,700	-
Comprehensive Loss for the Year	\$ 2,036,130	\$ 294,793
Basic and Diluted Loss Per Share	\$ 0.10	\$ 0.02
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	21,637,159	14,578,292

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

Weststar Resources Corp.
Statements of Changes in Equity
(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 share options granted	-	-	21,490	-	-	21,490
Net loss and comprehensive loss for the year	-	-	-	(31,500)	(263,293)	(294,793)
Balance, December 31, 2013	15,686,746	\$ 13,395,459	\$ 3,901,080	\$ 2,250	\$ (16,018,989)	\$ 1,279,800
Balance, December 31, 2013	15,686,746	\$ 13,395,459	\$ 3,901,080	\$ 2,250	\$ (16,018,989)	\$ 1,279,800
Private placement	11,080,000	554,000	-	-	-	554,000
Share issue costs	-	(26,762)	-	-	-	(26,762)
Shares issued for exploration and evaluation assets	1,675,000	106,500	-	-	-	106,500
Shares issued for debt settlement	1,462,744	68,398	-	-	-	68,398
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	-	-	74,055	-	-	74,055
Re-pricing of share options	-	-	5,640	-	-	5,640
Net loss and comprehensive loss for the year	-	-	-	24,800	(2,060,930)	(2,036,130)
Balance, December 31, 2014	30,916,990	\$ 14,278,181	\$ 3,901,439	\$ 27,050	\$ (18,079,919)	\$ 126,751

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

Weststar Resources Corp.

Statements of Cash Flows

Years Ended December 31

(Expressed in Canadian Dollars)

	2014	2013
Operating Activities		
Net loss for the year	\$ (2,060,930)	\$ (263,293)
Items not involving cash		
Amortization	720	1,874
Share-based payments	79,695	21,490
Realized gain on available-for-sale investments	(6,472)	(5,100)
Gain on debt settlement	(84,296)	-
Impairment of exploration and evaluation assets	1,587,457	77,780
Loss on sale of exploration and evaluation assets	76,760	-
Deferred income tax recovery	(3,700)	-
Loss on sale of equipment	-	1,747
Changes in non-cash working capital		
Receivables	(14,542)	16,855
Prepaid expenses	(47,250)	2,949
Accounts payable and accrued liabilities	(16,724)	(22,661)
Cash Used in Operating Activities	(489,282)	(168,359)
Investing Activities		
Proceeds from investments	6,472	5,100
Exploration and evaluation asset recoveries (expenditures), net	(260)	32,657
Proceeds from sale of equipment	-	250
Recovery of reclamation deposits	-	5,000
Acquisition of exploration and evaluation assets	-	(5,000)
Cash Provided by Investing Activities	6,212	38,007
Financing Activity		
Shares issued for cash, net of issue costs	571,488	129,045
Cash Provided by Financing Activity	571,488	129,045
Inflow (Outflow) of Cash	88,418	(1,307)
Cash, Beginning of Year	1,586	2,893
Cash, End of Year	\$ 90,004	\$ 1,586

Supplemental Disclosure with Respect to Cash Flows (note 13)

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

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Weststar Resources Corp. (the "Company") is a Vancouver, British Columbia, based company 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 TSX Venture Exchange ("TSX-V"), and the Company's shares were listed for trading on September 22, 2006. On February 10, 2015, the Company delisted from the TSX Venture Exchange and began trading on the Canadian Securities Exchange (the "Exchange") under the symbol "WER".

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 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 significant doubt on the validity of this assumption. The Company incurred an operating loss during the year ended December 31, 2014 of \$2,060,930 (2013 - \$263,293) and has a deficit of \$18,079,919 (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 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 financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

These 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 financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION (Continued)

c) Approval of the financial statements

The financial statements of Weststar Resources Corp. for the year ended December 31, 2014 were approved and authorized for issue by the Board of Directors on April 27, 2015.

d) Use of estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the 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 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 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 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;
- 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 financial statements, as appropriate.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout the year to the Company for purposes of these financial statements.

a) Foreign currency translation

The Company's presentation currency and the functional currency is the Canadian dollar, as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions and are not subsequently restated.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

b) Property and equipment

i) *Recognition and measurement*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii) *Subsequent costs*

The cost of replacing part of an item of property and 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 its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property and equipment (continued)

iii) *Amortization*

The amortization rates applicable to each category of property and equipment are as follows:

Class of equipment	Amortization rate
Computer equipment	55% declining-balance
Office equipment	20% declining-balance
Leasehold improvements	20% straight-line

One-half the annual amortization is taken in the year of equipment acquisition.

c) Exploration and evaluation assets

i) *Exploration and evaluation expenditures*

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once a license to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration, and classified as a component of mineral properties. Such expenditures include, but are not limited to, exploration license expenditures, leasehold property acquisition costs, evaluation costs, including drilling costs directly attributable to a property, and directly attributable to general and administrative costs. From time to time the Company may acquire or dispose of a mineral property pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “mines under construction”. No amortization is taken during the exploration and evaluation phase.

ii) *Decommissioning liabilities*

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Exploration and evaluation assets (continued)

ii) *Decommissioning liabilities (continued)*

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against operating profit. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. To date the Company does not have any decommissioning liabilities.

d) Impairment of assets

Assets that have an indefinite useful life are tested annually for impairment. At the end of each reporting period, the Company reviews the carrying amounts of its assets that are subject to amortization to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

e) Share capital

Proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is valued at the closing market price at the date of issuance. The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related reserve value is transferred to share capital.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Flow-through shares

Resource expenditures for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. A liability is recognized for the premium on the flow-through shares and is subsequently reversed as the Company incurs qualifying Canadian exploration expenses.

In circumstances where the Company has issued flow-through shares by way of a unit offering, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve first based on the fair value of the warrant component using the Black-Scholes option pricing model on grant date. Any remaining residual value is then recognized as a liability for the premium on the flow-through shares.

g) Financial instruments

i) *Financial assets*

The Company classifies its financial assets in the following categories: FVTPL, held-to-maturity investments (“HTM”), loans and receivables, and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- **Financial assets at fair value through profit or loss**
Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents are included in this category of financial assets.
- **Held-to-maturity investments**
HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.
- **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment.
- **Available-for-sale financial assets**
AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity.

When financial assets classified as AFS are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss. Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are recognized in profit or loss.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial instruments (continued)

i) *Financial assets (continued)*

- **Effective interest method**

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

ii) *Financial liabilities*

The Company classifies its financial liabilities in the following categories: borrowings and other financial liabilities and derivative financial liabilities.

- **Borrowings and other financial liabilities**

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

- **Derivative financial liabilities**

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

iii) *Fair value hierarchy*

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3:	Inputs for assets or liabilities that are not based on observable market data.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Share-based payment transactions

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in option reserves is transferred to share capital.

i) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. 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.

j) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- k) New accounting standards issued but not yet effective

IFRS 9 Financial Instruments (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company's annual periods beginning on January 1, 2018.

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 and share subscription receivable, 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, 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 December 31, 2014 equal \$147,741 (2013 - \$317,159). All of the liabilities presented as accounts payable are due within 90 days of December 31, 2014.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (Continued)

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 exposure within acceptable parameters, while optimizing the return on capital.

As at December 31, 2014, the Company is not exposed to significant market risk.

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 year ended December 31, 2014. The Company is not subject to external restrictions on its capital.

6. RECEIVABLES

Receivables at December 31, 2014 consists of GST recoverable of \$18,160 (2013 - \$3,618).

7. INVESTMENTS

Canada Coal Inc. ("CCK")

The Company received 500,000 common shares of 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 December 31, 2014, 75,000 common shares remain in escrow (2013 - 225,000).

During the year ended December 31, 2014, the Company sold 150,000 common shares of CCK for proceeds of \$6,472. As at December 31, 2014, the fair value of the remaining 75,000 common shares of CCK held was \$750, and an unrealized loss of \$1,500 was recorded in other comprehensive income (loss) for the year ended December 31, 2014.

During the year ended December 31, 2013, the Company sold 150,000 common shares of CCK for proceeds of \$5,100. At December 31, 2013, the fair value of the remaining 225,000 common shares of CCK held was \$2,250, and an unrealized loss of \$31,500 was recorded in other comprehensive income (loss) for the year ended December 31, 2013.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

7. INVESTMENTS (Continued)Saint Jean Carbon Inc. ("SJL")

The Company received 3,000,000 common shares of SJL, valued at \$30,000, pursuant to the disposition of exploration and evaluation assets during the year ended December 31, 2014 (note 9).

At December 31, 2014, the fair value of the 3,000,000 common shares of SJL held was \$60,000, and an unrealized gain of \$30,000 was recorded in other comprehensive income (loss) for the year ended December 31, 2014.

8. PROPERTY AND EQUIPMENT

	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 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	489	231	-	720
Balance, December 31, 2014	\$ 2,324	\$ 1,105	\$ -	\$ 3,429
Carry amounts				
Net Book Value, December 31, 2013	\$ 889	\$ 1,158	\$ -	\$ 2,047
Net Book Value, December 31, 2014	\$ 400	\$ 927	\$ -	\$ 1,327

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.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

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):

- \$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 February 12, 2014. 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.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (Continued)

Axe Property (continued)

Copper Mountain could 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 was 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):

- \$5,000 upon signing the LOI (received);
- \$20,000 upon completion of the agreement (received);
- \$30,000 on February 12, 2015;
- \$50,000 on February 12, 2016;
- \$100,000 on February 12, 2017;
- \$150,000 on February 12, 2018; and
- \$200,000 on February 12, 2019.

If Copper Mountain exercised the option, the Company, Bearclaw and Copper Mountain would enter into a formal joint venture agreement. Copper Mountain would 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 would 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 exercised the second option and acquires an undivided 75% interest in the Axe Property, the Company and Bearclaw would have a 17.5% and 7.5% participating interest, respectively.

The \$30,000 payment has not been received and the Company has determined that Copper Mountain is in default of the agreement. The Company does not plan to further develop the Axe property without a joint venture partner. Accordingly, the property was deemed to be impaired at December 31, 2014 and written down to \$1.

East Miller Claims and Page Property

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 acquisition and 125,000 common shares (valued at \$7,500) as finders' fees.

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 acquisition.

On December 10, 2014, the Company sold its interests in the East Miller Claims and the Page Property to SJL in exchange for 3,000,000 common shares of SJL (valued at \$30,000). The sale resulted in a loss on sale of \$76,760.

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).

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (Continued)

Albany South East Property (continued)

The \$15,000 cash payment was not made and the Company was 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 year ended December 31, 2014, the Company terminated the option agreement.

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.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (Continued)

Environmental (continued)

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.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (Continued)

	Axe Property	Albany South East Property	Tahs Reach Property	East Miller Claims and Page Property	Total
Balance, December 31, 2013	\$ 1,587,458	\$ -	\$ -	\$ -	\$ 1,587,458
Acquisition costs	-	-	-	106,760	106,760
Sale of exploration and evaluation assets	-	-	-	(106,760)	(106,760)
Impairment of acquisition and exploration costs	(1,587,457)	-	-	-	(1,587,457)
Balance, December 31, 2014	\$ 1	\$ -	\$ -	\$ -	\$ 1
	Axe Property	Albany South East Property	Tahs Reach Property	East Miller Claims and Page 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

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

10. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value

Issued share capital

During the year ended December 31, 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. The Company recognized a gain on debt settlement of \$61,290 (note 12).

On September 18, 2014, the Company closed the first tranche of 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. The Company paid finder's fees of \$13,900 and other share issue costs of \$2,907.

On December 16, 2014, the Company closed the second tranche of a non-brokered private placement and issued 2,940,000 units at a price of \$0.05 per unit for gross proceeds of \$147,000. 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. The Company paid finder's fees of \$9,000 and other share issue costs of \$955. Share subscriptions proceeds of \$57,000 were received subsequent to December 31, 2014.

On December 23, 2014, the Company issued 236,944 common shares of the Company in order to settle debts of \$19,777 with directors, officers, consultants and a company with common directors. The Company recognized a gain on debt settlement of \$12,669 (note 12).

During the year ended December 31, 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.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)

Issued share capital (continued)

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).

Warrants

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

	2014		2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	1,055,250	\$ 0.14	616,100	\$ 1.88
Issued	11,080,000	\$ 0.075	1,055,250	\$ 0.14
Expired	-	-	(616,100)	\$ 1.88
Outstanding, end of year	12,135,250	\$ 0.09	1,055,250	\$ 0.14

During the year ended December 31, 2014

During the year ended December 31, 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 \$0.02. Accordingly, \$2,707 was recognized as share-based payments expense during the year ended December 31, 2013.

The following warrants are outstanding and exercisable at December 31, 2014:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	2014	2013
February 22, 2015*	0.15	\$ 0.20	1,055,250	1,055,250
September 16, 2016	1.71	\$ 0.075	8,140,000	-
December 16, 2016	1.96	\$ 0.075	2,940,000	-
	1.75	\$ 0.09	12,135,250	1,055,250

* Expired unexercised subsequent to the year ended December 31, 2014

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(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:

	2014		2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,550,000	\$ 0.23	1,015,625	\$ 0.34
Granted	1,830,000	\$ 0.06	550,000	\$ 0.10
Exercised	(1,012,500)	\$ 0.10	-	-
Expired	(355,000)	\$ 0.30	(15,625)	\$ 3.46
Outstanding, end of year	2,012,500	\$ 0.06	1,550,000	\$ 0.23

During the year ended December 31, 2014

During the year ended December 31, 2014, the Company granted 1,830,000 share options to consultants with expiry dates of two to three 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 148%; and expected life of 2.08 years. 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, \$74,055 was recognized as share-based payment expense during the year ended December 31, 2014.

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (Continued)**Share options (continued)**

During the year ended December 31, 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, 2014, the Company amended the exercise price of 645,000 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 at December 31, 2014:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	2014	2013
September 18, 2014	-	\$ 0.10	-	550,000
April 7, 2016	1.27	\$ 0.10	207,500	-
June 13, 2016	1.45	\$ 0.055	150,000	-
July 2, 2016	1.50	\$ 0.05	750,000	-
July 4, 2016	1.51	\$ 0.055	50,000	-
August 22, 2016	1.64	\$ 0.50	300,000	-
September 5, 2016	1.68	\$ 0.50	100,000	-
July 9, 2017	2.52	\$ 0.10	315,000	1,000,000
November 25, 2017	2.90	\$ 0.07	140,000	-
	1.76	\$ 0.06	2,012,500	1,550,000

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

11. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the statements of comprehensive loss:

	2014	2013
Short-term compensation	\$ 135,500	\$ 138,430
Share-based payments	\$ -	\$ -

The amounts charged to the Company for the services provided have been determined by negotiation among the parties, and in certain cases, by signed agreements. These transactions were in the normal course of operations.

As at December 31, 2014, accounts payable and accrued liabilities included \$44,000 (2013 - \$125,556) due to companies controlled by directors and officers 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 was 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. GAIN ON SETTLEMENT OF DEBTS

During the year ended December 31, 2014, the Company recorded a gain on settlement of debts of \$84,296 (2013 - \$nil) consisting of \$73,959 (2013 - \$nil) recognized on shares for debt agreements with directors, officers and consultants (note 10) and \$10,337 (2013 - \$nil) as a result of a debt settlement agreement with a vendor.

13. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2014	2013
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Shares issued for exploration and evaluation assets	\$ 106,500	\$ 72,500
Investments received on sale of exploration and evaluation assets	\$ 30,000	\$ -
Shares issued for debt settlement	\$ 68,398	\$ -
Fair value of options exercise	\$ 79,336	\$ -

14. SEGMENTED DISCLOSURE

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

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

15. COMMITMENTS

The Company entered into management services and consulting agreements with officers, directors and consultants expiring on various dates from June 1, 2014 to August 1, 2014 with a total monthly commitment of \$19,000. All the management services and consulting agreements can be terminated with 90 days' notice.

16. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2013 - 25.75%) to income before income taxes.

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2014	2013
Loss before income taxes	\$ (2,064,630)	\$ (263,293)
Statutory income tax rate	26.00%	25.75%
Income tax benefit computed at statutory tax rate	(536,804)	(67,798)
Items not deductible for income tax purposes	15,039	5,756
Change in timing differences	(8,641)	(5,842)
Effect of change in tax rate	-	272
Unrecognized benefit of deferred income tax assets	526,706	67,612
Deferred income tax recovery	\$ (3,700)	\$ -

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of December 31 are as follows:

	2014	2013
Non-capital losses carried forward	\$ 5,603,301	\$ 5,196,206
Excess of tax value over carrying value of exploration and evaluation assets	10,160,822	8,436,105
Excess of tax value over carrying value of property and equipment	3,429	2,709
Share issue costs	63,370	95,379
AFS investment	62,455	76,705
Unrecognized deductible temporary differences	\$ 15,893,377	\$ 13,807,104

Weststar Resources Corp.

Notes to the Financial Statements

Years ended December 31, 2014 and 2013

(Expressed in Canadian Dollars)

16. INCOME TAXES (Continued)

The Company has non-capital losses of \$5,603,000 available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

2015	\$	52,000
2026		92,000
2027		404,000
2028		607,000
2029		1,385,000
2030		727,000
2031		1,111,000
2032		580,000
2033		238,000
2034		407,000
	\$	5,603,000