

WESTSTAR RESOURCES LTD.

FINANCIAL STATEMENTS

MARCH 31, 2008

(UNAUDITED - PREPARED BY MANAGEMENT)

BALANCE SHEET

STATEMENT OF LOSS AND DEFICIT

STATEMENT OF CASH FLOWS

NOTES TO FINANCIAL STATEMENTS

**MANAGEMENT COMMENTS ON UNAUDITED
CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited consolidated financial statements of Weststar Resources Ltd. for the three months ended March 31, 2008 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

WESTSTAR RESOURCES LTD.

BALANCE SHEET AS AT MARCH 31, 2008

(UNAUDITED - PREPARED BY MANAGEMENT)

ASSETS

	March 31, <u>2008</u>	Dec. 31, <u>2007</u>
CURRENT		
Cash	\$ 119,402	\$ 181,346
GST receivable	<u>30,936</u>	<u>27,893</u>
	150,338	209,239
MINERAL PROPERTY (Note 3)	263,500	263,500
DEFERRED EXPLORATION COSTS (Note 3)	<u>1,146,777</u>	<u>1,142,299</u>
	<u>\$ 1,560,615</u>	<u>\$ 1,615,038</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	<u>\$ 16,186</u>	<u>\$ 19,878</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (Note 4)	1,996,554	1,996,554
CONTRIBUTED SURPLUS (Note 4)	242,282	242,282
DEFICIT	<u>(694,407)</u>	<u>(643,676)</u>
	<u>1,544,429</u>	<u>1,595,160</u>
	<u>\$ 1,560,615</u>	<u>\$ 1,615,038</u>

APPROVED BY THE DIRECTORS:

"Christopher Dyakowski"

"Jerry A. Minni"

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

WESTSTAR RESOURCES LTD.

STATEMENT OF LOSS AND DEFICIT

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

(UNAUDITED - PREPARED BY MANAGEMENT)

	<u>2008</u>	<u>2007</u>
EXPENSES		
Filing fees	\$ 5,500	\$ 4,250
Interest and bank charges	68	139
Investor communications	14,040	30,516
Management fees and administration	15,000	15,000
Office and miscellaneous	1,479	3,301
Professional fees	4,285	18,695
Rent	7,500	7,500
Stock-based compensation	-	4,841
Telephone	2,869	3,070
Transfer agent	830	5,202
Travel and promotion	<u>-</u>	<u>7,764</u>
LOSS BEFORE OTHER ITEM	(51,571)	(100,278)
OTHER ITEM:		
Interest income	<u>840</u>	<u>3,599</u>
NET LOSS FOR THE PERIOD	(50,731)	(96,679)
DEFICIT, BEGINNING OF PERIOD	<u>(643,676)</u>	<u>(127,522)</u>
DEFICIT, END OF PERIOD	<u>\$ (694,407)</u>	<u>\$ (224,201)</u>
BASIC AND DILUTED LOSS PER SHARE	<u>\$ (0.002)</u>	<u>\$ (0.011)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>21,828,690</u>	<u>9,018,049</u>

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

WESTSTAR RESOURCES LTD.

STATEMENT OF CASH FLOWS

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2008 AND 2007

(UNAUDITED - PREPARED BY MANAGEMENT)

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Net loss for the period	\$ (50,731)	\$ (96,679)
Items not involving cash:		
Stock-based compensation	-	4,841
	<u>(50,731)</u>	<u>(91,838)</u>
Changes in working capital items:		
GST receivable	(3,043)	3,998
Accounts payable and accrued liabilities	(3,692)	(9,766)
Prepaid expenses and deposits	-	(45,000)
	<u>(57,466)</u>	<u>(142,606)</u>
FINANCING ACTIVITIES		
Issuance of share capital	<u>-</u>	<u>1,055,373</u>
INVESTING ACTIVITIES		
Deferred exploration costs	(4,478)	(3,039)
Acquisition of mineral property	-	(15,000)
	<u>(4,478)</u>	<u>(18,039)</u>
INCREASE (DECREASE) IN CASH	(61,944)	894,728
CASH, BEGINNING OF PERIOD	<u>181,346</u>	<u>237,294</u>
CASH, END OF PERIOD	<u><u>\$ 119,402</u></u>	<u><u>\$ 1,132,022</u></u>

SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION:

Non-cash investing and financial activities

Shares issued as property option payment	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
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WESTSTAR RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

(UNAUDITED - PREPARED BY MANAGEMENT)

1. NATURE OF OPERATIONS

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

2. SUMMARY OF ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Significant areas require the use of management estimates relate to the determination of impairment of mineral properties and deferred exploration costs. Actual results could differ from those reported.

b) Mineral Properties and Exploration Costs

The Company records its interests in mineral properties at cost. All direct costs relating to the acquisition of these interests are capitalized until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized on the unit of production basis over the proven reserves of the related property following commencement of production. Proceeds received, as a result of the sale of a mineral property, will be applied first against the book value of the property, and any excess will be set off against deferred exploration costs.

Exploration costs relating to mineral properties are deferred until the properties are brought into production, at which time the deferred exploration costs are to be amortized on a unit of production basis, or until the properties are abandoned or sold, at which time the deferred costs are written off.

The mineral properties and exploration costs are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When there is evidence of impairment, the net carrying amount of the asset will be written down to its net recoverable amount which is the estimated undiscounted future net cash flows expected to result from the asset and its eventual disposition. The loss on impairment written off is not reversed even if circumstances change and the net recoverable amount subsequently increases.

The amounts shown as mineral property and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

2. SUMMARY OF ACCOUNTING POLICIES – continued

c) General and Administrative Expenses

The Company charges all general and administrative expenses not directly related to exploration activities to operations as incurred.

d) Fair Market Value of Financial Instruments.

The carrying values of cash, restricted cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities and amount due to a related party approximate their fair market value due to the short maturity of these instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

e) Basic and Diluted Loss per Share

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

f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

g) Flow-Through Shares

In March 2004, the CICA issued Emerging Issue Committee Abstract No. 146 (EIC-146), Flow-through Shares, which clarifies the recognition of previously unrecorded future income tax assets caused by renouncement of expenditures relating to flow-through shares. The Company has adopted prospectively the new recommendation for flow-through shares issued after March 19, 2004 and now records the tax effect related to renounced reductions as a reduction of income tax expenses in the statements of loss and deficit on the date that the Company renounces the deductions for investors whereas previously the tax effect was recorded as a credit to equity. This change in accounting policy has no effect on the financial statements.

2. SUMMARY OF ACCOUNTING POLICIES – continued

h) Financial Instruments

The Company adopted CICA Section 3855, *Financial Instruments – Recognition and Measurement*. The section establishes standards for determining when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and whether it will be measured using a cost-based or fair value method. The adoption of this new accounting policy had no significant effect on these financial statements.

The carrying amounts of cash and cash equivalents, GST recoverable, and accounts payable and accrued liabilities approximate fair value because of the short-term maturity of these items.

i) Comprehensive Income

The Company adopted CICA Section 1530, *Comprehensive Income*. This section requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes net income or loss and other comprehensive income. Other comprehensive income may include holding gains and losses on available-for sale securities, gains and losses on certain derivative instruments and foreign gains and losses from self sustaining foreign operations. The adoption of this new accounting policy had no significant effect on these financial statements. During the current period the Company did not have any other comprehensive income components.

j) Hedges

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the previous AcG-13, “Hedging Relationships”, and CICA 1650, “Foreign Currency Translation”, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company had no hedging relationships as at March 31, 2008. The adoption of this standard did not have an impact on the Company’s financial statements.

3. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS

	<u>2007</u>	<u>2007</u>
Balance, beginning of period	\$ 1,142,299	\$ 388,050
Core expenses	781	28,099
Drilling	-	600,974
Geological surveys, consulting and reports	3,697	79,744
Travel, supplies and field expenses	<u>-</u>	<u>45,432</u>
Deferred exploration costs, end of period	<u>\$ 1,146,777</u>	<u>\$ 1,142,299</u>
Acquisition costs	<u>\$ 263,500</u>	<u>\$ 263,500</u>

3. MINERAL PROPERTY AND DEFERRED EXPLORATION COSTS - continued

Axe Property

Pursuant to an option agreement dated July 19, 2005, the Company was granted an option to acquire up to a 66% interest in the Axe claims comprised of 119 units situated in the Similkameen Mining District, Province of B.C. As consideration for the property, the Company paid \$5,000.

Under the terms of the agreement the Company is required to spend \$300,000 (spent) in exploration expenses on or before December 31, 2006 and issue up to 200,000 shares to earn a 51% interest in the claims. The shares are to be issued as to 50,000 (issued) upon receipt being issued by the relevant regulatory authorities with respect to the prospectus and 50,000 shares every year thereafter until the aggregate sum of 200,000 shares has been issued. (See Note 6(a)).

The Company has the option to earn an additional 15% interest in the property by issuing an additional 100,000 shares and expending an additional \$200,000 on the property by December 31, 2007. (See Note 6(a)).

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

4. SHARE CAPITAL

a) Authorized:

100,000,000 common shares without par value

b) Issued and Fully Paid

	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed Surplus</u>
Balance, December. 31, 2007 and March 31, 2008	<u>21,826,690</u>	<u>\$ 1,996,554</u>	<u>\$ 242,282</u>

4. SHARE CAPITAL - continued

c) Stock Options

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

At March 31, 2008, the Company had the following stock options outstanding:

<u>Quantity</u>	<u>Exercise Price</u> <u>Per Share</u>	<u>Expiry Date</u>
1,750,000	\$ 0.125	June 1, 2011
100,000	0.325	February 2, 2009
800,000	0.325	March 15, 2012

*These options vest quarterly over eighteen months

4. SHARE CAPITAL - continued

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options issued. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

For the period ended March 31, 2008 the Company recorded a stock-option compensation charge of \$Nil (2007 - \$4,841) in respect of the stock options granted during the period. The fair value of these stocks, which are vested at the date of grant, is estimated on the grant date using the Black-Scholes option pricing model. The assumptions used in calculating fair value are as follows:

Risk free interest rate	4.31% to 4.33%
Expected life of option	2-5 years
Expected dividend yield	0.0%
Expected stock price volatility	119.9%

5. RELATED PARTY TRANSACTIONS

- a) During the period, the Company paid \$15,000 (2007 - \$15,000) for management fees and administration expenses to a company controlled by a director.
- b) During the period the Company paid \$4,285 (2007 - \$4,300) to a firm in which two directors are partners for accounting fees.
- c) During the period the Company paid \$7,500 (2007 - \$7500) in rent to a company in which a director has an interest.