FORWARD-LOOKING INFORMATION

This Management Discussion and Analysis ("MD&A") contains certain forward-looking statements and information relating to Weststar Resources Corp. ("WER" or the "Company") that are based on the beliefs of its management as well as assumptions made by and information currently available to WER. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to WER or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of WER exploration properties. Such statements reflect the current views of WER with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of WER to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the Province of British Columbia on October 27, 2004. The Company common shares were listed for trading on the TSX Venture Exchange ("TSX") as a junior mineral exploration company on September 22, 2006.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties. The Company has not yet determined whether any of its properties contains reserves that are economically recoverable. The recoverability of amounts shown for resource property and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource property and upon future profitable production or proceeds from the disposition thereof.

EXPLORATION PROJECT – La Paloma

On March 17, 2011 and as amended June 30, 2011, the Company entered into a letter of intent (the "Agreement") with Lekona Minerals Incorporated's ("Lekona") to acquire the rights, title and interest in and to the La Paloma concessions, including the 20% undivided interest held by Lekona and Lekona's rights under the underlying option agreement between Lekona and Minera Sierra de Oro S.A. de C.V. ("Minera"). The La Paloma property concession is located in the state of Jalisco, Mexico and comprises 155 hectares of mineral rights. The Company was assigned an option to acquire an 80% interest in the La Paloma concessions from Minera under an option agreement dated September 15, 2010, amended April 30, 2011 (together the "Option Agreement") between Lekona and Minera. Lekona had previously exercised a portion of the option granted under the Option Agreement and accordingly Weststar now owns a 20% undivided interest in the La Paloma concessions. The Company completed the transaction on August 9, 2011 (the "Closing Date"). The terms of the Agreement and amounts are as follows:

- paying Lekona, the sum of $700,000 (paid);
- issuing 4,000,000 common shares (fair value of $2,521,592) in the capital stock of the Company to Lekona's shareholders and 1,650,000 common shares (fair value of $1,007,157) in the capital stock of the Company to Minera;

- issuing 1,500,000 share purchase warrants (fair value of $449,751) to Lekona, each such warrant being exercisable into one common share of the Company at a price of $1.50 per common share for a period expiring August 9, 2012. The Warrants are only exercisable in the event:

  (i) the Company completes Phase I of the work program contained in the NI 43-101 report dated June 26, 2011 on the Project and delivers a new NI 43-101 compliant report describing the results of the Phase I work, and accommodation to proceed to Phase 2 (the "Completion Date"); and

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

- issue 2,000,000 common shares in the capital stock of the Company to Lekona's shareholders within 10 business days of the Completion Date;
- pay $1,100,000 on or before August 9, 2012 to or to the direction of Lekona;
- to assume all of the unfulfilled obligations of Lekona under the Option Agreement, including the payments of cash and shares due to Minera thereunder; and
- on commencement of commercial production from the Project, to pay to Lekona a 2% net smelter returns royalty, on the terms set out in the Amendment Agreement.

The Option Agreement between Lekona and La Paloma provided for the following terms (all share issuances required under the Option Agreement from Lekona, to be assumed by Weststar):

- a non-refundable deposit of $50,000 (paid by Lekona);
- a payment of $300,000 (paid by Lekona), together with a transfer of 2,000,000 common shares in the capital stock of Lekona (transferred), which obligations have been satisfied and in consideration for which Lekona acquired an undivided 20% interest in the Project;
- on or before April 30, 2011, a further payment of $300,000.00 (paid by Lekona);
- on closing of the transaction between the Company and Lekona, the issuance of 1,650,000 common shares (issued at a fair value of $1,007,157) in the capital stock of the Company and the expenditure on or before October 30, 2011 of $200,000 (incurred) on or in respect of the property. In consideration for the foregoing, Weststar shall acquire a further 20% interest in the La Paloma concessions, for an aggregate 40% interest;
- on or before October 30, 2011, a further payment of $400,000 (paid) and the issuance of 1,000,000 common shares (fair value of $470,000) of Weststar. In addition, a further $250,000 is to be expended on or in respect of the property and a National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") level report is to be generated. In consideration of the foregoing, Weststar shall acquire a further 20% interest in the Project, for an aggregate 60% interest in the property; and
- on or before October 30, 2012, a final payment of $2,000,000, the issuance of an additional 2,000,000 shares in the capital stock of Weststar and the expenditure of a further $750,000 on or in respect of the property. In consideration of the foregoing, Weststar shall acquire a further 20% interest in the property, for an aggregate 80% interest in the property.

In addition to the foregoing, in the event that Weststar receives a NI 43-101 compliant report, acceptable to both parties, drawn in accordance with NI 43-101, indicating that there are resources of gold and silver in the Project exceeding 4,000,000 ounces and 150,000,000 ounces, respectively, Weststar shall deliver to or to the order of Minera 5,000,000 common shares of Weststar. The NI 43-101 shall be undertaken and paid for by Weststar on or prior to October 31, 2014, or within 12 months following Weststar acquiring the 80% undivided interest in the Project, as contemplated by the Option Agreement, which ever event occurs first.

Snowden Industry Mining Consultants Ltd. ("Snowden") was contracted to do a site visit and take samples to support the opinion of mineral occurrence. This report was written to be compliant with the requirements of National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") for the purposes of this acquisition.

Snowden, during its site visit, collected 10 samples from outcrops and structures found during their site visit. The samples were representative of the area being evaluated and channel samples were taken across structures with a conscious effort made to include sample from the full width of the structure of interest as shown below in Table 1. The Company was excited to receive the sample assays which returned gold values of up to 49.20 grams / tonne ("g/t") gold. Silver values were as high as 385 g/t. Eight (8) of the ten (10) samples returned very good to excellent grades. These eight (8) samples were taken from inside the old mine workings. The other two (2) samples were taken at the tunnel entrances outside the old mine. As expected these two (2) samples taken from outside the mine in wall rock (chip sample numbers 1 & 7) at the tunnel entrances returned lower values of gold. The samples were sent to ALS Chemex Laboratories in North Vancouver, B.C. and in the report Snowden has confirmed presence of gold and silver mineralization. In addition it concludes that the La Paloma concessions host epithermal style mineralization and is a property of merit.

Table 1: Gold and Silver Assays from Samples

Sample Number	Gold g/t	Silver g/t	Sample Type	Notes
1	0.01	1.60	Chip	Tunnel 3 Entrance
2	8.77	222.00	Chip	Outcrop near peak
3	4.44	385.00	Chip	Entrance of Tunnel 1
4	0.39	87.40	Chip	Inside Tunnel 1
5	1.90	211.00	Chip	Artisanal Workings
6	1.41	131.00	Chip	Artisanal Workings
7	0.16	4.40	Chip	Tunnel 5 Entrance
8	10.10	26.60	Chip	5m inside Tunnel 5
9	49.20	119.00	Chip	Extension of Tunnel 1
10	0.87	15.60	Chip	Artisanal Workings

Snowden recommends that Weststar undertake a phased exploration program of mapping, geophysics and drilling and estimate the cost to be in the order of $1.4 million.

On February 7, 2012 the Company completed an Induced Polarization/Resistivity ("IP/Resistivity") survey and has begun planning for a diamond drill program. The IP/Resistivity survey at the La Paloma property consisted of a total of 5.8 line-kilometres (line-km) which were surveyed along a series of seven lines targeting an 800 metre strike extent of the Main "Piedra Bola" Vein structure. The IP survey represents the final stage in Phase 1 exploration program that included property wide geologic mapping, the collection of 194 rock grab and rock channel samples, 656 soil samples and 174 stream sediment samples. In addition, a total of 20.8 line-km of ground magnetic survey was completed.

The Company is currently selecting drill targets in preparation for a diamond drill program. The drill program will target the most prospective anomalies within the Main "Piedra Bola" Vein structure as well as evaluating the potential of additional mineralized veins on the Property.

About the Drill Targets at La Paloma

Main "Piedra Bola" Vein

Geological mapping within the La Paloma Property has defined a steeply southwest dipping vein structure (Main "Piedra Bola" Vein) over a 1-kilometre strike length. Rock channel sampling across the Piedra Bola Vein assayed up to 0.84 grams-per-tonne (g/t) gold, and 64 g/t silver over 6 metres (Channel 2). Individual mineralized rock samples of outcropping quartz veins returned assays of up to 7.81 g/t gold and 311 g/t silver (sample 11DMP135). The Piedra Bola Vein is coincident with a broad 400 x 1,000 metre greater than 10 parts-per-billion (ppb) gold in soil anomaly that encompasses the nearby Ridge Showing. Individual soil samples within the Piedra Bola Vein soil anomaly have returned assays of up to 3.69 g/t gold.

Ridge Showing

The Ridge showing mentioned above is situated about 300 metres to the southwest of the Piedra Bola Vein. The Ridge Showing covers an area of approximately 100 by 30 metres. This area hosts centimeter-scale branching quartz veinlets and quartz vein breccias. The Ridge Showing is coincident with a 300 x 300 metre, multi-line, greater than 10 ppb gold in soil anomaly that extends over a 200 metre vertical elevation range. Individual soil samples within the Ridge Showing anomaly have retuned assays of up to 557 ppb gold.

East Vein

A second Eastern vein structure ("East Vein") located 195 metres to the northeast of the Piedra Bola Vein has been traced for approximately 200 metres so far. The Company aspires to increase this strike length with further work. Rock channel sampling of this highly altered northwest trending topographic low lineament has returned assays of 8.6 g/t silver over 4 metres (Channel 6).

History of the La Paloma Property

The Property was, at one time, owned by Penoles who relinquished it in 1980. In 1983 and 1984 the Consejo de Recursos Minerales ("CRM"), a government agency, drained and entered the northern end of the main tunnel of the Veta Ancha workings and sampled an exploration drift approximately 100 metres from the 1928 planned mining to the northwest. Based on this work CRM reported a "potential reserve" of 750,000 tonnes grading 4.19 g/t Au and 123 g/t Ag from the CRM. This estimate must be considered a historical resource and does not meet the National Instrument 43-101 definitions for a resource or reserve as stated in sections 1.2 and 1.3. There has been no opportunity to verify either the grade or size of the reported "reserve" and therefore the estimate cannot be considered to comply with NI 43-101. At this time, Snowden has not completed sufficient work to classify the historical reserve estimate as either a current mineral resource or mineral reserve. The Company is not treating the historical estimate as a current mineral resource or mineral reserve as defined in NI 43-101, and therefore the historical estimate should not be relied upon.

The exploration history on the area and concession is described as dating back many hundreds of years. Natives of the area mined and worked silver prior to the arrival of the Spanish. The first known record of mining in the area was described in 1543 by Juan Fernandez de Hijar who identified the mines in the Guachinango, Etzatlan and Guajacatlan districts (C. Rene de Leon Meza). The Property was, at one time, owned by Industrias Peñoles, S.A.B. de C.V. who relinquished it in 1980. Mexican corporations are not required to file reports on their activities, so programs up to this date are unknown.

In 1983 and 1984 the Consejo de Recursos Minerales (CRM), a government agency, drained and entered the northern end of the main tunnel of the Veta Ancha workings and sampled an exploration drift approximately 100 metres from the 1928 planned mining to the northwest. Based on this work CRM reported a "potential reserve" of 750,000 tonnes grading 4.19 g/t Au and 123 g/t Ag from the CRM. This estimate must be considered an historical resource as it does not meet the NI 43-101 definitions for a resource or reserve as stated in sections 1.2 and 1.3. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon.

In 2006, a small leach plant was constructed on the old foundations to process material collected during the clean-up of tunnel #1. Sampling of the tunnels was also carried out. Further exploration was carried out in 2008 which outlined new targets of interest and additional tunnels, not identified in the 1928 reports.

La Paloma Property - Production History

The Piedra Bola mine hosts gold and silver mineralization and was the target of historical mining. On the La Paloma concessions, the mineralized zone extends approximately 1,500m southeast to northwest and it was exploited until a 1928 workers strike terminated mining operations. Documentation from 1927 and 1928 offers detailed accounts of the mining operation. The 1927 Report of Production indicates that 41,090 tonnes were mined at an average grade of 5.87 gpt gold and 507 gpt silver. Plans for 1928 proposed that 44,300 tonnes were to be excavated at an estimated grade of 6.64 gpt gold and 500 gpt silver. A qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon. The main travel and communication tunnel at 1,563ms elevation runs 1500 meters northwest to southeast with entrances to the northwest and a cross-cut tunnel 140 metres to the northeast. Previous exploitation occurred above the 1563 level in the mine to the northwest along 300m of strike length. Plans for 1928 were to develop below the 1563 level. Exploration shafts and tunnels were being developed as the mine shut down.

EXPLORATION PROJECT – Axe Property

Pursuant to an option agreement dated July 19, 2005, the Company has acquired a 70% (originally 66% but amended by mutual consent) 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, issued 300,000 shares and incurred exploration costs of $500,000.

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.

The Company entered into an option agreement with Xstrata Copper Canada (a division of Xstrata Canada Corporation) ("Xstrata") and Bearclaw Capital Corp. ("Bearclaw") dated March 21, 2012 (the "Option Agreement"). Under the terms of the Option Agreement, the Company and Bearclaw have agreed to grant Xstrata an option to earn a 51% interest where Xstrata 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 must incur $3,000,000 of expenditures in exploration activities on the Axe Property.
During the earn-in period, Xstrata must pay to the Company and Bearclaw (collectively, in proportion to their participating Interest in the Axe JV):

a. CDN$25,000 immediately;
b. CDN$25,000 on the first anniversary;
c. CDN$30,000 on the second anniversary;
d. CDN$40,000 on the third anniversary; and
e. CDN$60,000 on the fourth anniversary.

If Xstrata exercises the Option, the Company, Bearclaw and Xstrat will enter into a formal joint venture agreement. Xstrata 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, Xstrata will have the option to acquire an additional 24% undivided interest in the Axe Property (increasing its interest to 75%, absent other adjustments) by either completing a feasibility study on the Axe Property or incurring no less than $15,000,000 in feasibility study expenditures on the Axe Property and providing the Company and Bearclaw with evidence of such expenditures. In the event Xstrata exercises the second option and acquires an undivided 75% interest in the Axe Property, then the Company will have a 17.5% and Bearclaw a 7.5% participating Interest in the Axe Property respectively.

Under the Option Agreement the Company and Bearclaw have 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, which ROFR will terminate at the end of the earn-in period if Xstrata has not exercised the Option.

On September 16, 2008 the Company completed an updated National Instrument 43-101 compliant report prepared by John R. Kerr P.Eng, a Qualified Person on the previously drilled Axe Copper gold property which is located approximately 70 kilometers from the Teck Cominco Highland Valley copper mine near Princeton, British Columbia.

Mr. Kerr has recommended the Company complete further drilling in the South Zone and engage an engineering firm to complete a Resource Calculation from all work to date.

The following table summarizes all drilling done by Weststar in 2006 and 2007.

2006/2007 DRILL RESULTS

Table, Summarizing 2006 and 2007 Drill Results

Hole number	From		To		Core length		Cu content	Au content	
A06 - 01							anomalous - no significant values		
A06 - 02	15	m	37.5	m	22.5	meters	0.21%	0.14	g/t
	78	m	87	m	9	meters	0.27%	0.07	g/t
	91.5	m	108	m	17.5	meters	0.18%	0.10	g/t
	126	m	171	m	45	meters	0.53%	0.15	g/t
	177	m	186	m	9	meters	0.18%	anomalous	
	202.5	m	215	m	12.5	meters	0.65%	0.22	g/t
A06 - 03	18	m	124.5	m	106.5	meters	0.20%	0.15	g/t
A06 - 04								no significant values	
A06 - 05	11	m	25.5	m	14.5	meters	0.36%	0.29	g/t
	25.5	m	75	m	49.5	meters	anomalous	1.29	g/t
	including 61.5	m	64.5	m	3	meters	0.31%	9.64	g/t
	91.5	m	102	m	10.5	meters	anomalous	0.27	g/t
A07 - 06	16.5	m	304.5	m	288	meters	0.27%	0.15	g/t
	including 45	m	60	m	15	meters	0.41%	0.24	g/t
	and 85.5	m	97.5	m	12	meters	0.53%	0.28	g/t
	and 190.5	m	205.5	m	15	meters	0.47%	0.19	g/t
	322.5	m	334.5	m	12	meters	0.21%	0.17	g/t
	358.5	m	370.5	m	12	meters	0.19%	anomalous	
A07 - 07	94.5	m	120	m	25.5	meters	-	1.09	g/t
	including 114	m	117	m	3	meters	-	6.06	g/t
	144	m	150	m	6	meters	-	0.37	g/t
	205.5	m	210	m	4.5	meters	-	0.19	g/t
A07 - 08	42	m	66	m	24	meters	0.16%	0.20	g/t
	121.5	m	246	m	124.5	meters	0.38%	0.22	g/t
	including 234	m	244.5	m	10.5	meters	0.0155%	0.94	g/t
	261	m	307.5	m	46.5	meters	0.18%	0.23	g/t
	331.5	m	340.5	m	9	meters	anomalous	0.90	g/t
A07 - 09	48	m	51	m	3	meters	-	1.06	g/t
	129	m	135	m	6	meters	-	0.20	g/t
	148.5	m	162	m	13.5	meters	anomalous	0.21	g/t
A07 - 10	45	m	51	m	6	meters	0.17%	-	
	91.5	m	106.5	m	15	meters	0.24%	0.14	g/t
	141	m	160.5	m	19.5	meters	0.16%	-	
	181.5	m	187.5	m	6	meters	0.17%	0.14	g/t
	256.5	m	264	m	7.5	meters	0.29%	0.15	g/t
A07 - 11	96	m	109.5	m	13.5	meters	0.17%	0.27	g/t
	121.5	m	124.5	m	3	meters	0.56%	0.57	g/t
	199.5	m	273	m	73.5	meters	0.12%	-	
A07 - 12							no significant assays		
A07 - 13	4.5	m	102	m	97.5	meters	0.17%*	-	
A07 - 14	94.5	m	109.5	m	15	meters	0.17%	0.16	g/t
	151.5	m	162	m	10.5	meters	0.16%	0.15	g/t
	175.5	m	181.5	m	6	meters	0.41%	0.14	g/t

- Composite based on 65 samples (each 1.5 meters), 30 assays reported as % copper and 35 multi-spectrometer analysis reported as ppm copper

On October 20, 2009 the Company announced the commencement of further drilling operations on the Axe project. More Core Diamond Drilling Services Ltd. was drilling HQ size diamond drill holes aimed at both potentially updating a resource estimate for the South Zone; as well stepping out from the gold mineralization previously encountered in the West Zone during the Company's 2006-2007 drilling program.

On December 2, 2009 the Company announced analytical results from drilling operations on the Axe project, an advanced stage project with a known porphyry copper resource. The property consists of 21 mineral claims (119 claim units), located 20 km north of Princeton, British Columbia.

Within the West Zone, three drill holes were drilled to test a gold anomaly located in 2006 drill hole A06-05, which returned 49.5 meters grading 1.29g/t Au, including 3 meters grading 9.64g/t Au. Analytical results for the West Zone drilling are now available and selected results are listed below. Drill hole A09-01 was intended to undercut A06-05, but was abandoned short of its target due to tightening. Drill hole A09-03 was drilled 50m south of A09-06 and intersected significant gold mineralization associated with pyrite. Drill hole A09-04 was collared north of A06-05, and drilled at an azimuth of 065degrees. This hole intersected a thick calc-silicate unit, but may not have intersected the mineralized West Zone fault structure, which appears to be a north, northeast structure.

Drill Hole	Zone	Dip (deg)	Azm (deg)	Footage (m)	Interval (m)	Cu %	Au g/t	Notes
A09-01	West	-50	270	52.5-54.0	1.5	0.054	0.509	
				54.0-56.0	2.0	0.022	0.03	
				56.0-57.9	1.9	0.061	1.115	
				57.9-59.0	1.1	0.117	0.085	
A09-02	South	-90						
A09-03	West	-71	090	44.5-46.0	1.5	0.001	0.234	
				46.0-47.24	1.24	0.001	0.211	
				47.24-50.3	3.06	0.001	**9.25**	Poor recovery pyrite
				50.3-53.35	3.05	**2.0**	**4.39**	Cpy with quartz
				53.35-54.4	1.05	0.21	0.33	
A09-04	West	-70	065	65.53-67.36	1.83	0.105	0.042	
				67.36-68.65	1.29	**0.829**	0.208	in calc-silicate

The 2009 drill results based mainly on drill hole A09-03 suggest a steeply dipping, westerly structure with gold and associated pyrite. As surface drilling has proven to be very difficult with historical poor recoveries within the Axe property, trenching should be an effective method to evaluate the gold-bearing target.

EXPLORATION PROJECT - Golden Fox Group

Golden Fox Claims

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

The terms of the agreement are as follows:

- $75,000 due on signing of the agreement; (paid)
- $75,000 cash ($50,000 paid) and the issuance of 2,500,000 common shares (fair value of $225,000) of the Company;
- Issuance of 500,000 common shares of the Company at a fair value of $200,000 in lieu of $500,000 exploration expenditures work commitment originally to be incurred by September 1, 2010 (at a fair value of $200,000);
- The Vendor will retain a 3% Net Smelter Royalty, of which one-third (1%) can be purchased by the Company for $1,000,000.

Sunrise Claims

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

- $35,000 due within five days (paid) of approval by the TSX Venture Exchange;
- the issuance of 1,000,000 common shares (fair value of $360,000) of the Company;
- Issuance of 1,000,000 common shares of the Company within six months after approval by the TSX Venture Exchange (fair value of $700,000).
- Incur exploration expenditures of $10,000 or pay $100 per claim on or before June 18, 2011 (incurred);
- Incur exploration expenditures of $25,000 on or before September 1, 2011;
- Incur exploration expenditures of $100,000 on or before September 1, 2012.
- The Vendor will retain a 3% Net Smelter Royalty, of which one-third (1%) can be purchased by the Company for $1,000,000.

During the year ended December 31, 2011, the Company decided not to pursue the Golden Fox Group and wrote off the acquisition and exploration costs of $1,744,474.

EXPLORATION PROJECT - McKinnon Group

McKinnon Claims

On July 20, 2009 the Company announced that it has entered into an agreement to acquire a 100% interest in the McKinnon Property, located in Yukon Territory. The property consists of 66 pending quartz claims encompassing approximately 3,400 acres (1380 ha), located about 60 km northeast of the Underworld Resources Ltd.'s "White Gold" Property, and about 40 km due south of Dawson City, Yukon.

The McKinnon Property encompasses two historic gold occurrences: the McKinnon Prospect (Yukon Minfile

115O-054) and the Fothergill Prospect (Yukon Minfile 115O-054).

The terms of the agreement are as follows:

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

Morgan Property

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

The Morgan claims contain numerous historical workings. Since the early 1900's, exploration has included numerous trenches, three adits and three shafts and, more recently, three percussion holes and seven diamond drill holes, of which only four were systematically sampled and assayed for gold. Noted from ARIS REPORT 093167, Volcano Resource Ltd. completed 464 meters of drilling. In 1990 the cores were re-split and assayed. Drill hole 87-1 assayed 0.047 oz/ton AU from 43.5-48.5ft and 0.129 oz/ton AU from 73-76ft. (non 43-101 compliant historical reporting).

The terms of the acquisitions are as follows.

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

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

During the year ended December 31, 2011, the Company decided not to pursue both the McKinnon claims and the Morgan property and wrote off the acquisition and exploration costs of $460,519.

EXPLORATION PROJECT – Sifton Property

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

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

The terms of the agreement are as follows:

$25,000 payment on or before October 6, 2010 (paid)

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

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

During the year ended December 31, 2011, the Company decided not to pursue this property and wrote off the acquisition and exploration costs of $119,500.

Investments

During the year ended December 31, 2010, the Company disposed the Ellesmere Island Property together with the remaining outstanding commitment to Pacific Coal Corp. for 500,000 common shares of Pacific Coal Corp.

On April 12, 2011, Pacific Coal Corp. changed its name to Canada Coal Inc. ("CCI"). As at December 31, 2010, the CCI shares were not traded in any recognized stock exchange and they did not have any significant assets, management recorded a nominal value for the CCI shares and recognized a loss on disposal of $294,567.

The 500,000 common shares of CCI were escrowed shares. The shares 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 March 31, 2012, 450,000 common shares were held in escrow.

As at March 31, 2012, the Company held the 500,000 common shares of CCI. On July 7, 2011, CCI executed an agreement with Mercury Capital Limited ("Mercury"), a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange ("Exchange"), in respect to a proposed business combination to be effected by way of amalgamation of the parties ("Amalgamation") which is expected to constitute the Qualifying Transaction for Mercury. The Exchange has issued its acceptance of the Amalgamation, and the Resulting Issuer commenced trading on the Exchange on February 29, 2012 under the symbol "CCK". On the Effective Date, all common shares of Mercury and CCI were exchanged for common shares of the Resulting Issuer ("Resulting Issuer Shares"), on a one-for-one basis.

As at December 31, 2011, the fair value of the 500,000 CCI shares was estimated to be $155,659. As the Company recorded the investment as available-for-sale, the unrealized gain of $155,659 was recorded in other comprehensive income. At March 31, 2012 the fair value was $90,000.

Selected Annual Information

	Year Ended December 31, 2011 [1]	Year Ended December 31, 2010 [1]	Year Ended December 31, 2009 [2]
Total Revenues	$Nil	$Nil	$Nil
Net loss	(3,157,457)	(2,660,706)	(1,782,287)
Basic and diluted loss per share	(0.19)	(0.39)	(0.48)
Total assets	7,949,307	2,959,311	4,192,707
Long term debt	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

[1] Financial statements prepared accordance to International Financial Reporting Standards.
[2] Financial statements prepared accordance to Canadian Generally Accepted Accounting Principles.

OPERATIONS

During the three months ended March 31, 2012 the Company reported a net loss of $171,368 compared to the previous comparable quarter of $223,163. The Company has reduced its number of mineral properties down to two properties. Under IFRS these items are referred to as "exploration and evaluation assets" to more aptly describe the nature of a mineral property in the exploration stage. With having entered into the option arrangement with Xstrata Copper Canada, the Company has one exploration and evaluation asset in Mexico to focus its attention on. It is a matter now of assessing the merit of the La Paloma property as a final cash payment is due on October 30, 2012 of $2 million.

In addition to operations, the Company has reported a loss of $65,659 on the fair value of the shares in Canada Coal Inc. The shares are still held by the Company.

SUMMARY OF QUARTERLY RESULTS ($000's except earnings per share)

Results for the eight most recently completed quarters are summarized as follows:

For the Quarter Periods Ending on	March 31, 2012 [1]	December 31, 2011 [1]	September 30, 2011 [1]	June 30, 2011 [1]
Total Revenues	$nil	$nil	$nil	$nil
Net Income (loss)	($237)	($2,424)	($215)	($451)
Basic (Loss) per share	($0.17)	($0.17)	($0.01)	($0.03)
For the Quarter Periods Ending on	March 31, 2011 [1]	December 31 2010 [1]	September 30, 2010 [1]	June 30, 2010 [1]
Total Revenues	$nil	$nil	$nil	$nil
Net Income (loss)	($223)	($1,016)	($150)	($166)
Basic (Loss) per share	($0.03)	($0.16)	($0.02)	($0.02)

[1] Financial statements prepared accordance to International Financial Reporting Standards.
[2] Financial statements prepared accordance to Canadian Generally Accepted Accounting Principles.

LIQUIDITY AND CAPITAL RESOUCES

At March 31, 2012 the Company had $7,179 cash on hand and working capital of $10,114 as compared to December 31, 2010 when the Company had $276,196 cash on hand and working capital of $229,584.

For the three months ended March 31, 2012

The Company has HST refunds and amounts receivable of $64,537 that are collectable.

For the year ended December 31, 2011

In July 2011, the Company pursuant to a non-brokered private placement issued 2,464,400 units ("Unit") at a price of $0.90 per Unit. Each Unit consists of one common share and one-half of one transferable share purchase warrant (each whole warrant a "Warrant"). Each Warrant entitles the holder to purchase one common share (a "Warrant Share") at a price of $1.50 until July 5, 2012. The fair value of the share purchase warrants was $462,374 and was included in contributed surplus. The Company has paid finders' fees comprising of $174,556 and 193,952 compensation warrants (the Finder's Warrants"). Each Finder's Warrant entitles the holder to acquire an additional common share (a "Finder's Warrant Share") of the Company at a price of $1.50 per Finder's Warrant Share until July 5, 2012. The fair value of the finder's warrants was $83,778 and was included in contributed surplus. Legal fees were $11,306.

The Company received $462,300 from the exercise of 2,010,000 warrants.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The following expenses were incurred with directors and officers of the Company

Key Management Compensation	For the three months ended March 31, 2012	For the three months ended March 31, 2011
Management and director fees	$ 30,000	$ 30,000
Consulting fees	37,500	7,500
Pre-exploration costs	-	9,000
Deferred exploration	15,000	-
Accounting fees	22,500	15,000
Group medical expense for management	2,794	-
Total Key Management Compensation	$ 107,794	$ 61,500
Rent recovery	(12,450)	-
Total related party transactions	$ 95,344	$ 61,500

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

As at March 31, 2012 accounts payable and accrued liabilities included $21,500 (December 31, 2011 - $590) due to companies controlled by directors. The amounts due are non-interest bearing, unsecured and with no stated terms of repayment.

COMMITMENT

The Company is obligated to make certain payments, issue shares and incur exploration expenditures in connection with the acquisition of its mineral property interests.

EVENTS OCCURRING AFTER THE REPORTING DATE

Nil

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company's financial statements were previously prepared in accordance with Canadian GAAP. Canadian GAAP differs in certain respects from IFRS. In preparing these financial statements, management has adopted and changed certain accounting, valuation and consolidation policies previously applied in the Canadian GAAP financial statements to comply with IFRS. The comparative figures for 2010 were restated to reflect these adjustments. Note 18 in the financial statements contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, earnings and comprehensive income along with line-by-line reconciliations of the statement of financial position as at December 31, 2010 and January 1, 2010, and the statement of operations and comprehensive loss for the year ended December 31, 2010. Subject to the transition elections, the Company has consistently applied the same accounting policies in the opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The Company has updated the descriptions of its accounting policies for the changeover to IFRS, as applicable, in the notes of the financial statements.

Explanation for Areas of Differences

(i) Share-based Payments

IFRS 2 is effective for the Company as at January 1, 2010 and is applicable to:

- New grants of stock-based payments subsequent to January 1, 2010;
- Equity-settled stock-based compensation awards granted subsequent to November 7, 2002 and that vest after January 1, 2010; and

- Awards that are modified on or after January 1, 2010, even if the original grant of the award was not accounted for in accordance with IFRS 2.

Pre-changeover Canadian GAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using either the straight line or graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model.

IFRS 2 requires each tranche in an award granted to an employee with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.
As all of the stock options vested on the date of granting there was no change to contributed surplus and accumulated deficit.

(ii) Flow-through Shares

Under pre-changeover Canadian GAAP, the entire proceeds from the issuance of flow-through shares were recognized in equity less the tax effects of renunciation. Under IFRS, on issuance of flow-through shares, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability and; ii) share capital. Upon exploration expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the end of the reporting year, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

As a result, for issuances of flow-through shares for which expenditures have been incurred, share capital was increased by $252,418 at the date of transition (December 31, 2010 - $376,168) and retained earnings were decreased by $252,418 (December 31, 2010 - $376,168). There was no impact to the statement of cash flows.

Capital disclosure

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

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

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

FINANCIAL INSTRUMENTS AND RISKS

The company is exposed through its operations to the following financial risks:

- Credit risk
- Market risk
- Liquidity risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This section describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, polices and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note of the financial statements.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive monthly reports from the Company's Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit Risk

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

Market Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 14 of the financial statements.

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

Foreign Exchange Risk

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The company does not have significant exposure to foreign exchange rate fluctuation.

Interest Rate Risk

The Company is not exposed to significant interest rate risk as the Company has no interest bearing debt.

Fair Values

The Company's financial instruments include cash and cash equivalents, investments and accounts payable. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature. It is impractical to determine the fair value of these financial instruments with sufficient reliability due to the nature of these financial instruments, the absence of secondary market and the significant cost of obtaining external appraisals. The fair value of these financial instruments approximates their carrying value under the effective interest method.

The following table summarizes the carrying values of the Company's financial instruments:

	March 31, 2012	December 31, 2011
FVTPL (i)	$ 7,179	$ 253,792
Loans and receivables (ii)	5,000	5,000
Available-for-sale (iii)	90,000	155,659
Other financial liabilities (iv)	61,602	24,730

(i) Cash and cash equivalent
(ii) Other receivables
(iii) Investments
(iv) Accounts payable and accrued liabilities

Fair Value Hierarchy

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Level 1	Level 2	Level 3	Total March 31, 2012
Cash	$ 7,179	$ -	$ -	$ 7,179
Other receivables	5,000	-	-	5,000
Investments	-	-	90,000	90,000
	$ 12,179	$ -	$ 90,000	$ 102,179

ADDITIONAL INFORMATION

As at May 28, 2012 the Company had the following securities issued and outstanding:

Common Shares	# of Shares
Balance, March 31, 2012	24,133,491
Issued	nil
Balance, May 28, 2012	24,133,491

Share purchase options	31,250
Share purchase warrants	5,097,819