

WESTSTAR RESOURCES CORP.
Management Discussion and Analysis
For the three months ended March 31, 2011
(Prepared June 23, 2011)

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 – 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.

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.

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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

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- 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.

The present results warrant additional exploration, including trenching south of drill hole A09-03. A permit for trenching within the West Zone will be applied for in early 2010 for fieldwork expected in early May. Additional 3D-Induced Polarization geophysics is being contemplated to extend and close IP chargeability anomalies that are open to the east and south of Weststar's 2005 3D IP grid. Permit applications are also being made for additional roadwork to target additional chargeability anomalies in the east of the property.

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EXPLORATION PROJECT - Golden Fox claims

Golden Fox Claims

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

The terms of the agreement are as follows:

- \$75,000 due on signing of the agreement; (paid)
- \$75,000 cash (\$50,000 paid) and the issuance of 2,500,000 common shares (issued at a fair value of \$225,000) of the Company;
- Issuance of 500,000 common shares of the Company in lieu of \$500,000 exploration expenditures work commitment originally to be incurred by September 1, 2010;
- 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 totaling approximately 121.5 hectares in the Dawson Mining District in the Yukon Territory ("the Sunrise Property"). The Golden Fox Property is situated 20km to the southeast.

- \$35,000 due within five days (paid) of approval by the TSX Venture Exchange;
- the issuance of 1,000,000 common shares (issued at a fair value of \$390,000) of the Company;
- Issuance of 1,000,000 common shares of the Company within six months after approval by the TSX Venture Exchange.
- Incur exploration expenditures of \$10,000 or pay \$100 per claim on or before June 18, 2011;
- 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.

EXPLORATION PROJECT - McKinnon Group

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).

Originally staked as the "Britannia" group of claims in 1900, the northerly showing has had significant historic exploration beginning in the early 1900's. This work has included the sinking of several adits and shafts; pitting and trenching; diamond drilling and bulk sampling.

The most significant results include the 1901 shipment of a 1.8 tonne sample, which assayed 3.4 g/t Au, to a

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Government stamp mill. The original owners of the property reported a number of samples in the range from 3.4 to 10.3 g/t Au.

Within the area, gold mineralization appears spatially related to a Lower Cretaceous conglomerate, which consists of a lower lithic unit and an upper quartzose unit. To date, the known gold mineralization appears restricted to the upper quartzose unit, and is thought to represent a paleo-placer. Extensive silicification and clay alteration also suggest potential for an epithermal origin for the gold mineralization.

The Company carried out a soil sampling program over 11.5 line kilometers, obtaining 168 soil samples. Soil samples, at 50m intervals, were collected from two widely spaced parallel lines which traverse the claim area from North to South over a distance of approximately 5 kilometers. In addition, silts were collected along drainages in the northwest corner of the claim block. All samples were delivered for multi-element ICP analysis at Eco Tech Laboratory of Kamloops, BC. An anomalous zone approximately 1,600 meters in length is demonstrated by samples with elevated Au values to 70ppb and associated arsenic with up to 240ppb.

The McKinnon property has had intermittent work since 1899 when explorers first found disseminated gold within a conglomerate sequence. Assessment reports from various authors suggest either a paleoplacer source for gold or possibly tectonic and related to a fault structure and/or a carbonaceous rich portion of an extensive conglomeratic unit. Volcanic units in the area include andesitic flows and also rhyolite and therefore analogies may be drawn with Underworld Resources geology and accompanying gold mineralization within felsic rocks.

The next phase of work contemplates current and historical data compilation over the winter months and mobilizing a soil sampling crew at first melt. A 100 meter grid soil sampling program will concentrate on infilling between these new anomalies and will be combined with geological mapping and rock sampling to target follow up backhoe trenching.

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 shares of the Company due within five days of TSX Venture Exchange approval of the acquisition; (approved by the Exchange and shares were issued)

The Vendor will retain a three percent Net Smelter Royalty, of which one-third (one percent) can be purchased by the Company for \$1,000,000;

Morgan Claims

On May 12, 2010 the Company announced the acquisition of a 100% interest in the Morgan Claim Group. The claims are tied on to the north company's McKinnon property 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).

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The McKinnon property, situated approximately 45 kilometres north of the White Gold property, includes an area of 13.5 square kilometers. The company carried out a soil sampling program over 11.5 line kilometers, obtaining 168 soil samples. Soil samples, at 50-metre intervals, were collected from two widely spaced parallel lines which traverse the claim area from north to south over a distance of approximately five kilometres. In addition, silts were collected along drainages in the northwest corner of the claim block. All samples were delivered for multi-element ICP analysis at Eco Tech Laboratory of Kamloops, B.C.

An anomalous zone approximately 1,600 metres in length is demonstrated by samples with elevated gold values to 70 parts per billion and associated arsenic with up to 240 parts per billion.

The McKinnon property has had intermittent work since 1899 when explorers first found disseminated gold within a conglomerate sequence. Assessment reports from various authors suggest either a paleoplacer source for gold or possibly tectonic and related to a fault structure and/or a carbonaceous-rich portion of an extensive conglomeratic unit. Volcanic units in the area include andesitic flows and also rhyolite, and therefore, analogies may be drawn with Underworld Resources geology and accompanying gold mineralization within felsic rocks.

The next phase of work entails mobilizing a soil and rock sampling crew at first melt. A 100-metre grid soil-sampling program will concentrate on infilling between these new anomalies and will be combined with geological mapping and rock sampling to target follow-up backhoe trenching.

Subject to exchange approval, the terms of the acquisitions are as follows.

The 100% interest of the Morgan Claims can be acquired for an acquisition cost of \$15,000 and 1,500,000 shares on the following schedule:

- \$5,000 (paid) and 500,000 shares (issued) on exchange approval of the agreement;
- \$5,000 and 500,000 shares of the company 12 months after the date of the exchange approval;
- \$5,000 and 500,000 shares of the company 24 months after the date of the exchange approval

The Property is Subject to a 2% NSR, the company has option to acquire 1% of the NSR for \$1,000,000.

During the period ended March 31, 2011, the Company decided not to pursue this property and wrote off the acquisition and exploration costs of \$20,000.

EXPLORATION PROJECT – Sifton Property

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

Terms of the agreement include cash payments of \$175,000 over a four year period and the issuance of 3,000,000 shares of Weststar upon TSX Venture Exchange acceptance. A finder's fee is payable on this transaction. The acquisition is subject to the acceptance of the TSX Venture Exchange.

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

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

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

EXPLORATION PROJECT – 18 Meter

The company entered into agreements dated June 19, 2008 and amended on December 30, 2008 to acquire 72 coal permit applications. The coal lease applications cover approximately 138,240 acres.

The Company received a NI 43-101 Technical Report on the Saskatchewan Tobin Lake 18 Meter Coal property. The report dated January 6, 2009, is authored by Marvin A. Mitchell, P.Eng. of Mitchell Geological Services Inc.

The Tobin Lake 18 Meter coal property consisted of 72 coal permits, with a total property area of 55,296 Ha (216 Square miles). Mr. Mitchell notes the geological similarity between coal occurrences within the Manville Formation at the Tobin Lake Property to those of Goldsource Mines, located about 90 km to the southeast. The report also notes the good access and close proximity to hydroelectric power on Tobin Lake and to rail lines within 40 km of the property.

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

EXPLORATION PROJECT - Bache Peninsula Property

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

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

EXPLORATION PROJECT - Ellesmere Island Property

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

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

EXPLORATION PROJECT - Silver Creek and Simonette Properties

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

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

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

EXPLORATION PROJECT – Red Chris Properties

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

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

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

EXPLORATION PROJECT - Billingsley claims

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

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

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

EXPLORATION PROJECT – Rita Copper Property

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

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

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

Selected Annual Information

	Year Ended December 31, 2010 ⁽¹⁾	Year Ended December 31, 2009 ⁽²⁾	Year Ended December 31, 2008 ⁽²⁾
Total Revenues	\$Nil	\$Nil	\$Nil
Net loss	(2,536,956)	(1,782,287)	(505,684)
Basic and diluted loss per share	(0.35)	(0.48)	(0.24)
Total assets	2,959,311	4,192,707	1,916,658
Long term debt	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

OPERATIONS

During the period ended March 31, 2011 the Company reported a net loss of \$223,163 compared to the previous comparable period of \$1,329,265. Most of the loss in the previous period was the write-off of several resource properties for \$1,090,749. Expenses for the periods were very similar. Shareholder communications includes \$10,424 to a research firm and \$6,507 to a services firm.

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, 2011 ⁽¹⁾	December 31, 2010 ⁽²⁾	September 30, 2010 ⁽²⁾	June 30, 2010 ⁽²⁾
Total Revenues	\$nil	\$nil	\$nil	\$nil
Net Income (loss)	(\$223)	(\$892)	(\$150)	(\$166)
Basic (Loss) per share	(\$0.03)	(\$0.10)	(\$0.24)	(\$0.03)

For the Quarter Periods Ending on	March 31, 2010 ⁽¹⁾	December 31, 2009 ⁽²⁾	September 30, 2009 ⁽²⁾	June 30, 2009 ⁽²⁾
Total Revenues	\$nil	\$nil	\$nil	\$nil
Total Net Income (loss)	(\$1,329)	(\$336)	(\$462)	(\$377)
Basic (Loss) per share	(\$0.36)	(\$0.12)	(\$1.32)	(\$0.12)

⁽¹⁾ Financial statements prepared accordance to International Financial Reporting Standards.

⁽²⁾ Financial statements prepared accordance to Canadian Generally Accepted Accounting Principles.

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LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2011 the Company had \$257,853 cash on hand and working capital of \$209,865 as compared to December 31, 2010 when the Company had \$276,196 cash on hand and working capital of \$229,584. During the current period there was a total of 1,080,000 warrants exercised to net the company \$248,400.

For the year ended December 31, 2010

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

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

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

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

	For the three months ended March 31, 2011	For the three months ended March 31, 2010
Management and director fees	\$ 30,000	\$ 30,000
Consulting fees	7,500	16,500
Deferred exploration	9,000	-
Accounting fees	15,000	15,000
Total	\$ 61,500	\$ 61,500

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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, 2011 accounts payable and accrued liabilities included \$9,994 (December 31, 2010 - \$47,449) due to companies controlled by directors. The amounts due are non-interest bearing, unsecured and with no stated terms of repayment.

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.

SUBSEQUENT EVENTS

Subsequent to March 31, 2011, the Company issued 930,000 common shares for gross proceeds of \$213,900 from warrants exercised at \$0.23 per share.

On March 17, 2011, pursuant to a Letter of Intent with Lekona Minerals Incorporated ("Lekona"), the Company agreed to acquire up to an 80% undivided interest in the La Paloma concessions of 160 hectares located in the State of Jalisco, Mexico. Lekona currently holds an option agreement (the "Option Agreement") to acquire an 80% (20% earned) undivided interest in the concessions. Subject to completion of a financing of not less than \$5,000,000, the Company agreed to pay \$3,000,000 and issue 6,500,000 common shares of the Company on closing of the agreement. The Company also agreed to assume all of the unfulfilled obligations of Lekona under the Option Agreement by payment of \$2,700,000, issuance of 4,000,000 common shares and incurring exploration expenditures of \$1,200,000 on or before October 30, 2012. On receipt of a qualified geologist report indicating that there are resources of gold and silver in the concessions exceeding 4,000,000 ounces and 150,000 ounces respectively, the Company agreed to further issue 5,000,000 common shares to the concessions' underlying optionor. The acquisition is subject to the approval of the TSX Venture Exchange.

The Company has arranged, subject to TSX Venture Exchange approval, a non-brokered private placement of 10,000,000 units at \$0.90 per unit for total gross proceeds of \$9,000,000. Each unit will consist of one common share and one half of a transferable share purchase warrant, each whole warrant is exercisable into one additional common share at a price of \$1.50 per share for a period of one year from the date of closing. Proceeds of the financing will be utilized for the Company's La Paloma acquisition in Mexico and for general working capital. Finders' fees may be payable in whole or in part on the units issued under the financing, in accordance with TSX Venture Exchange policy.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In 2006, the Accounting Standards Board ("AcSB") announced that accounting standards in Canada are to be converged with International Financial Reporting Standards ("IFRS"). In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed that publicly accountable companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal periods beginning on or after January 1, 2011 ('adoption date') with appropriate comparative data in respect of the prior year. The Company will issue its first IFRS annual financial statements for the fiscal year ending December 31, 2011, with restatement of comparative balance sheets as at December 31, 2010 and January 1, 2010 and statement of earnings for the year ended December 31, 2010. During the year ending December 31, 2011, the Company will issue condensed

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interim IFRS financial statements prepared in accordance with IAS 34 – Interim Financial Reporting (“IAS 34”) for the periods ending March 31, 2011, June 30, 2011 and September 30, 2011, with restatement of comparative balance sheets as at December 31, 2010 and January 1, 2010 and statements of earnings for the comparative periods presented.

Transition Plan

Under IFRS, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy that must be addressed. The Company’s transition plan from Canadian GAAP to IFRS includes identifying and assessing these differences, making applicable changes to the Company’s accounting policies, information technology and data systems, internal control over financial reporting, disclosure controls and procedures and financial expertise and training requirements.

Management is completing the following (a) the assessment and quantification of the impact of converting to IFRS on the Company’s opening IFRS balance sheet as at January 1, 2010, and comparative IFRS information for the periods ended March 31, 2010, June 30, 2010 and September 30, 2010 and the year ended December 31, 2010, (b) the assessment and identification of the impact of converting to IFRS on the Company’s financial reporting, systems and processes, and (c) the design, implementation and testing of changes to the Company’s financial reporting systems and processes to support the preparation of IFRS financial statements for the opening IFRS balance sheet as at January 1, 2010, fiscal 2010 and thereafter.

The Company changed over to IFRS on January 1, 2011. The International Accounting Standards Board (“IASB”) may make further pronouncements before the financial statements as at December 31, 2011, are prepared. As a result, there can be changes or amendments to the standards that were used to prepare information as at January 1, 2010, December 31, 2010 and March 31, 2011 and will impact the preparation of the Company’s first IFRS annual financial statements for the fiscal year ending December 31, 2011.

The Company has updated the descriptions of its accounting policies for the changeover to IFRS, as applicable, in the notes of the condensed interim financial statements and there were no material quantified transition effects identified as at January 31, 2010, December 31, 2010 and March 31, 2011.

IFRS and Canadian GAAP Differences

The Company considered the following at transition:

a) Exploration and Evaluation Expenditures

IFRS 6 – Exploration for and Evaluation of Mineral Resources permits a reporting entity to choose an accounting policy to expense or capitalize exploration and evaluation expenditures. This includes expensing certain exploration and evaluation expenditures, while capitalizing other exploration and evaluation expenditures, as long as the accounting policy is applied consistently. The Company has chosen to apply the same accounting policy under Canadian GAAP on conversion to IFRS.

IAS 36 - Impairment of Assets (“IAS 36”) assesses the impairment of an asset using a one-step process which compares the carrying amount to the recoverable amount, calculated as the greater of the value in use, being the estimated discounted future expected pre-tax cash flows, and fair value less costs to sell (“FVLCS”) of the asset being tested. Upon conversion to IFRS, the process for assessing impairment under IFRS is similar to the process under Canadian GAAP, except that cash flows used under Canadian GAAP are on an undiscounted basis where goodwill is not applicable. The use of a one-step process to test for impairment under IFRS as compared to a two-step process under Canadian GAAP may result in more

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frequent impairment charges where carrying amounts of mining interests may have been supported under Canadian GAAP on an undiscounted cash flow basis, but cannot be supported on a discounted cash flow basis under IFRS.

The Company has reviewed its mining interests for impairment as at December 31, 2009 in accordance with IAS 36 and determined that no impairment losses were required to be recognized for the purpose of its opening IFRS balance sheet as at January 1, 2010.

b) Share-based compensation

Under IFRS, each tranche of an award with different vesting dates is considered a separate grant for the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. Forfeiture estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods. Management had adopted graded method to vesting under Canadian GAAP and considered fair value of the services rendered by their consultants. Hence, no material adjustments are made accordingly under IFRS.

c) IFRS 1 – First-time adoption of International Financial Reporting Standards

IFRS 1 governs the first-time adoption of IFRS. In general, accounting policies adopted in accordance with IFRS are to be applied retrospectively. The mandatory exception applicable to the Company is:

- (i) Estimates used in preparing the Company's opening IFRS balance sheet as at January 1, 2010 and restating its 2010 comparative periods under IFRS must be consistent with estimates previously made for the same date under Canadian GAAP, after adjustments to reflect any difference in accounting policies, unless there is objective evidence that those estimates were in error. More specifically, an entity may be in possession of information about estimates it made under Canadian GAAP that was not available at the time those estimates were made. IFRS 1 requires the receipt of such information to be accounted for prospectively.

The significant exemption from retrospective application of IFRS the Company has elected to apply is:

- (ii) Share-based Payment: As a first-time adopter, the Company elected to not apply IFRS 2 retrospectively to equity instruments that were granted on or before November 7, 2002 and is also not required to apply IFRS 2 to equity instruments that were granted after November 7, 2002 that vested before date of transition to IFRS (January 1, 2010).

CRITICAL ACCOUNTING POLICIES

Adoption of new and revised standards and interpretations

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

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

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

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

Stock-based Compensation

The Company has a stock based compensation plan. The fair value of all share purchase options is expensed over their vesting period with a corresponding increase to share-based payment reserve. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously reorganized in share-based payment reserve, is recorded as an increase to share capital. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of the grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

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

As at March 31, 2011, the Company's financial instruments consist of cash and cash equivalents, investments and accounts payable. Except as to investments in non-quoted equity investments, the fair values of these financial instruments approximate their carrying values because of their current nature or adjustments to fair value made at each period end.

Fair Value

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 252,853	\$ -	\$ -	\$ 252,853

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 Capital Disclosures.

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

Foreign Exchange Risk

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

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Interest Rate Risk

The Company is not exposed to significant interest rate risk.

ADDITIONAL INFORMATION

As at June 23, 2011 the Company had the following securities issued and outstanding:

Common Shares	# of Shares
Balance, March 31, 2011	13,089,091
Warrants exercised	930,000
Balance, June 23, 2011	14,019,091

Share purchase options 102,086
Share purchase warrants 3,524,998