

# **WESTSTAR RESOURCES LTD.**

## **Management Discussion and Analysis**

**For the year ended December 31, 2007**

**(Prepared April 28, 2008)**

The Management Discussion and Analysis (“MD&A”) should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2007 and the audited financial statements for the year ended December 31, 2006 and the notes thereto of Weststar Resources Ltd.. (“Weststar”) which were prepared in accordance with Canadian generally accepted accounting principals.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **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 is currently focusing its financial resources on conducting an exploration program on the Axe Property in British Columbia. The Company has not yet determined whether this property 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 was granted an option to acquire up to a 66% interest in the Axe claims comprised of 119 units situated in the Similkameen Mining District, Province of B.C. As consideration for the property, the Company paid \$5,000.

Under the terms of the agreement the Company is required to spend \$300,000 (spent) in exploration expenses on or before December 31, 2006 and issue up to 200,000 (issued) shares to earn a 51% interest in the claims.

The Company earned an additional 15% interest in the property by issuing an additional 100,000 (issued) shares and expending an additional \$200,000 (spent) on the property by December 31, 2007.

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

**SELECTED ANNUAL INFORMATION**  
(\$000's except loss per share)

	Dec. 31, <u>2007</u>	Dec. 31 <u>2006</u>
Revenue	\$ 0	\$ 0
Net Loss	\$ (516)	\$ (87)
Basic and Diluted Loss Per Share	\$ (0.02)	\$ (0.01)
Total Assets	\$ 1,615	\$ 682
Long-Term Debt	\$ 0	\$ 0
Dividends	\$ 0	\$ 0

**OPERATIONS**

During the year ended December 31, 2007 the Company reported a net loss of \$516,154 (December 31, 2006 - \$87,400). Included in the determination of the net loss was \$34,950 (2006 - \$875) for filing fees, \$198,985(2006 - \$ 13,513) for investor communications, \$60,000 (2006 - \$46,500) for management and administrative expenses, \$30,000 (2006 - \$16,000) for rent, \$190,331 (2006 - \$Nil) for stock based compensation and \$48,658 (2006 - \$15,570) for professional fees.

**SUMMARY OF QUARTERLY RESULTS**

	Quarters Ended							
	Dec 31 <u>2007</u>	Sept 30 <u>2007</u>	June 30 <u>2007</u>	Mar 31 <u>2007</u>	Dec 31 <u>2006</u>	Sept 30 <u>2006</u>	June 30 <u>2006</u>	Mar 31 <u>2006</u>
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Loss	64	(291)	(\$192)	(\$ 97)	\$ 7	(\$ 47)	(\$ 30)	(\$ 17)
Basic and Diluted Loss per Share	\$0.000	(\$0.014)	(\$0.009)	(\$0.001)	\$0.000	(\$0.001)	(\$0.001)	(\$0.001)

**LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash and cash equivalents at December 31, 2007 were \$181,346, compared to \$237,294 at December 31, 2006.

**SHARE CAPITAL**

On March 31, 2007 the year the Company issued 1,216,424 flowthrough and 427,921 non-flow-through units at \$0.65 per unit for gross proceeds of \$790,676 and \$278,149 respectively. Each unit consisted of one common share and one-half a share purchase warrant. All the warrants expired unexercised subsequent to December 31, 2007.

On April 17, 2007 and May 10, 2007 the Company issued 150,000 and 100,000 common shares related to the acquisition of the Axe Property.

On May 29, 2007 the Company split its existing shares on a basis of 2 new shares for every 1 existing shares.

During the year the Company issued 420,000 common shares (post split) on the exercise of broker warrants for total proceed of \$52,500.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **TRANSACTIONS WITH RELATED PARTIES**

- a) During the year, the Company paid \$60,000 (December 31, 2006 - \$46,500) for management fees and administration expenses to a company controlled by a director.
- b) During the year the Company paid \$15,100 (December 31, 2006 - \$8,200) to a firm in which two directors are partners for accounting fees.
- c) During the year the Company paid \$30,000 (December 31, 2006 - \$13,000) in rent to a company related to a director.
- d) During the year the Company paid \$78,796 (December 31, 2006 - \$285,919) for reimbursement of costs and deferred exploration costs to a company controlled by a director.

## **SUBSEQUENT EVENTS**

On March 31, 2008, 1,644,342 warrants expired unexercised.

## **COMMITMENTS**

The Company leases its premises under a lease arrangement for a term of three years ending July 31, 2009, with an option to renew for an additional three years. Minimum lease payments in 2009 are \$17,500.

## **DISCLOSURE CONTROLS**

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiary, is made known to management, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the year ended December 31, 2007 in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

The Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures in place as at December 31, 2007. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the design and operations of these controls and procedures were effective.