

**ABBASTAR RESOURCES CORP.** (formerly Abbastar Uranium Corp.)

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2009

As at April 29, 2010

## **INTRODUCTION**

Abbastar Resources Corp. (the “Company”, “we”, “our”) is headquartered in Vancouver, BC. The Company’s principal business activity is the acquisition and exploration of properties in the natural resource industry.

On February 13, 2007, the Company and Entourage Mining Ltd. (“Entourage”) entered into an option agreement wherein the Company has been granted the sole option and right to acquire up to 70% of Entourage’s interest (the “Doran Transaction”) in the Doran uranium property (the “Doran Property”) situated in Costebelle Township, on the north shore of the Gulf of St. Lawrence in south-eastern Quebec. The Company elected not to make the necessary exploration expenditures on the Doran Property during the third year and may proceed on a joint venture basis with Entourage.

On July 28, 2009, the Company changed its name to Abbastar Resources Corp. There was no consolidation of capital.

On September 21, 2009, the Company and Denison Mines Inc. entered into an option agreement wherein the Company has been granted the right to earn a 100% undivided interest in the Talbot Lake project situated in the Talbot Lake Area in Northern Ontario.

This management discussion and analysis (“MD&A”) of our results of operations, liquidity and capital resources, transactions with related parties, financial position, and other information is dated as of April 29, 2010. This MD&A should be read in conjunction with the audited financial statements of the Company and the notes thereto for the years ended December 31, 2009 and 2008. The audited financial statements are prepared under Canadian generally accepted accounting principles. Unless expressly stated otherwise, all financial information is presented in Canadian dollars.

All statements other than statements of historical fact in this MD&A are forward-looking statements. These statements represent the Company’s intentions, plans, expectations and beliefs as of the date hereof, and are subject to risks, uncertainties and other factors of which many are beyond the control of the Company. These factors could cause actual results to differ materially from such forward-looking statements. Readers should not place undue reliance on these forward-looking statements. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

### **Changes in Accounting Policies**

On January 1, 2009, the Company adopted a new accounting standard issued by the Canadian Institute of Chartered Accountants (“CICA”) relating to “Goodwill and Intangible Assets” (Section 3064). This Section replaces Section 3062 “Goodwill and Other Intangible Assets” and Section 3450 “Research and Development Costs”. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented

enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of this section had no impact on the Company's financial statements.

The Accounting Standards Board ("AcSB") issued EIC-173 which requires the Company to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. This new standard is effective for the Company's interim and annual financial statements for the year ended December 31, 2009. The adoption of this standard did not have a material impact on the Company's financial statements.

In May 2009, the CICA amended Section 3862, Financial Instruments – Disclosures to include additional disclosure requirements about the fair market value measurements for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

#### **Future accounting changes**

The Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be effective January 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is in the process of identifying any differences between IFRS and Canadian GAAP, and to date, has not noted any significant anticipated changes other than disclosure in the financial statements. The Company will begin quantifying differences, if any, beginning in its first quarter of 2010.

#### **THE COMPANY AND BUSINESS**

On September 21, 2009, the Company and Denison Mines Inc. ("Denison") entered into an option agreement (the "Talbot Lake Agreement") wherein the Company has been granted the right to earn a 100% undivided interest (the "Talbot Lake Transaction") in the Talbot Lake project ("Talbot Lake Project") situated in the Talbot Lake Area in Northern Ontario.

**ABBASTAR RESOURCES CORP.** (formerly Abbastar Uranium Corp.)

**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

The Company will earn a 70% interest in the Talbot Lake Project by incurring \$4,000,000 in aggregate exploration expenditures as follows:

- \$400,000 on or before September 30, 2010;
- \$600,000 on or before September 30, 2011;
- \$1,000,000 on or before September 30, 2012;
- \$1,000,000 on or before September 30, 2013; and
- \$1,000,000 on or before September 30, 2014.

Upon the Company's notification to Denison of having expended \$4,000,000 and earning the 70% interest in the Talbot Lake Project, the Company may elect to earn an additional 30% interest by making a payment of \$250,000 and expending an additional \$3,000,000 on the Talbot Lake Project on or before September 30, 2017. If the Company elects not to earn an additional 30%, a Joint Venture of the Company (70%) and Denison (30%) will be formed and governed by a committee of two people from each party. The Company has a right of first refusal should Denison wish to divest all or part of its Royalty Interest in the Talbot Lake Project and will have the right at any time to buy back 1% of the NSR for \$1,000,000. If a Joint Venture has been formed either party may get diluted down to the point of conversion to a 2% NSR and the party holding 51% or more will be the operator/manager of the Talbot Lake Project.

Upon the Company's notification to Denison of having expended \$7,000,000 and earning a 100% undivided interest in the project, subject to a 2% NSR to Denison, the Company will make an additional payment of \$250,000 to Denison.

To date, the Company has incurred \$584,839 in mineral property exploration expenditures as defined in the Talbot Lake Agreement.

Pursuant to the Talbot Lake Agreement, while the Company is earning its interest in the Talbot Lake Project, it will be the operator/manager of the Talbot Lake Project and have the right to make all exploration and development decisions. The Company may at any time elect to withdraw from the project with no interest earned and no further rights or obligations.

Pursuant to the Talbot Lake Agreement, the Company is to maintain the obligations of an underlying agreement between G.S.W. Bruce & Associates ("Bruce") and Denison ("Bruce Agreement"). Per the Bruce Agreement, as expenditures are incurred on the Talbot Lake Project, Bruce will be paid amounts as follows:

- for any part of the first \$500,000 of expenditures (exclusive of staking or other acquisition costs incurred by the Company or Denison), 5% thereof; and
- with respect to each full \$1,000,000 of expenditures thereafter, 3%.

These payments are to be made quarterly within 30 days after the end of the quarter in which any such amount becomes payable. At such time Bruce has been paid an aggregate of \$300,000, the payment conditions outlined above shall terminate and the Company or Denison will have no further obligations to Bruce with regards to expenditures on the Talbot Lake Project. If a positive feasibility study recommending the production of minerals in commercial quantities from the Talbot Lake Project is prepared or if a decision to produce minerals in commercial quantities from the Talbot Lake Project is made the Company and Denison shall so advise Bruce and Bruce shall immediately be paid a lump sum payment of \$100,000 which is in addition to the payment structure outlined above. To date, the Company and Denison have expended \$942,151. During 10Q1, expenditures surpassed the first \$500,000 level. As at December 31, 2009, Bruce had earned \$18,550 and the balance of the \$25,000 (5% of \$500,000), or \$6,450 was earned on March 31, 2010 and is due April 30, 2010.

In October 2009, the Company issued 250,000 common shares valued at \$0.25 per share to Research Capital Corporation for a finder's fee in connection with the Talbot Lake Project.

In December 2009, the Company closed the non-brokered private placement announced on November 4, 2009 comprised of 1,000,332 flow-through shares ("FTS") at a price of \$0.30 per FTS for total gross proceeds of \$300,100 and the private placement announced on December 15, 2009, comprised of 3,125,000 flow-through units ("FTU") at a price of \$0.32 per FTU for gross proceeds of \$1,000,000.

On April 9, 2010, the Company announced the appointment of Mr. Donald Gordon as President and CEO to replace the outgoing President and CEO Mr. John B. Good ("Former President"). In addition, Mr. Thomas Bell was appointed to the Company's Board of Directors. On April 23, 2010, the Company announced the resignations of Mr. Mike England and Mr. Mark MacDonald from its Board of Directors.

## **THE TALBOT LAKE PROJECT**

The Talbot Lake Project is located within the gold producing Uchi Sub province in northwestern Ontario.

The Talbot Lake Project hosts the "Main Zone" gold deposit which was discovered by Placer Dome in 1985 and acquired by Denison in 1998. It consists of an East-West striking and vertically dipping quartz vein containing visible gold, pyrite, copper sulphide and zinc sulphide. Channel sampling by Denison indicated an approximate strike length of the Main Zone to be 48m with a weighted average grade of 13.8 g/t Au over a width of 3.3m. One channel over a width of 1.8m yielded a spectacular value of 120.0 g/t Au. The gold deposit extends for a depth of approximately 200m and remains open. The following are some significant drill hole intersections by Placer Dome from the "Main Zone"; 16.4 g/t Au over 7.6m, 37.2 g/t Au over 2.5m, 26.9 g/t Au over 2.9m, 7.5 g/t Au over 7.5m. (source: Resident Geologist, Ministry of Northern Development and Mines, Thunder Bay). Up to September 21, 2009 approximately \$6,000,000 in exploration expenditures had been carried out on the Talbot Lake Project, approximately \$360,000 by Denison and approximately \$5,640,000 by Placer Dome.

A parallel "Sulphide Zone" up to several meters wide is often intersected adjacent to the "Main Zone" and contains copper and zinc mineralization with anomalous gold. Further to the east the Main Zone is crosscut by a northeast trending fault with a separate mineralized structure called the "East Zone" located immediately east of this fault. The 'Sulphide' and 'East Zones' have received less attention than the Main Zone but remain highly prospective and will be part of a more aggressive exploration program on the Talbot Lake Project.

On February 25, 2010, the Company announced the start of a first phase 5000 meter drill program on the Talbot Lake Project. To date, nine holes have been drilled, with an additional five or six holes expected as the program resumes late April 2010 following a pause for spring break-up. On March 30, 2010, the Company announced the results of the first two holes and on April 22, 2010 announced the results of the remaining seven holes.

Sample results from the first nine holes drilled on the Talbot Lake Project include:

<u>Hole</u>	<u>Interval (m)</u>		<u>Length</u>	<u>Au</u> <u>g/t</u>
	<u>From</u>	<u>To</u>		
1	67.3	76.4	9.1	2.7
includes	69.9	76.4	6.5	3.3
and	69.9	70.4	0.5	11.3
2	173.1	174.6	1.5	3.6
3	217.5	238.5	21.0	2.8
includes	233.8	238.5	4.7	9.8
and	233.8	235.0	1.2	15.8
9	135.0	136.0	1.0	2.5
	139.8	140.3	0.5	1.0

Holes # 4-8 intersected mineralized quartz veining with anomalous gold values up to 0.3 g/t. Exploration on the Talbot Lake Project is carried out under the supervision of David Hunt, P.Geo., qualified person under NI 43-101. Mr. Hunt will complete a NI 43-101 Technical Report once all drill results from the first phase have been received.

## **THE DORAN PROPERTY**

The Doran Property consists of 47 contiguous mineral claims covering approximately 2,500 hectares in the Baie Johan Beetz area of Costebelle Township, Quebec, NTS map sheet 12 L/08. The Doran Property is located in the southeastern part of Quebec, along the north shore of the Gulf of St. Lawrence, approximately 18 kilometers west of Aguanish and 109 kilometers east of Havre St. Pierre. The property extends inland from the Gulf of St. Lawrence a distance of approximately 10 kilometers to the north. The topography of the property for the most part is rolling hills having a maximum relief of 100 meters with elevation ranging from sea level to 100 meters. All mineralized areas of interest are located above sea and river levels.

**ABBASTAR RESOURCES CORP.** (formerly Abbastar Uranium Corp.)

**FOR THE YEAR ENDED DECEMBER 31, 2009**

On May 11, 2007, the Company announced that drilling had commenced on the L anomaly of the Doran Property. In total, 32 holes were drilled in four anomalies (L, N, X and Y) for a total of just under 3,300 meters. At that time, there were 17 identified anomalies on the Doran Property. A total of 1,158 samples were analyzed representing 2,469 linear meters or 75% of the drill-hole length. The results of Doran Phase II were announced August 23, 2007. All 32 holes identified near or at-surface uranium mineralization.

Doran Phase III was completed in early November 2007 on the Doran Showing ("Main Zone"). In total, 15 holes were drilled for a total of just less than 1,700 meters before drilling was terminated due to poor weather. This campaign was designed to further delineate the Doran Showing where Entourage drilled in the summer of 2006. The Doran Showing consists of four distinct pegmatite-bearing structures: the Main Zone, the North End Zone, Dyke Zone and Hot Spot Zone. The results of Doran Phase III were announced February 4, 2008.

During 08Q4 the Company completed its fall 2008 exploration campaign. The fall 2008 exploration campaign consisted of line cutting, scintillometer prospecting, ground based radiometric and magnetic surveys, channel sampling and geological mapping. A technical report entitled "Technical Report and Recommendations - The Doran Property, Aguanish, Lower North Shore, Quebec, Canada NTS sheet 12L08" dated February 19, 2009 (the "Technical Report") was commissioned to review the results of the drilling campaigns in 2006 and 2007 and to present the results of the fieldwork undertaken on the Northern and Southern sections of the Doran Property in October 2008. The Technical Report was prepared by Mr. Michel Boily, Ph.D., P.Geo., an independent "qualified person" as that term is defined in National Instrument 43-101 and by Luc Lepage, B.Sc. (Geology). The Technical Report is available on SEDAR at [www.sedar.com](http://www.sedar.com).

To date the Company has earned a 35% interest in the Doran Property. Additionally, 63 drill holes, covering approximately 6,200 meters, have been completed on five of 22 anomalies identified on the Doran Property. Over \$2,100,000 in mineral exploration expenditures have been incurred by the Company and Entourage on the Doran Property to date, over \$1,500,000 by the Company and \$600,000 by Entourage.

**SELECTED ANNUAL INFORMATION**

	Year ended December 31,			Year ended
	2009	2008	Chg	December 31,
	\$	\$	%	2007
				\$
Loss from operations	<b>(942,739)</b>	(812,093)	16	(1,825,513)
Loss from operations - per share <sup>(1)</sup>	<b>(0.06)</b>	(0.06)		(0.16)
Net loss	<b>(806,183)</b>	(76,664)	952	(1,814,390)
Net loss - per share <sup>(1)</sup>	<b>(0.05)</b>	(0.01)		(0.16)

<sup>(1)</sup> Fully diluted loss per share has not been calculated, since it would be anti-dilutive.

**ABBASTAR RESOURCES CORP.** (formerly Abbastar Uranium Corp.)

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**RESULTS OF OPERATIONS**

	Three months ended December 31,			Year ended December 31,		
	2009 \$	2008 \$	Chg %	2009 \$	2008 \$	Chg %
<b>Expenses</b>						
Amortization	23	29	(21)	94	118	(20)
Bank charges	141	101	40	457	328	39
Consulting fees	(22,581)	10,500	(315)	152,910	71,861	113
Corporate communications	15,228	30,000	(49)	76,189	67,815	12
Finder's fee	62,500	-	--	62,500	-	--
Management fees	-	12,000	(100)	25,000	92,250	(73)
Mineral exploration expenditures	13,494	156,697	(91)	26,450	195,162	(86)
Mineral property payment	-	-	--	-	75,000	(100)
Office and miscellaneous	18,575	9,726	91	51,298	44,884	14
Professional fees	15,241	16,370	(7)	24,814	24,460	1
Regulatory and transfer agent fees	2,217	816	172	18,965	23,672	(20)
Salaries	36,243	31,062	17	126,720	107,982	17
Stock-based compensation	103,612	39,308	164	321,514	94,998	238
Travel and promotion	24,209	2,704	795	55,828	13,563	312
	<b>268,902</b>	<b>309,313</b>	<b>(13)</b>	<b>942,739</b>	<b>812,093</b>	<b>16</b>
<b>Other items</b>						
Future income tax recovery	-	-	--	-	232,500	(100)
Gain of settlement of accounts payable	-	15,491	(100)	-	15,491	(100)
Exploration tax credit	136,556	479,439	(72)	136,556	479,439	(72)
Interest income	-	940	(100)	-	7,999	(100)
	<b>136,556</b>	<b>495,870</b>	<b>(72)</b>	<b>136,556</b>	<b>735,429</b>	<b>(81)</b>
Net income (loss)	<b>(132,346)</b>	<b>186,557</b>	<b>(171)</b>	<b>(806,183)</b>	<b>(76,664)</b>	<b>952</b>

After completing Doran Phase III during 08Q4, management shifted its focus to evaluate/acquire other assets to complement the Doran Property. Accordingly, mineral exploration expenditures of \$13,494 and \$26,450 for the three months and year ended December 31, 2009 represents only 8% and 4% of total expenses, after backing out stock-based compensation, compared to representing 58% and 27% of total expenses during the three months and year ended December 31, 2008.

Total expenses, excluding mineral exploration expenditures and stock-based compensation, for the three months and year ended December 31, 2009 amounted to \$151,796 and \$594,775, an increase of \$38,488 (34%) and \$72,842 (14%) over the 2008 comparative period. The increase is attributed to higher expenditures associated with business development and reflected in increases in consulting fees and travel and promotion.

**ABBASTAR RESOURCES CORP.** (formerly Abbastar Uranium Corp.)

**FOR THE YEAR ENDED DECEMBER 31, 2009**

---

No interest income for the three months and year ended December 31, 2009 compared to 2008 is a result of no funds being invested in an interest-bearing account during the period (2008 - \$886 and \$6,428), and the repayment of the promissory note receivable from a non-related entity (2008 - \$54 and \$1,571) on December 1, 2008.

Corporate communications costs were lower for the three months ended December 31, 2009 compared to the comparative period in 2008. In 2008, Carlyle Capital Corporation ("Carlyle"), owned by Morgan R. Good ("IR Consultant") was paid a total of \$30,000 during the three-month period, whereas in 2009, IR Consultant was paid a total of \$15,000 during the same three-month period. For the year ended December 31, 2009, corporate communication costs were 12% higher in 2009 compared to 2008 due in large part to fees paid to Carlyle (July 15, 2008 - April 15, 2009) and IR Consultant (April 15, 2009 - December 31, 2009) totaling \$75,000 during 2009 and \$60,000 during 2008 plus expenses (see "Investor Relations" section).

Consulting fees paid during the year ended December 31, 2009 were higher than the comparative periods in 2008 as various consultants were retained during the year to assist the IR Consultant with administrative functions and for business development. A finder's fee (250,000 shares at \$0.25 per share) paid to Research Capital Corporation for the Talbot Lake Project, in the amount of \$62,500, was initially included in consulting fees in 09Q3 but was segregated out during 09Q4 resulting in a credit balance to consulting fees during 09Q4.

Had the finder's fee not been reflected in consulting fees during 09Q3, consulting fees for the three months ended December 31, 2009 would have been \$39,919 compared to \$10,500 during the comparative 2008 period.

Office and miscellaneous expenses recorded during the three months and year ended December 31, 2009 were higher than the comparative period in 2008 as a result of additional rent charges (2009 - \$29,000, 2008 - \$24,000) associated with taking on alternate offices for the Former President and IR Consultant, additional administrative costs (2009 - \$22,298, 2008 - \$20,884) associated with management of the Talbot Lake Project and the maintenance of the corporate website.

Although accounting and audit fees increased by \$4,800 during the three months and year ended December 31, 2009, professional fees were slightly lower for the three months ended December 31, 2009 and just slightly higher for the year ended December 31, 2009 compared to the same periods in 2008 because the Former President engaged outside legal counsel during 08Q2 and 08Q3 and incurred fees of approximately \$8,000.

Regulatory and transfer agent fees were higher for the three months ended December 31, 2009 compared to the same period in 2008 due to additional filings with the TSX and Ontario Securities Commission required for the two private placements in December 2009 and extra-provincial registration in Ontario. Regulatory and transfer agent fees for the year ended December 31, 2009 were lower than the comparative period in 2008 due to name change fees and change of business transaction fees totaling \$6,143 paid to the TSX in 2008.

**ABBASTAR RESOURCES CORP.** (formerly Abbastar Uranium Corp.)

**FOR THE YEAR ENDED DECEMBER 31, 2009**

Effective July 1, 2009 all officers of the Company previously paid a management fee were paid an equivalent salary, which has been recorded as salaries rather than management fees on the financial statements. Effective October 1, 2008, the Former President and Chief Financial Officer agreed to reduce their monthly fees to conserve cash; the Former President's monthly fee was reduced from \$7,500 per month to \$5,000 per month and the Chief Financial Officer's monthly fee was reduced from \$4,000 per month to \$2,000 per month. As a result, management fees recorded during the three months and year ended December 31, 2009 were lower than the comparative period in 2008 and recorded salaries were higher. Overall the combination of management fees and salaries paid during the three months and year ended December 31, 2009 were lower than the comparative 2008 periods, due in part to one less employee.

Travel and promotion expenses incurred during the three months and year ended December 31, 2009 were higher than the comparative period in 2008 as a result of an increase in the number of trips and business meetings involving the Former President and IR Consultant for corporate development.

During 08Q1 the Company filed claims for renouncing Canadian exploration expenditures totaling \$750,000 with Canada Revenue Agency. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities through a decrease in share capital and the recognition of a future tax liability. When flow-through expenditures are incurred, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statements of operations.

During the year ended December 31, 2009 the Company received \$136,556 (2008 - \$479,439) in refundable tax credits from the Federal Government and the Province of Quebec in connection with eligible mineral exploration expenditures incurred on the Doran Property for the years ended December 31, 2007 and December 31, 2008.

On December 9, 2008 a gain of \$15,491 resulted from the settlement of outstanding legal fees.

**SUMMARY OF QUARTERLY RESULTS**

	2009				2008			
	December 31	September 30	June 30	March 31	December 31	September 30	June 30	March 31
Net income (loss)	\$ (132,346)	\$ (210,808)	\$ (233,719)	\$ (229,310)	\$ 186,558	\$ (165,695)	\$ (106,096)	\$ 8,570
Income (loss) per share <sup>(1)</sup>	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ 0.00

<sup>(1)</sup> Fully diluted loss per share has not been calculated, since it would be anti-dilutive.

Since 07Q2 quarterly results have varied mainly due to mineral exploration expenditures. Because of efforts to investigate new business opportunities and meet with potential investors, expenses in recent quarters have trended higher (net of stock-based compensation and mineral exploration expenditures) due primarily to

**ABBASTAR RESOURCES CORP.** (formerly Abbastar Uranium Corp.)

**FOR THE YEAR ENDED DECEMBER 31, 2009**

increases in consulting, corporate communication and travel costs. During the three months ended December 31, 2009, the average monthly cash spend rate (excluding \$89,975 in share issuance costs) was approximately \$49,600 per month, up from an average of \$37,800 during the comparative period in 2008, and up from the average approximate monthly spend of \$42,700 during 09Q3. For the year ended December 31, 2009 salaries and management fees have decreased from an average of \$16,700 per month (two full-time; two part-time) in 2008 to an average of \$12,600 per month currently (one full-time; three part-time). At present, we expect our operations to continue to incur no more than \$35,000 per month in human resource, administrative and marketing expenses.

**LIQUIDITY AND CAPITAL RESOURCES**

**Financial Position**

As at	December 31, 2009 \$	December 31, 2008 \$	Chg %	December 31, 2007 \$
Cash	<b>1,357,536</b>	482,025	182	68,834
Other current assets	<b>18,140</b>	24,744	(27)	292,080
Interest in mineral property	<b>100,000</b>	100,000	--	100,000
Other assets	<b>378</b>	472	(20)	590
	<b>1,476,054</b>	607,241	143	461,504
Current liabilities	<b>80,044</b>	95,999	(17)	74,096
Shareholders' equity	<b>1,396,010</b>	511,242	173	387,408
	<b>1,476,054</b>	607,241	143	461,504
Cash dividends declared per share	-	-		-

Total assets have increased from \$607,241 as at December 31, 2008 to \$1,476,054 as at December 31, 2009. The \$868,813 increase is attributed primarily to funds received from the private placements announced in November 2009 and December 2009. Total liabilities have decreased by \$15,955 since the 2008 year-end, the decrease attributable to the payment of accrued management fees to related parties.

As at December 31, 2009, the Company had net working capital of \$1,295,632 (December 31, 2008 - \$410,770) and shareholders' equity of \$1,396,010 (December 31, 2008 - \$511,242).

**ABBASTAR RESOURCES CORP.** (formerly Abbastar Uranium Corp.)

**FOR THE YEAR ENDED DECEMBER 31, 2009**

**Changes in Cash Position**

Cash flows:	Three months ended December 31,		Year ended December 31,	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash (outflow) inflow from operating activities	(12,231)	227,735	(431,426)	(128,809)
Cash inflow from financing activities	1,201,374	-	1,306,937	338,000
Cash inflow from investing activities	-	18,000	-	204,000
Increase in cash	1,189,143	245,735	875,511	413,191

The Company's cash position increased from \$482,025 at December 31, 2008 to \$1,357,536 at December 31, 2009. The \$875,511 increase is comprised of the \$1,306,937 in proceeds (net of share issue costs) from the private placements, exercise of stock options during the year and the receipt of the exploration tax credit, less \$431,426 used to finance operations. Of the \$1,300,100 raised through the issuance of flow-through shares, \$1,295,060 must be utilized on eligible mineral property exploration expenditures before December 31, 2010.

The \$431,426 used to finance operations is comprised of the \$806,183 net loss incurred during the year, offset for the most part by \$321,514 in stock-based compensation and \$62,500 for the Talbot Lake Project finder's fee paid by issuance of shares. During 10Q1, approximately \$9,000 in GST and QST refunds were received and during 10Q2, \$48,850 in proceeds was received from the exercise of 195,000 stock options and 40,000 warrants.

**Share Capital**

The total number of common shares outstanding as at the date of this report was 20,024,412 and as at December 31, 2009 was 19,789,412. The total number of common shares outstanding at December 31, 2008 was 14,887,830.

In December 2009, the Company closed the private placement announced on December 15, 2009, comprised of 3,125,000 flow-through units ("FTU") at a price of \$0.32 per FTU for gross proceeds of \$1,000,000. Each FTU consists of one flow-through common share and one-half of one transferable common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional non-flow-through common share of the Company until December 18, 2011 at an exercise price of \$0.40 per share during the first year and \$0.50 per share during the second year. The fair value of the warrants issued in the private placement was \$226,812 and was allocated to contributed surplus. The Company paid a \$50,000 cash finder's fee plus 312,500 two-year non-flow-through finder's options ("Finder's Options") in connection with this private placement. Each Finder's Option entitles the holder to purchase one unit of the Company at a price of \$0.32 per unit (the "Finder's Units") until December 18, 2011. Each Finder's Unit is comprised of one common share of the Company, and one half of one non-transferable share purchase warrant (the "Finder's Warrants"). The Finder's Warrants otherwise have the same terms as the share purchase warrants

comprising the FTUs. The fair value of the Finder's Options issued in the private placement was \$73,941 and was allocated to contributed surplus. The proceeds from the private placement will be used for exploration expenditures. The securities are subject to a four-month hold period pursuant to applicable securities laws and regulations. The hold period expired on April 19, 2010.

In December 2009, the Company closed the non-brokered private placement announced on November 4, 2009, comprised of 1,000,332 flow-through shares ("FTS") at a price of \$0.30 per FTS for gross proceeds of \$300,100. The Company paid a \$9,975 cash referral fee in connection with this private placement. The proceeds from the private placement will be used for exploration expenditures. The securities are subject to a four-month hold period pursuant to applicable securities laws and regulations. The hold period expired on April 4, 2010.

As at the date of this report, there were 3,522,500 warrants outstanding exercisable into 3,522,500 common shares at a weighted average exercise price of \$0.34, 1,960,000 warrants expiring August 25, 2011 and 1,562,500 warrants expiring December 18, 2011. Subsequent to 09Q4, 40,000 warrants were exercised at \$0.21 per share for gross proceeds of \$8,400.

As of the date of this report there were 2,397,500 stock options outstanding, with a weighted average exercise price of \$0.24 per share. During the year ended December 31, 2009, 1,495,000 stock options were granted with a weighted average exercise price of \$0.22 per share, 393,750 stock options with a weighted average exercise price of \$0.26 per share were cancelled, and 526,250 stock options with a weighted average exercise price of \$0.20 were exercised for gross proceeds of \$105,563. Subsequent to year-end, 250,000 stock options were granted at a price of \$0.25 per share, 37,500 stock options at \$0.21 per share were cancelled and 195,000 stock options at \$0.21 per share were exercised for gross proceeds of \$40,950. Of the total stock options outstanding 2,347,500 are currently exercisable with a weighted average exercise price of \$0.19 per share. The expiration dates of the outstanding stock options range from June 15, 2010 to January 28, 2015. The stock options granted on September 25, 2009 vest and become exercisable as to 25% per quarter commencing three months from the date of grant; all other outstanding stock option grants are fully vested.

### **Future Cash Requirements**

The Company's future capital requirements will depend on many factors, including, among others, property acquisitions and future mineral exploration expenditures. Should the Company wish to acquire a greater than 35% interest in the Doran Property, a 70% interest in the Talbot Lake Project or interests in other properties, additional funding will be required. The Company believes that its current capital plans and requirements can be funded from existing cash on hand and short-term advances from related parties, if need be. To the extent that the Company continues to incur losses and these resources are insufficient to fund the Company's recurring losses until profitability is reached, the Company will need to raise additional funds through debt or equity financing. Current market conditions have made it more difficult to raise additional funds. If additional

funds are raised through the issuance of equity securities, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms acceptable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay future mineral exploration expenditures or property acquisitions.

#### **RELATED PARTY TRANSACTIONS**

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. The year-end balances are unsecured, non-interest bearing, without specific terms of repayment and have arisen from the provision of services and fees described.

During the year ended December 31, 2009, the Company incurred \$60,000 in salary (2008 - \$22,500) and \$nil (2008 - \$3,750) in management fees to its Former President and at December 31, 2009 the Company owes this individual \$nil (December 31, 2008 - \$3,750) for fees. As at December 31, 2009, this individual owes the Company \$11,839 for cash advances (December 31, 2008 - \$nil) which have been included in accounts receivable.

During the year ended December 31, 2009, the Company incurred \$12,000 in salary (2008 - \$nil) and \$12,000 (2008 - \$42,000) in management fees to an officer and at December 31, 2009 the Company owes this individual \$nil (December 31, 2008 - \$10,500) for fees.

During the year ended December 31, 2009, the Company incurred \$18,000 in salary (2008 - \$nil) and \$13,000 (2008 - \$24,000) in management fees to an officer and at December 31, 2009 the Company owes this individual \$nil (December 31, 2008 - \$8,400) for fees.

During the year ended December 31, 2009, the Company incurred \$66,113 in fees (2008 - \$nil) from a company owned and controlled by an officer and at December 31, 2009 the Company owes that company \$2,477 (December 31, 2008 - \$nil) for expense reimbursements.

During the year ended December 31, 2009, the Company incurred \$45,000 (2008 - \$nil) in fees to the son of the Former President and \$30,000 (2008 - \$60,000) in fees to a company owned by the same individual for investor relation services.

During the year ended December 31, 2009, the Company incurred \$17,500 in salary (2008 - \$60,000) and \$nil (2008 - \$22,500) in management fees to its former President and at December 31, 2009 the Company owes this individual an aggregate of \$nil (December 31, 2008 - \$3,592) for fees and expense reimbursements.

During the year ended December 31, 2009, the Company incurred \$24,000 (2008 - \$24,000) in fees from a company with common directors for rent. As at December 31, 2009, the Company owes that company \$21,000 (2008 - \$nil), which is included in accounts payable.

## **INVESTOR RELATIONS**

On July 15, 2009, the Company extended the term of the investor relations agreement with Morgan R. Good ("IR Consultant"), of Vancouver, British Columbia to January 15, 2010. In January the investor relations agreement was extended for another year. During the year ended December 31, 2009, the Company made payments totaling \$96,275 (2008 - \$67,094) to Morgan R. Good or Carlyle Capital Corp. for fees and expense reimbursements. On April 13, 2010 a termination notice was delivered to Morgan R. Good requesting the return of all corporate assets in his possession. To date, no assets have been returned.

## **LITIGATION**

On April 9, 2010, the Company's Former President was terminated. On April 15, 2010, the Former President filed a writ and a statement of claim against the Company in the Supreme Court of British Columbia for wrongful dismissal. It is the Company's position that statements made by the Former President are without merit and vexatious. The Former President claims for:

- An order that the options granted to the former President are valid and exercisable by the former President, or in the alternative, damages for breach of contract;
- Damages for wrongful dismissal;
- Punitive and aggravated damages;
- Interest pursuant to the Court Order Interest Act, R.S.B.C. 1996, c. 79;
- Cost at a level and scale to be determined by the Court; and
- Such further and other relief as to the Court may seem just.

The Company will be defending the action vigorously. On April 21, 2010, the Company filed an appearance and will be filing its statement of defense in due course.

On April 10, 2010, the Company terminated the investor relations contract with IR Consultant (see "Investor Relations" section). On April 27, 2009, the Company was served with a small claims action for \$20,236 in connection with the termination of this investor relations agreement. Pursuant to a garnishing order before judgment, \$15,386 was garnished from the Company's bank account. The Company disagrees with the allegations made and amount claimed in this action and will be filing a reply in due course.

**DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance i) that material information about the Company and its subsidiaries would have been made known to them and ii) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company would have been made known to them as of the end of the fiscal year ended December 31, 2009.

As well, as of the end of the fiscal year ended December 31, 2009, the Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's internal controls over financial reporting have been adequately designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. However, control systems, no matter how well designed and operated, have inherent limitations, therefore, those systems, although determined adequately designed, can provide only reasonable assurance that the objectives of the system are met.

During 2009, there was no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**ADDITIONAL INFORMATION**

Additional information pertaining to the Company is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).