

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

MANAGEMENT DISCUSSION AND ANALYSIS

For the Nine Months Ended September 30, 2009

As at November 26, 2009

## **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.

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. (“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.

This management discussion and analysis (“MD&A”) is dated as of November 26, 2009 and should be read in conjunction with the unaudited interim financial statements of the Company for the nine months ended September 30, 2009 (“Interim Financial Statements”), our audited financial statements for the year ended December 31, 2008 (“Annual Financial Statements”) and our MD&A for the year ended December 31, 2008.

Our discussion in this MD&A is based on the Interim Financial Statements. The Interim Financial Statements are prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial statements and accordingly, certain information and note disclosures normally included in the Annual Financial Statements are omitted. 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 and 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 period ended June 30, 2009. The adoption of this standard did not have a material impact on the Company's financial statements.

### **Future accounting changes**

In addition to the above new accounting pronouncements 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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **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 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). To date approximately \$6,000,000 in exploration expenditures has 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.

To date, the Company has incurred \$1,302 in mineral property exploration expenditures as defined in the Agreement.

### **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.

In March 2005, Entourage entered into an option agreement with Fayz Yacoub (the "Vendor") to acquire a 100% interest in the Doran Property, subject to a 2½% NSR of which 1½% may be purchased by Entourage from the Vendor for \$1,750,000 on the basis of \$100,000 for each one-tenth percent of the NSR on the first 1% NSR and \$150,000 for each one-tenth percent of the NSR on the remaining ½% NSR. In order to exercise the option and acquire its interest Entourage was to, over a period of three years, make cash payments totaling \$220,000, issue 750,000 Entourage shares and incur at least \$1,000,000 of expenditures on the property. In combination with the \$1,519,634 in mineral exploration expenditures incurred by the Company to date, Entourage has met its expenditure requirements with the Vendor. In addition, Entourage has issued all 750,000 shares to the Vendor and made cash payments totaling \$145,000. The final cash payment of \$75,000 due March 15, 2008 was made by the Company on behalf of Entourage. Entourage has satisfied all of the Vendor's requirements to acquire a 100% interest in the Doran Property.

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. A total of \$934,563 has been incurred on mineral exploration expenditures on Doran Phase II to date.

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. A total of \$339,458 in mineral exploration expenditures has been incurred by the Company on Doran Phase III to date.

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.Geol., 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). The Technical Report is not a NI 43-101 technical report and was not filed for securities regulatory purposes.

To date the Company has earned a 35% interest in the Doran Property and has incurred \$19,634 of the one million, five hundred thousand dollars required to earn an additional 15% interest. Additionally, 63 drill holes, covering approximately 6,200 meters, have been completed on five of 22 anomalies identified on the Doran Property. Over \$2.1 million in mineral exploration expenditures have been incurred by the Company and Entourage on the Doran Property to date.

The Company did not expend any money on the Doran Property this past quarter other than \$603 for storage of Doran Phase II core samples.

**RESULTS OF OPERATIONS**

	Three months ended September 30,			Nine months ended September 30,		
	2009	2008	Chg	2009	2008	Chg
	\$	\$	%	\$	\$	%
<b>Expenses</b>						
Amortization	24	30	(20)	71	89	(20)
Bank charges	102	84	21	316	227	39
Consulting fees	95,291	13,287	617	175,491	61,361	186
Corporate communications	15,480	30,440	(49)	60,961	37,815	61
Management fees	-	29,250	--	25,000	80,250	(69)
Mineral exploration expenditures	1,905	556	243	12,956	38,465	(66)
Mineral property payment	-	-	--	-	75,000	--
Office and miscellaneous	17,284	10,243	69	32,723	35,158	(7)
Professional fees	5,566	75	7321	9,573	8,090	18
Regulatory and transfer agent fees	6,044	12,162	(50)	16,748	22,856	(27)
Salaries	39,612	25,555	55	90,477	76,920	18
Stock-based compensation	23,116	44,831	(48)	217,902	55,690	291
Travel and promotion	6,384	2,127	200	31,619	10,859	191
<b>Loss from operations</b>	<b>(210,808)</b>	<b>(168,640)</b>	<b>25</b>	<b>(673,837)</b>	<b>(502,780)</b>	<b>34</b>
<b>Other items</b>						
Interest income	-	2,945	--	-	7,059	--
Future income tax recovery	-	-	--	-	232,500	--
<b>Net loss for the period</b>	<b>(210,808)</b>	<b>(165,695)</b>	<b>27</b>	<b>(673,837)</b>	<b>(263,221)</b>	<b>156</b>

After completing Doran Phase III, management shifted its focus to evaluate/acquire other assets to complement the Doran Property. Accordingly, mineral exploration expenditures of \$1,905 and \$12,956 for the three and nine months ended September 30, 2009 represents only 1% and 3% of total expenses, after backing out stock-based compensation, compared to representing 0.4% and 9% of total expenses during the three and nine months ended September 30, 2008.

Total expenses, excluding mineral exploration expenditures and stock-based compensation, for the three and nine months ended September 30, 2009 amounted to \$185,787 and \$442,979, an increase of \$62,534 (51%) and \$34,354 (8%) over the 2008 comparative period. The increase is attributed to higher expenditures associated with investigating new business opportunities in mining property development and meetings with potential business partners and investors to help fund new projects and expand our existing development.

No interest income for the three and nine months ended September 30, 2009 compared to 2008 is a result of no funds being invested in an interest-bearing account during the period (2008 - \$2,579 and \$5,206), and the repayment of the promissory note receivable from a non-related entity (2008 - \$366 and \$1,517) on December 1, 2008.

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Consulting fees paid during the three and nine months ended September 30, 2009 were higher than the comparative periods in 2008 as consultants were retained during the nine months ended September 30, 2009 to investigate potential mining property development opportunities. A finder's fee paid to Research Capital Corporation for the Talbot Lake Project, in the amount of \$62,500, is included in consulting fees. The finder's fee was paid by way of the issuance of 250,000 common shares at \$0.25 per share subsequent to period-end.

Corporate communications costs were lower for the three months ended September 30, 2009 compared to the comparative period in 2008. In 2008, Carlyle Capital Corporation ("Carlyle"), owned by Morgan Good, was paid a total of \$30,000 during the three month period, whereas in 2009, Morgan Good was paid a total of \$15,000 during the same three month period. For the nine months ended September 30, corporate communication costs were 61% higher in 2009 compared to 2008 in large part due to fees paid to Carlyle (July 15, 2008 - April 15, 2009) and Morgan Good (April 15, 2009 - September 30, 2009) totaling \$60,000 during 2009 and \$30,000 during 2008.

Office and miscellaneous expenses recorded during the three months ended September 30, 2009 were higher than the comparative period in 2008 as a result of additional rent charges (2009 - \$10,000, 2008 - \$6,000) associated with taking on additional office space and additional administrative costs (2009 - \$7,284, 2008 - \$4,243) related to the name change. Office and miscellaneous expenses recorded during the nine months ended September 30, 2009 were slightly lower than the comparative period in 2008 as there were one-time costs in 2008 associated with the setup of a database program.

The increase in professional fees incurred during the three and nine months ended September 30, 2009 compared to the same periods in 2008 is due to the engagement of outside legal counsel.

Effective July 1, 2009 all officers of the Company previously paid a management fee are now paid an equivalent salary, other than the President and Chief Financial Officer, both of whom agreed to reduce their monthly fees to conserve cash. As a result, management fees recorded during the three and nine months ended September 30, 2009 were lower than the comparative period in 2008 and recorded salaries are higher. Overall the combination of management fees and salaries paid during the three and nine months ended September 30, 2009 were lower than the comparative 2008 periods.

Travel and promotion expenses incurred during the three and nine months ended September 30, 2009 were higher than the comparative period in 2008 due to higher travel expenditures in 2009 related to meetings with potential investors and the investigation of other business opportunities.

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.

**SUMMARY OF QUARTERLY RESULTS**

	2009			2008			2007	
	September 30	June 30	March 31	December 31	September 30	June 30	March 31	December 31
Net income (loss)	\$ (210,808)	\$ (233,719)	\$ (229,310)	\$ 186,558	\$ (165,695)	\$ (106,096)	\$ 8,570	\$ (434,125)
Loss per share <sup>(1)</sup>	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ 0.00	\$ (0.03)

<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 increases in consulting, corporate communication and travel costs. During the three months ended September 30, 2009, our average monthly cash spend rate was approximately \$42,700 per month, up from an average of \$41,300 during the comparative period in 2008, but down from the average approximate monthly spend of \$50,000 during 09Q2. For the nine months ended September 30, 2009 salaries and management fees have decreased from an average of \$17,500 per month (two full-time; two part-time) in 2008 to an average of \$12,900 per month currently (one full-time; three part-time). At present, we expect our operations to continue to incur no more than \$46,000 per month in human resource, administrative and marketing expenses.

**LIQUIDITY AND CAPITAL RESOURCES**

**Financial Position**

As at	September 30, 2009 \$	December 31, 2008 \$	Change %
Cash	168,393	482,025	(65)
Other current assets	14,488	24,744	(41)
Mineral interests	100,000	100,000	-
Other assets	401	472	(15)
	<b>283,282</b>	607,241	(53)
Current liabilities	122,412	95,999	28
Shareholders' equity	160,870	511,242	(69)
	<b>283,282</b>	607,241	(53)
Cash dividends declared per share	-	-	

Total assets have decreased from \$607,241 as at December 31, 2008 to \$283,282 as at September 30, 2009. The \$323,959 decrease is attributed primarily to cash used to fund operations during the nine months ended September 30, 2009. Total liabilities have increased by \$26,413 since the 2008 year-end. The increase is attributable to the accrual of a \$62,500 finders' fee to Research Capital Corporation offset by the payment of accrued management

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fees and expenses to related parties as well as a payment to a vendor for outstanding mineral exploration expenditures.

As at September 30, 2009, the Company had net working capital of \$60,469 (December 31, 2008 - \$410,770) and shareholders' equity of \$160,870 (December 31, 2008 - \$511,242).

**Changes in Cash Position**

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Cash flows:	\$	\$	\$	\$
Cash outflow from operating activities	<b>(120,285)</b>	(172,982)	<b>(419,195)</b>	(356,544)
Cash inflow from financing activities	<b>6,563</b>	320,000	<b>105,563</b>	338,000
Cash inflow from investing activities	-	70,000	-	186,000
(Decrease) increase in cash	<b>(113,722)</b>	217,018	<b>(313,632)</b>	167,456

The Company's cash position decreased from \$482,025 at December 31, 2008 to \$168,393 at September 30, 2009. The \$313,632 decrease is attributed to cash used to fund operations.

Cash used to fund operations during the three months ended September 30, 2009 was \$52,697 less than cash used to fund operations during the same period in 2008. The decrease is primarily a result of a higher payables and accruals balance at September 30, 2009, specifically the finder's fee paid to Research Capital paid subsequent to quarter end.

Conversely, more cash was used to fund operations during the nine months ended September 30, 2009 than during the same period in 2008. The \$62,651 increase is primarily a result of the collection of GST receivable from 2007 during 08Q1.

The \$313,437 and \$232,437 decrease in cash provided by financing activities during the three and nine months ended September 30, 2009 versus the comparative periods in 2008 is due to fewer treasury shares issued during 2009; during the three months ended September 30, 2009 31,250 stock options were exercised at \$0.21, whereas during the comparative period in 2008 2,000,000 shares were issued at \$0.16 pursuant to a private placement.

During the three and nine months ended September 30, 2009, there were no investing activities. Cash inflow from investing activities during the three and nine months ended September 30, 2008 related to the redemption of \$175,000 in guaranteed investment certificates and receipt of \$11,000 in connection with a promissory note receivable.

### **Share Capital**

The total number of common shares outstanding as at the date of this report and September 30, 2009 is/was 15,414,080.

As of the date of this report there are 2,000,000 warrants outstanding exercisable at \$0.21 per share expiring August 25, 2011. On August 21, 2009, the Company made an application to the TSX Venture Exchange to extend the expiry date of the warrants an additional two years from August 25, 2009. Exchange approval was received on August 24, 2009. In addition, there are 2,230,000 stock options outstanding, with a weighted average exercise price of \$0.23 per share. Of the total stock options outstanding 1,945,625 are currently exercisable with a weighted average exercise price of \$0.24 per share. The expiration dates of the outstanding stock options range from March 31, 2011 to October 20, 2014.

### **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 loan advances described.

During the three and nine months ended September 30, 2009, the Company incurred \$15,000 and \$45,000 in salary (2008 - \$7,500 and \$7,500) and \$nil and \$nil (2008 - \$3,750 and \$3,750) in management fees to its President and at September 30, 2009 the Company owes this individual an aggregate of \$nil (December 31, 2008 - \$3,750) for fees.

During the three and nine months ended September 30, 2009, the Company incurred \$6,000 and \$6,000 in salary (2008 - \$nil and \$nil) and \$nil and \$12,000 (2008 - \$12,000 and \$36,000) in management fees to an officer and at September 30, 2009 the Company owes this individual an aggregate of \$nil (December 31, 2008 - \$10,500) for fees.

During the three and nine months ended September 30, 2009, the Company incurred \$9,000 and \$9,000 in salary (2008 - \$nil and \$nil) and \$nil and \$13,000 (2008 - \$6,000 and \$18,000) in management fees to an officer and at September 30, 2009 the Company owes this individual an aggregate of \$nil (December 31, 2008 - \$8,400) for fees.

During the three and nine months ended September 30, 2009, the Company incurred \$26,768 and \$33,968 in fees (2008 - \$nil and \$nil) from a company owned and controlled by an officer and at September 30, 2009 the Company owes that company an aggregate of \$13,994 (December 31, 2008 - \$nil) for fees and expense reimbursements.

During the three and nine months ended September 30, 2009, the Company incurred \$nil and \$17,500 in salary (2008 - \$15,000 and \$45,000) and \$nil and \$nil (2008 - \$7,500 and \$22,500) in management fees to its former President and at September 30, 2009 the Company owes this individual an aggregate of \$nil (December 31, 2008 - \$3,592) for fees and expense reimbursements.

## **INVESTOR RELATIONS**

On July 15, 2009, the Company extended the term of the investor relations agreement with Morgan R. Good of Vancouver, British Columbia to January 15, 2010. Mr. Good is paid a monthly fee of \$5,000 and will be reimbursed reasonable expenses up to \$2,500 per month.

## **RISKS AND UNCERTAINTIES**

The Company is engaged in the acquisition and exploration of mineral properties, an inherently risky business, and there is no assurance that an economic deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The geological focus of the Company is on areas in which the geological setting is well understood by management.

The price of mineral resources is affected by numerous factors beyond the control of the Company including strategic stock pile sales, the relative exchange rate of the U.S. dollar with other major currencies, demand, political and economic conditions and production levels. In addition, the price of mineral resources can be volatile over short periods of time due to speculative activities.

## **ADDITIONAL INFORMATION**

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