CANSTAR RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim financial statements of Canstar Resources Inc. (the "Company" or "Canstar") are the responsibility of management and the Board of Directors.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

CANSTAR RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

As at	December 31, 2018	June 30, 2018
ASSETS		
Current		
Cash and cash equivalents	**$ 595,466**	$ 1,468,736
Amounts receivable and prepaid expenses	**69,073**	16,668
Deferred issue costs (Note 6(b)(i))	**-**	145,819
Total current assets	**664,539**	1,631,223
Deferred transaction costs (Note 5)	**-**	73,560
Equipment (Note 4)	**2,913**	933
Interest in exploration properties and deferred exploration expenditures (Notes 3 and 7)	**8,681,878**	2,190,045
Total assets	**$ 9,349,330**	$ 3,895,761
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**$ 182,201**	$ 288,281
Flow-through premium (Note 6(b))	**156,000**	-
Subscription receipts	**-**	1,500,021
Total liabilities	**338,201**	1,788,302
SHAREHOLDERS' EQUITY		
Capital stock (Note 6(b))	**18,951,106**	11,957,966
Warrants (Note 6(d))	**81,998**	81,998
Share-based payments reserve (Note 6(c))	**277,335**	235,875
Deficit	**(10,299,310)**	(10,168,380)
Total shareholders' equity	**9,011,129**	2,107,459
Total liabilities and shareholders' equity	**$ 9,349,330**	$ 3,895,761

Nature and Continuance of Operations and Going Concern (Note 1)
Commitments and Contingencies (Notes 3 and 8)
Subsequent Event (Note 9)

APPROVED ON BEHALF OF THE BOARD:

"D. Peterson", Director

"S. Leung", Director

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANSTAR RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Six Months Ended December 31, 2018	Six Months Ended December 31, 2017
Operating expenses				
Share-based payments (Notes 6(c) and 7)	**$ 36,535**	$ -	**$ 46,860**	$ -
Interest and bank charges	**488**	239	**770**	580
Transfer agent and filing fees	**12,302**	16,219	**31,498**	47,685
Management fees (Note 7)	**16,965**	1,747	**27,799**	142
Professional fees (Note 7)	**25,522**	33,377	**40,687**	41,911
General and office expenses	**7,527**	137	**11,471**	4,975
Shareholder information	**22,031**	8,851	**56,812**	13,801
Amortization (Note 4)	**162**	59	**324**	117
Rent	**5,660**	3,474	**9,419**	8,683
Travel	**4,690**	-	**4,690**	-
Total operating expenses	**131,882**	64,103	**230,330**	117,894
Loss before the undernoted	**(131,882)**	(64,103)	**(230,330)**	(117,894)
Interest income	**-**	1,378	**-**	1,378
Flow-through premium (Note 8)	**94,000**	-	**94,000**	-
Net loss and comprehensive loss for the period	**$ (37,882)**	$ (62,725)	**$ (136,330)**	$ (116,516)
Net loss per share - basic and diluted (Note 6(a))	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.01)
Weighted average number of shares	**44,500,473**	20,561,705	**40,764,692**	20,556,800

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANSTAR RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Six Months Ended December 31, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	**$ (136,330)**	$ (116,516)
Charges not involving cash:		
Share-based payments	**46,860**	-
Amortization	**324**	117
Flow-through premium	**(94,000)**	-
	(183,146)	(116,399)
Changes in non-cash working capital items:		
(Increase) in amounts receivable and prepaid expenses	**(52,405)**	(6,025)
(Decrease) in accounts payable and accrued liabilities	**(106,080)**	(40,011)
Cash flows used in operating activities	**(341,631)**	(162,435)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	**-**	2,500
Share issue costs	**(37,671)**	-
Cash flows used in financing activities	**(37,671)**	2,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in exploration properties and deferred exploration expenditures	**(565,224)**	(368,999)
Deferred transaction costs	**73,560**	-
Purchase of equipment	**(2,304)**	-
Cash flows used in investing activities	**(493,968)**	(368,999)
Change in cash and cash equivalents	**(873,270)**	(528,934)
Cash and cash equivalents, beginning of period	**1,468,736**	718,075
Cash and cash equivalents, end of period	**$ 595,466**	$ 189,141
SUPPLEMENTAL INFORMATION		
Common shares issued for property interests	**$ 5,926,609**	$ -
Conversion of subscription receipts to common shares	**1,500,021**	-

As at	December 31, 2018	2017
CASH AND CASH EQUIVALENTS		
Cash	**$ 85,466**	$ 189,141
Cash equivalents	**510,000**	-
	$ 595,466	$ 189,141

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANSTAR RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Capital Stock	Warrants	Share-based Payment Reserve	Deficit	Total
Balance, June 30, 2017	**$ 11,948,816**	**$ 318,852**	**$ 354,700**	**$ (9,056,352)**	**$ 3,566,016**
Exercise of stock options	4,150	-	(1,650)	-	2,500
Expiry of stock options	-	-	(19,825)	19,825	-
Expiry of warrants	-	(267,222)	-	267,222	-
Net loss for the period	-	-	-	(116,516)	(116,516)
Balance, December 31, 2017	**11,952,966**	**51,630**	**333,225**	**(8,885,821)**	**3,452,000**
Balance, June 30, 2018	**11,957,966**	**81,998**	**235,875**	**(10,168,380)**	**2,107,459**
Share-based payments	-	-	46,860	-	46,860
Private placement	1,500,021	-	-	-	1,500,021
Cost of issue	(183,490)	-	-	-	(183,490)
Flow-through premium	(250,000)	-	-	-	(250,000)
Expiry of stock options	-	-	(5,400)	5,400	-
Common shares issued for property interest	5,926,609	-	-	-	5,926,609
Net loss for the period	-	-	-	(136,330)	(136,330)
Balance, December 31, 2018	**$ 18,951,106**	**$ 81,998**	**$ 277,335**	**$ (10,299,310)**	**$ 9,011,129**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANSTAR RESOURCES INC.
STATEMENTS OF INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Buchans-Mary March Properties	Katie Project	La Poile Project	Kenora Properties	Exploits Properties	Daniel's Harbour Properties	Total
PROPERTY ACQUISITION COSTS							
Balance, June 30, 2017 and December 31, 2017	$ 65,884	$ -	$ -	$ 26,200	$ -	$ -	$ 92,084
DEFERRED EXPLORATION COSTS							
Balance, June 30, 2017	1,993,754	-	-	883,056	-	-	2,876,810
Access	2,050	-	-	3,576	-	-	5,626
Administrative	-	-	-	78	-	-	78
Assaying	-	-	-	19,000	-	-	19,000
Drilling	-	-	-	208,758	-	-	208,758
Field supplies	-	-	-	36,098	-	-	36,098
Geological consulting	-	-	-	29,700	-	-	29,700
Geophysics and exploration	6,300	-	-	-	-	-	6,300
Labour and supervision	-	-	-	33,333	-	-	33,333
Travel	-	-	-	30,106	-	-	30,106
Balance, December 31, 2017	2,002,104	-	-	1,243,705	-	-	3,245,809
Total, December 31, 2017	$ 2,067,988	$ -	$ -	$ 1,269,905	$ -	$ -	$ 3,337,893

See accompanying notes to the unaudited condensed interim consolidated financial statements.

CANSTAR RESOURCES INC.
STATEMENTS OF INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

	Buchans-Mary March Properties	Katie Project	La Poile Project	Kenora Properties	Exploits Properties	Daniel's Harbour Properties	Total
PROPERTY ACQUISITION COSTS							
Balance, June 30, 2018	$ 65,884	$ -	$ -	$ 20,000	$ 15,000	$ -	$ 100,884
Incurred	4,821,581	370,891	105,969	-	-	741,240	6,039,681
Balance, December 31, 2018	4,887,465	370,891	105,969	20,000	15,000	741,240	6,140,565
DEFERRED EXPLORATION COSTS							
Balance, June 30, 2018	2,089,161	-	-	-	-	-	2,089,161
Access	7,997	-	-	-	3,950	72,017	83,964
Administrative	5,160	-	-	-	26	864	6,050
Assaying	2,131	-	-	-	682	941	3,754
Drilling	10,000	-	-	-	-	-	10,000
Field supplies	21,802	-	-	-	6,196	7,664	35,662
Geological consulting	80,479	-	-	-	962	29,585	111,026
Geophysics and exploration	2,800	-	-	-	-	137,071	139,871
Labour and supervision	35,709	-	-	-	-	8,596	44,305
Travel	10,958	-	-	-	262	6,300	17,520
Balance, December 31, 2018	2,266,197	-	-	-	12,078	263,038	2,541,313
Total, December 31, 2018	$7,153,662	$ 370,891	$ 105,969	$ 20,000	$ 27,078	$1,004,278	$8,681,878

See accompanying notes to the unaudited condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Canstar Resources Inc. (the "Company" or “Canstar”) was formed by amalgamation on April 5, 2005. The Company’s registered and head office is located at 56 Temperance Street, Suite 1000, Toronto, Ontario M5H 3V5.

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on February 28, 2019.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the carrying values of mineral properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain financing necessary to complete development of the properties, and the future profitable production therefrom or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

As at December 31, 2018, the Company had a deficit of $10,299,310 (June 30, 2018 - $10,168,380) and working capital surplus of $326,338 (June 30, 2018 - working capital deficiency of $157,079). The Company's ability to continue operations and fund its future exploration property expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance:

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of February 28, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2018, except where noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending June 30, 2019 could result in restatement of these unaudited condensed interim financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting policy:

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Adventus Newfoundland Corporation, which was acquired by the Company on July 30, 2018 (see Note 5).

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

Changes in accounting policy:

IFRS 9 - Financial Instruments ("IFRS 9")

Effective July 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company has adopted IFRS 9 on a retrospective basis, however, this guidance had no material impact to the Company's financial statements.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL).

The new hedge accounting guidance had no impact on the Company's consolidated financial statements.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at July 1, 2018 as a result of adopting IFRS 9, along with comparison to IAS 39.

Classification	IAS 39	IFRS 9
Cash and cash equivalents	FVTPL	FVTPL
Amounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities (amortized cost)	Amortized cost
Subscription receipts	Other financial liabilities (amortized cost)	Amortized cost

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy (continued):

IFRS 9 - Financial Instruments ("IFRS 9") (continued)

As a result of the adoption of IFRS 9, the accounting policy for financial instruments as disclosed in the Company's June 30, 2018 financial statements has been updated as follows:

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

(i) those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and
(ii) those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

(i) amortized cost;
(ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
(iii) FVTOCI, when the change in fair value is attributable to changes in the Company’s credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policy (continued):

IFRS 9 - Financial Instruments ("IFRS 9") (continued)

Classification and Measurement (continued)

The Company's financial asset consists of cash and cash equivalents, which are classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss, and amounts receivable, which is classified as subsequently measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

New IFRS standards not yet adopted:

The Company has not yet adopted certain new IFRS standards, amendments and interpretations to existing standards, which have been published but are only effective for its annual periods beginning on or after July 1, 2019. The Company is current evaluating the potential impacts of these new standards.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 - Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The Company has interests in exploration properties in the Kenora Townships in Ontario, Canada, and the Buchans area of Newfoundland, Canada. Due to disappointing exploration results and a refocus on its Mary March and recently acquired Newfoundland properties, the Kenora properties were written down for accounting purposes in 2018.

a) Mary March Properties

(i) Glencore Joint Venture

The Company entered into an option and Joint Venture Agreement with Glencore plc ("Glencore") whereby the Company has a 50% interest in the Mary March property located at Buchans Junction in central Newfoundland. The remaining 50% interest in the property is held by Glencore. The Company has a first right of refusal on Glencore's 50% interest, should they wish to sell. Exploration of the property was held up approximately 10 years due to a title dispute that was resolved in 2012 in the Company's favour by the Newfoundland and Labrador Supreme Court.

The property consists of four Fee Simple Grants consisting of five separate land parcels and three map-staked licenses containing 77 claims.

Should the Glencore joint venture thus established proceed to production, the Company would make a one-time cash payment of $2 million within six months of the commencement of commercial production. Canstar's share of production would be subject to a one percent (1%) net smelter return royalty ("NSR").

The Company is the operator of the Glencore joint venture and has the deciding vote in the event of a deadlock between the Company and Glencore. A diamond drilling program was completed in late 2012. The Company followed this up with a drill program in the fall of 2013. Glencore contributed $150,000 towards the 2012 exploration costs of the joint venture, however did not contribute to subsequent years' exploration expenditures. Glencore was therefore subject to a voluntary reduction due to non-participation of these exploration programs. Canstar now holds a 56% interest in the joint venture and Glencore holds a 44% interest. Glencore did not contribute to the current program and accordingly will be subject to an additional voluntary reduction.

A fourth map-staked license was staked and added to the Mary March Property portfolio in October 2018.

The Company plans to continue exploration on this property.

(ii) Mary March Extension Property

The Mary March Extension Property was acquired on April 7, 2009 and is comprised of 34 claims. The property is located immediately west and north of the Mary March Property.

Canstar holds a 100% interest in the property, which has been written off for accounting purposes.

(iii) Buchans Property

The Buchans Property was acquired on July 30, 2018 (see Note 5) and is comprised of 1,349 staked claims.

Canstar owns 100% interest in the property through Canstar's wholly owned subsidiary, Adventus Newfoundland Corporation ("Adventus NFLD"), subject to a 2% NSR royalty. In consideration for the acquisition of Adventus NFLD, the Company issued 17,336,339 common shares valued at $0.30.

3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)

b) Kenora Properties

On March 2, 2014, the Company entered into an option agreement to acquire several properties in the Kenora, Ontario area, collectively called the Kenora Gold Project. The Kenora Gold Project is situated in the Wabigoon sub-province, and located approximately 20 kilometres east of the Town of Kenora.

Canstar acquired a 100% interest in the Kenora Gold Project by making cash payments of $18,200 and issuing 200,000 common shares (valued at $8,000). The Kenora Gold Project is subject to a 3% NSR, subject to a buy-back right of $1,000,000 for the first 1.5% and $3,000,000 for the remaining 1.5%, which would reduce the NSR to 0%.

Due to disappointing exploration results and management's decision to refocus on the Mary March property during the year ended June 30, 2018, management has decided to write the Kenora property down to $20,000, its estimate of the recoverable amount

c) Exploits Property

On April 5, 2018, the Company entered into an option agreement with local prospectors to purchase 11 mineral claims near Red Indian Lake in the Province of Newfoundland and Labrador.

In consideration for entering into the option agreement, the Company paid the optionees $10,000 in cash and issued to the optionees the equivalent of $5,000 in Canstar common shares. Assuming the completion of subsequent payments totaling $30,000 to the optionees in cash and the equivalent of $30,000 to be paid in common shares by the third anniversary of the entering into the option agreement, Canstar will own a 100% interest in the mineral claims subject to a 1% royalty interest retained by the optionees. The securities issued to the optionees will be subject to a four month and one day statutory hold period.

All payments and share issuances to the optionors of the Exploits property required as at December 31, 2018 have been made. Subsequent payments and share issuances required to be made to keep the option in good standing will become due on April 5, 2019 and April 5, 2020. Upon completion of these payments and share issuances, Canstar will acquire a 100% interest in the optioned property.

d) Slate Bay Properties

The Slate Bay Properties are comprised of eight contiguous patented claims located approximately 10 kilometres north of the town of Red Lake, Ontario. The Company earned a 75% interest in the property pursuant to an option and joint venture participation agreement entered into with Luxor Enterprises Inc. ("Luxor") on February 4, 2002.

The Company has attempted to joint venture this property without success. Accordingly, the property was written off in fiscal 2011 although the Company still retains its interest.

e) Daniel's Harbour Properties

The Daniel's Harbour Properties consist of 360 claims located in coastal Western Newfoundland. The Company acquired the Daniel's Harbour Properties on July 30, 2018 from Altius Minerals Ltd. ("Altius") (see Note 6).

In consideration for the acquisition of 100% ownership subject to a 2% NSR, the Company issued 2,419,024 common shares valued at $0.30 per common share.

(EXPRESSED IN CANADIAN DOLLARS)

3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)

f) Katie Project

The Katie Project is located in central Newfoundland and consists of 103 claims in 1 mineral license. The Company holds a 100% interest in the Katie Project subject to a 2% NSR royalty payable to Altius (see Note 5).

g) La Poile Project

The La Poile Project is located in southwestern Newfoundland and consists of 28 claims in 2 mineral licenses. The Company holds a 100% interest in the Katie Project subject to a 2% NSR royalty payable to Altius (see Note 5).

4. EQUIPMENT

Cost		Office and field equipment
Balance, June 30, 2017, December 31, 2017 and June 30, 2018	**$**	**10,141**
Additions		2,304
Balance, December 31, 2018	**$**	**12,445**

Accumulated Amortization		Office and field equipment
Balance, June 30, 2017	**$**	**8,975**
Amortization		117
Balance, December 31, 2017		**9,092**
Balance, June 30, 2018		**9,208**
Amortization		324
Balance, December 31, 2018	**$**	**9,532**

Carrying Value		Office and field equipment
Balance, December 31, 2017	**$**	**1,049**
Balance, June 30, 2018	**$**	**933**
Balance, December 31, 2018	**$**	**2,913**

(EXPRESSED IN CANADIAN DOLLARS)

5. ACQUISITION OF ADVENTUS NEWFOUNDLAND CORPORATION

During the six months ended December 31, 2018, the Company purchased 100% of the issued and outstanding shares of Adventus NFLD from Adventus Zinc Corporation ("Adventus"). Adventus NFLD holds 100% ownership of the Buchans Property (Note 3(a)(iii)), the Katie Project (Note 3(f)), and La Poile Project (Note 3(g)). For accounting purposes, the acquisition of Adventus NFLD has been recorded as an asset acquisition as Adventus NFLD is not considered to be a business when applying the guidance within IFRS 3.

The allocation of the purchase price is as follows:

Purchase price allocation		
Issuance of common shares (i)	$	5,200,902
Transaction costs		95,789
	$	5,296,691

(i) For the purpose of determining the value of the purchase price allocation, the 17,336,339 common shares were valued at $0.30 which is based on the trading price at the time of issue.

6. CAPITAL STOCK, OPTIONS AND WARRANTS

(a) Authorized

Unlimited number of common shares, without par value.

In August 2018, the Company affected a 5 to 1 stock consolidation, which has been retrospectively applied in these financial statements.

(b) Issued

44,500,473 common shares

Summary of changes in capital stock:

	Shares		**Amount**
Balance, June 30, 2017,	20,551,705	$	11,948,816
Exercise of stock options (c)	10,000		4,150
Balance, December 31, 2017	**20,561,705**	**$**	**11,952,966**
Balance, June 30, 2018	**20,578,371**		**11,957,966**
Private placement (i)	4,166,739		1,500,021
Cost of issue	-		(183,490)
Flow-through premium	-		(250,000)
Issuance of shares for property interest (Notes 3(a)(iii), 3(e), 3(f), 3(g))	19,755,363		5,926,609
Balance, December 31, 2018	**44,500,473**	**$**	**18,951,106**

6. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(b) Issued (Continued)

(i) On April 17, 2018, the Company completed a non-brokered private placement for aggregate gross proceeds of $1,500,021 ("Offering"). The Offering consisted of the sale of 1,666,739 common share subscription receipts ("Common Share Receipts") at a price of $0.30 per Common Share Receipt and 2,500,000 flow through subscription receipts ("Flow Through Receipts") at a price of $0.40 per Flow Through Receipt (together, the "Subscription Receipts").

On July 30, 2018, upon satisfaction of the Escrow Release Conditions (as defined below), each Common Share Receipt was exchanged for one common share of Canstar. Each Flow Through Receipt was exchanged for one flow through share of Canstar within the meaning of the Income Tax Act (Canada). The gross proceeds of the Offering less offering costs were released from escrow upon the satisfaction of the following conditions (together, the "Escrow Release Conditions"): (i) the execution of the definitive share exchange agreement among the Company, Adventus, Adventus NLFD, and Altius Resources Inc.; (ii) the execution of the definitive asset purchase agreement between the Company and Altius Resources Inc.; (iii) the completion or irrevocable waiver or satisfaction of all conditions precedent to the Company's acquisition of Adventus NFLD (see Note 3(a)(iii)) and the Daniel's Harbour property (see Note 3(e)); (iv) the receipt of all required shareholder, third party (as applicable) and regulatory approvals including, without limitation, the conditional approval of the TSX Venture Exchange ("TSX-V") for the Transaction and the Offering; and (v) the Company having delivered a Release Notice confirming that the conditions set forth above have been met or waived (the "Release Notice").

In connection with the Offering, the Company paid finders a cash commission of $52,806 equal to 6% of the aggregate gross proceeds raised by finders. A total of 150,840 broker warrants (“Broker Warrants”) equal to 6% of subscription receipts raised was paid to finders. Each Broker Warrant entitles the holder to purchase one common share at a price of $0.30 until the date which is twenty-four (24) months following the closing date of the Offering, whereupon the Broker Warrants will expire. A grant date fair value of $33,313 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.88%; expected life of 2 years; and an expected volatility of 156% based on the Company’s historical trading data.

The premium paid by investors for the Flow Through Receipts was calculated as $0.10 per Flow Through Receipt. Accordingly, $250,000 was recorded as a flow-through premium liability.

(EXPRESSED IN CANADIAN DOLLARS)

6. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(c) Stock Options

The Company has granted options for the purchase of common shares to its directors, officers, and consultants. The aggregate number of common shares which may be issued under the stock option plan is 3,000,000. The options are non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant at the market price of the common shares, subject to all applicable regulatory requirements.

A summary of changes in stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2017	**1,125,000**	**$ 0.60**
Exercised	(10,000)	(0.25)
Expired	(27,500)	(0.88)
Balance, December 31, 2017	**1,087,500**	**$ 0.40**
Balance, June 30, 2018	**777,500**	**$ 0.40**
Granted (i)	1,300,000	0.30
Expired	(20,000)	(0.50)
Balance, December 31, 2018	**2,057,500**	**$ 0.36**

(i) On September 4, 2018, the Company granted 1,300,000 stock options to an officer and a consultant of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $0.30 for a period of 5 years. The options vest as to 1/3 on each of the first, second and third anniversaries of the grant date. A grant date fair value of $237,316 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 2.16%; expected life of 5 years; and an expected volatility of 159% based on the Company's historical trading data.

The total value of share-based payments for the three and six months ended December 31, 2018 was $36,535 and $46,860, respectively (three and six months ended December 31, 2017 - $nil).

As at December 31, 2018, the following stock options were outstanding:

Number of Options	Exercisable Options	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
330,000	330,000	$0.25	0.95	December 11, 2019
387,500	387,500	$0.55	3.01	January 3, 2022
40,000	40,000	$0.25	4.04	January 12, 2023
1,300,000	-	$0.30	4.68	September 4, 2023
2,057,500	**757,500**	**$0.36**	**3.75**	

(EXPRESSED IN CANADIAN DOLLARS)

6. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(d) Share Purchase Warrants

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2017	**2,926,691**	**$ 0.75**
Exercised	(2,293,022)	0.82
Balance, December 31, 2017	**633,669**	**0.88**
Balance, June 30, 2018 and December 31, 2018	**758,880**	**$ 0.76**

As at December 31, 2018, the following warrants were outstanding.

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
$ 48,685	608,040	$0.875	May 2, 2019
33,313	150,840	$0.30	April 17, 2020
$ 81,998	**758,880**	**$0.76**	

(EXPRESSED IN CANADIAN DOLLARS)

7. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The below noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Canstar entered into the following transactions with related parties:

The remuneration of directors and key management during the three and six months ended December 31, 2018 and December 31, 2017 were as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	**2017**	**2018**	**2017**
Short-term benefits	**$ 30,000**	$ 8,333	**$ 46,385**	$ 33,538
Share-based payments	**33,724**	-	**43,255**	-
	$ 63,724	$ 8,333	**$ 89,640**	$ 33,538

During the three and six months ended December 31, 2018, $20,381 and $28,573, respectively (three and six months ended December 31, 2017 - $8,333 and $33,333, respectively) of short-term benefits was capitalized as deferred exploration expenditures and $9,618 and $17,811, respectively (three and six months ended December 31, 2017 - $nil and $205, respectively) is included in management fees. As of December 31, 2018, the Company owed a key management personnel $1,260 (June 30, 2018 - $nil) and the amount was included in accounts payable and accrued liabilities.

During the three and six months ended December 31, 2018, the Company incurred $3,903 and $85,352, respectively (three and six months ended December 31, 2017 - $nil) for professional fees and $nil and $40,000, respectively (three and six months ended December 31, 2017 - $nil) for share issue costs charged by Peterson McVicar LLP, a law firm of which a director is a partner. As at December 31, 2018, $nil was payable to this law firm (June 30, 2018 - $90,000) and this amount was included in accounts payable and accrued liabilities.

During the three and six months ended December 31, 2018, the Company capitalized $69,664 and $108,826, respectively (three and six months ended December 31, 2017 - $nil) as deferred exploration expenditures for geological consulting charged by a significant shareholder of the Company.

During the three and six months ended December 31, 2018, the Company incurred $5,660 and $9,419, respectively (three and six months ended December 31, 2017 - $nil) for rent charged by a significant shareholder of the Company.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive or non-executive) of the Company.

As at December 31, 2018, the directors of the Company together control 1,271,569 common shares or approximately 3% of the total common shares outstanding. A corporate investor controls 17,336,339 common shares, or approximately 39% of the total common shares outstanding. Another corporate investor who owns 26.6% of the corporate investor, also owns 2,419,024 common shares of Canstar. To the knowledge of directors and officers of Canstar, the remainder of the Company’s outstanding common shares are widely held.

8. COMMITMENTS AND CONTINGENCIES

Environmental Contingencies

The Company's mineral exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Flow-Through Commitment

Pursuant to the issuance of 2,500,000 flow-through share receipts on April 17, 2018 (see Note 6(b)), which were converted to flow-through shares of the Company in July 2018, the Company is required to incur qualifying expenditures of approximately $1,000,000 by December 31, 2019. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

9. SUBSEQUENT EVENT

On January 15, 2019, the Company granted 100,000 options to purchase common shares of the Company to a consultant at an exercise price of $0.30 per share, expiring on January 15, 2022. These options will vest on January 15, 2020.