
CANSTAR RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

(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.
UNAUDITED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

As at	September 30, 2015	June 30, 2015
ASSETS		
Current		
Cash and cash equivalents	\$ 4,217	\$ 52,185
Short-term investments	338,538	400,000
Amounts receivable and prepaid expenses	16,061	9,913
Total current assets	358,816	462,098
Equipment (Note 4)	1,729	1,820
Interest in exploration properties and deferred exploration expenditures (Note 3)	2,177,346	2,131,729
Total assets	\$ 2,537,891	\$ 2,595,647
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 77,430	\$ 84,006
SHAREHOLDERS' EQUITY		
Capital stock (Note 5(b))	10,762,607	10,762,607
Share-based payments reserve (Note 5(c))	545,593	528,405
Deficit	(8,847,739)	(8,779,371)
Total shareholders' equity	2,460,461	2,511,641
Total liabilities and shareholders' equity	\$ 2,537,891	\$ 2,595,647

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

APPROVED ON BEHALF OF THE BOARD:

"W. Deluce", Director

"J E. Hurley", Director

See accompanying notes to the unaudited condensed interim financial statements.

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

	Three Months Ended September 30,	
	2015	2014
Operating expenses		
Share-based payments (Notes 5(c) and 7)	\$ 17,188	\$ 1,906
Interest and bank charges	249	129
Transfer agent and filing fees	1,595	1,694
Management fees	25,092	25,037
Professional fees	18,458	18,304
General and office expenses (Note 7)	347	1,461
Shareholder information	138	4,548
Amortization	91	114
Rent (Note 7)	5,210	5,210
Total operating expenses	68,368	58,403
Loss before the undernoted	(68,368)	(58,403)
Interest income	-	725
Net loss and comprehensive loss for the period	\$ (68,368)	\$ (57,678)
Net loss per share - basic and diluted (Note 6)	\$ (0.00)	\$ (0.00)
Weighted average number of shares	82,856,381	82,856,381

See accompanying notes to the unaudited condensed interim financial statements.

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

	Three Months Ended September 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (68,368)	\$ (57,678)
Charges not involving cash:		
Share-based payments	17,188	1,906
Amortization	91	114
	(51,089)	(55,658)
Changes in non-cash working capital items:		
Increase in amounts receivable and prepaid expenses	(6,148)	(2,503)
Decrease in accounts payable and accrued liabilities	(6,576)	(663)
Cash flows from operating activities	(63,813)	(58,824)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in exploration properties and deferred exploration expenditures - net	(45,617)	(246,065)
Proceeds from sale of short-term investments	61,462	-
Cash flows from investing activities	15,845	(246,065)
Change in cash and cash equivalents	(47,968)	(304,889)
Cash and cash equivalents, beginning of period	52,185	333,891
Cash and cash equivalents, end of period	\$ 4,217	\$ 29,002
As at	September 30,	
	2015	2014
CASH AND CASH EQUIVALENTS		
Cash	\$ 4,217	\$ 29,002
	\$ 4,217	\$ 29,002

See accompanying notes to the unaudited condensed interim financial statements.

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

	Capital Stock	Warrants	Share-based Payment Reserve	Deficit	Total
Balance, June 30, 2014	\$ 10,762,607	\$ 8,600	\$ 567,741	\$ (8,594,126)	\$ 2,744,822
Share-based payments	-	-	1,906	-	1,906
Expiry of warrants	-	(8,600)	-	8,600	-
Net loss for the period	-	-	-	(57,678)	(57,678)
Balance, September 30, 2014	10,762,607	-	569,647	(8,643,204)	2,689,050
Share-based payments	-	-	38,058	-	38,058
Expiry of stock options	-	-	(79,300)	79,300	-
Tax impact on expired warrants	-	-	-	(1,140)	(1,140)
Net loss for the period	-	-	-	(214,327)	(214,327)
Balance, June 30, 2015	10,762,607	-	528,405	(8,779,371)	2,511,641
Share-based payments	-	-	17,188	-	17,188
Net loss for the period	-	-	-	(68,368)	(68,368)
Balance, September 30, 2015	\$ 10,762,607	\$ -	\$ 545,593	\$ (8,847,739)	\$ 2,460,461

See accompanying notes to the unaudited condensed interim financial statements.

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

	Mary March Properties \$	Kenora Properties \$	Total \$
PROPERTY ACQUISITION COSTS			
Balance, June 30, 2014 and September 30, 2014	\$ 65,884	\$ 9,100	\$ 74,984
DEFERRED EXPLORATION COSTS			
Balance, June 30, 2014	1,749,990	8,300	1,758,290
Access	-	4,769	4,769
Administrative	50	-	50
Assaying	-	23,359	23,359
Drilling	156,586	-	156,586
Field supplies	1,112	335	1,447
Geophysics and exploration	6,800	-	6,800
Labour and supervision	18,068	300	18,368
Travel	32,848	1,838	34,686
Balance, September 30, 2014	1,965,454	38,901	2,004,355
Total, September 30, 2014	\$ 2,031,338	\$ 48,001	\$ 2,079,339
PROPERTY ACQUISITION COSTS			
Balance, June 30, 2015 and September 30, 2015	\$ 65,884	\$ 18,200	\$ 84,084
DEFERRED EXPLORATION COSTS			
Balance, June 30, 2015	1,969,866	77,779	2,047,645
Geophysics and exploration	2,800	42,817	45,617
Balance, September 30, 2015	1,972,666	120,596	2,093,262
Total, September 30, 2015	\$ 2,038,550	\$ 138,796	\$ 2,177,346

See accompanying notes to the unaudited condensed interim financial statements.

CANSTAR RESOURCES INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2015

1. NATURE AND CONTINUANCE OF OPERATIONS

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 financial statements were approved by the Board of Directors on November 26, 2015.

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 September 30, 2015, the Company had a deficit of \$8,847,739 and working capital of \$281,386. 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 circumstances cast significant doubt on the Company's ability to continue as a going concern. These unaudited condensed interim financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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 November 26, 2015, 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, 2015, 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, 2016 could result in restatement of these unaudited condensed interim financial statements.

CANSTAR RESOURCES INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 after July 1, 2015.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 3. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 11 – Joint Arrangements (“IFRS 11”) was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The Company has interests in exploration properties in the McFauld’s Lake area, the McDonough and Kenora Townships in Ontario, Canada, and the Buchans area of Newfoundland, Canada. Due to disappointing exploration results and/or lack of a current exploration plan or recent work, the Slate Bay and McFaulds Lake properties have been written off for accounting purposes.

a) Mary March Properties

(i) Glencore Joint Venture

The Company entered into an option and Joint Venture Agreement with Freeport – McMoran of Canada Limited (“FMCL”) formerly known as Phelps Dodge Mining Co. whereby the Company earned a 50% interest in the Mary March property located at Buchans Junction in central Newfoundland. The remaining 50% interest in the property was held by Glencore plc (“Glencore”). The Company has a first right of refusal on Glencore’s 50% interest, should they wish to sell. The Company, combined with the \$755,000 spent by FMCL, had completed the necessary exploration expenditures to earn a 50% interest in the property. 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.

CANSTAR RESOURCES INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2015

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

a) Mary March Properties (Continued)

(i) Glencore Joint Venture (continued)

The property consists of 134 staked claims, two licenses, one lease and two patented lots. The Company earned its 50% interest in the property by delivering 100,000 common shares (issued and valued at \$16,000) of the Company to FMCL and spending \$755,000. As part of the agreement with FMCL, FMCL received warrants valued at \$8,600 exercisable into a further 100,000 shares of Canstar for a period not to exceed two years. These warrants were exercisable at a price of \$0.25 per share until July 27, 2013 and \$0.50 per share until July 27, 2014 and expired unexercised during the year ended June 30, 2015.

Should the Glencore Joint Venture thus established proceed to production, the Company would make a one-time cash payment to FMCL 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") payable to FMCL.

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 recently 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 but did not contribute to the 2013, 2014 and 2015 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.

During fiscal 2015, the Company received \$95,143 pursuant to the Junior Exploration Assistance program of the Department of Natural Resources of the Government of Newfoundland and Labrador. This program provides a grant of 50% of eligible costs incurred up to a maximum of \$100,000 per project. When the funds were received, they were recorded as a reduction to the carrying value of the Mary March Properties.

(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.

In 2011, a previous option holder, Xmet Inc., completed two drill holes on the property and decided to discontinue the option agreement. Canstar holds a 100% interest in the property, which has been written off for accounting purposes.

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 has a right to earn a 100% interest in the Kenora Gold Project by making cash payments totalling \$18,200 (fully paid) over a two year term, and issuing 200,000 common shares on or before March 2, 2016. The optionors will maintain 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%.

CANSTAR RESOURCES INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2015

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

c) Slate Bay Property

The Slate Bay Property is 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 has been written off although the Company still retains its interest.

4. EQUIPMENT

Cost	Office and field equipment
Balance, June 30, 2014 and September 30, 2014	\$ 10,141
Balance, June 30, 2015 and September 30, 2015	\$ 10,141
Accumulated Amortization	Office and field equipment
Balance, June 30, 2014	\$ 7,865
Amortization	114
Balance, September 30, 2014	7,979
Amortization	342
Balance, June 30, 2015	8,321
Amortization	91
Balance, September 30, 2015	\$ 8,412
Carrying Value	Office and field equipment
Balance, June 30, 2014	\$ 2,276
Balance, September 30, 2014	\$ 2,162
Balance, June 30, 2015	\$ 1,820
Balance, September 30, 2015	\$ 1,729

CANSTAR RESOURCES INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2015

5. CAPITAL STOCK, OPTIONS AND WARRANTS

(a) Authorized

Unlimited number of common shares, without par value

(b) Issued

82,856,381 common shares

Summary of changes in capital stock:

	Shares	Amount
Balance, June 30, 2014, September 30, 2014, June 30, 2015 and September 30, 2015	82,856,381	\$ 10,762,607

(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 15,000,000. 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, 2014 and September 30, 2014	4,226,666	\$ 0.15
Granted (i)	2,750,000	0.05
Expired	(901,666)	(0.10)
Balance, June 30, 2015 and September 30, 2015	6,075,000	0.11

(i) On December 11, 2014, the Company granted 2,750,000 stock options to certain directors, officers and consultants of the Company, subject to shareholder and regulatory approval. Each stock option would allow the holder to acquire one common share of the Company at an exercise price of \$0.05 for a period of 5 years. The grant is contingent on the Company obtaining shareholder approval at the next Annual General Meeting. A grant date fair value of \$68,750 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 0.81%; expected life of 5 years; and an expected volatility of 103% based on the Company's historical trading data.

The total value of share-based payments for the three months ended September 30, 2015 was \$17,188 (three months ended September 30, 2014 - \$1,906) of which \$17,188 (three months ended September 30, 2014 - \$1,906) was expensed and \$nil (three months ended September 30, 2014 - \$nil) was capitalized to deferred exploration expenditures.

CANSTAR RESOURCES INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2015

5. CAPITAL STOCK, OPTIONS AND WARRANTS (Continued)

(c) Stock Options (Continued)

As at September 30, 2015, the following stock options were outstanding:

Number of Options	Exercisable Options	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
2,325,000	2,325,000	\$0.18	1.57	April 24, 2017
300,000	300,000	\$0.18	1.57	April 25, 2017
100,000	100,000	\$0.20	1.86	August 10, 2017
500,000	500,000	\$0.10	2.59	May 1, 2018
100,000	100,000	\$0.10	2.80	July 17, 2018
2,750,000	-	\$0.05	4.20	December 11, 2019
6,075,000	3,325,000	\$0.11	2.87	

The weighted average exercise price of exercisable options at September 30, 2015 was \$0.17.

(d) Share Purchase Warrants

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2014	100,000	\$ 0.50
Expired	(100,000)	(0.50)
Balance, September 30, 2014, June 30, 2015 and September 30, 2015	-	\$ -

6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended September 30, 2015 was based on the net loss attributable to common shareholders of \$68,368 (three months ended September 30, 2014 - \$57,678) and the weighted average number of common shares outstanding of 82,856,381 (three months ended September 30, 2014 - 82,856,381). Diluted loss per share did not include the effect of 6,075,000 options outstanding (comparative period - 4,226,666 options outstanding) as they are anti-dilutive.

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 RESOURCES INC.
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)
THREE MONTHS ENDED SEPTEMBER 30, 2015

7. RELATED PARTY TRANSACTIONS (Continued)

Canstar entered into the following transactions with related parties:

During the three months ended September 30, 2015, the Company incurred \$5,210 (three months ended September 30, 2014 - \$5,210) for rent charged by a corporation of which a director and the President are directors of the Company.

	Three Months Ended September 30,	
	2015	2014
Short-term benefits	\$ 25,092	\$ 25,037
Share-based payments	17,188	1,619
	\$ 42,280	\$ 26,656

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 September 30, 2015, the directors of the Company together control 3,166,182 common shares or approximately 3.82% of the total common shares outstanding. 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.

9. SUBSEQUENT EVENT

On November 2, 2015, the Company proposed non-brokered private placement financing of up to \$750,000 comprising the sale of up to 9,375,000 flow-through units, to be sold at \$0.08 per unit, subject to regulatory approval and closing.

Each unit will consist of one flow-through common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company for a period of 24 months after closing at a price of \$0.10 in the first year after closing, and \$0.175 in the second year after closing if the holder so elects. When the closing price on the TSX Venture Exchange of the shares equals or exceeds \$0.175 per share in the first year after closing, or \$0.25 per share in the second year after closing, for a period of 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants.

Finders will receive a cash commission equal to 5% of the aggregate gross proceeds raised, and broker warrants equal to 8% of the total number of flow-through units sold, with each broker warrant exercisable at \$0.08 into one unit consisting of one common share and one warrant, for a period of 24 months after closing.