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**CANSTAR RESOURCES INC.**

CONDENSED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2014

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

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## **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)**

<b>As at</b>	<b>December 31, 2014</b>	<b>June 30, 2014</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 46,049	\$ 333,891
Short-term investments	549,277	650,000
Amounts receivable and prepaid expenses	26,611	35,276
<b>Total current assets</b>	<b>621,937</b>	<b>1,019,167</b>
<b>Equipment</b> (Note 4)	<b>2,048</b>	<b>2,276</b>
<b>Interest in exploration properties and deferred exploration expenditures</b> (Note 3)	<b>2,127,987</b>	<b>1,833,274</b>
<b>Total assets</b>	<b>\$ 2,751,972</b>	<b>\$ 2,854,717</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 126,047	\$ 109,895
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 5(b))	10,762,607	10,762,607
Warrants (Note 5(d))	-	8,600
Share-based payments reserve (Note 5(c))	570,460	567,741
Deficit	(8,707,142)	(8,594,126)
<b>Total shareholders' equity</b>	<b>2,625,925</b>	<b>2,744,822</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,751,972</b>	<b>\$ 2,854,717</b>

**Nature and Continuance of Operations** (Note 1)  
**Commitments and Contingencies** (Notes 3 and 8)

APPROVED ON BEHALF OF THE BOARD:

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*"W. Deluce"*, Director

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*"John 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)**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
<b>Operating expenses</b>				
Share-based payments (Notes 5(c) and 7(b))	\$ 813	\$ 12,239	\$ 2,719	\$ 59,806
Interest and bank charges	184	492	313	643
Transfer agent and filing fees	14,151	11,899	15,845	14,260
Professional fees	17,012	24,262	35,316	45,124
General and office expenses	25,293	30,651	51,791	68,275
Shareholder information	5,613	11,336	10,161	15,970
Amortization	114	29	228	58
Rent (Note 7)	5,209	5,209	10,419	10,419
<b>Total operating expenses</b>	<b>68,389</b>	<b>96,117</b>	<b>126,792</b>	<b>214,555</b>
Loss before before the undernoted	(68,389)	(96,117)	(126,792)	(214,555)
Interest income	4,451	-	5,176	2,242
<b>Comprehensive loss for the period</b>	<b>\$ (63,938)</b>	<b>\$ (96,117)</b>	<b>\$ (121,616)</b>	<b>\$ (212,313)</b>
<b>Net loss per share</b>				
- basic and diluted (Note 6)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
<b>Weighted average number of shares</b>	<b>82,856,381</b>	<b>82,856,381</b>	<b>82,856,381</b>	<b>82,856,381</b>

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)**

	Capital Stock	Warrants	Share-based Payment Reserve	Deficit	Total
<b>Balance, June 30, 2013</b>	<b>\$ 10,762,607</b>	<b>\$ 8,600</b>	<b>\$ 708,899</b>	<b>\$ (8,462,736)</b>	<b>\$ 3,017,370</b>
Share-based payments	-	-	67,231	-	67,231
Net loss for the period	-	-	-	(212,313)	(212,313)
<b>Balance, December 31, 2013</b>	<b>\$ 10,762,607</b>	<b>\$ 8,600</b>	<b>\$ 776,130</b>	<b>\$ (8,675,049)</b>	<b>\$ 2,872,288</b>
Share-based payments	-	-	8,094	-	8,094
Expiry of stock options	-	-	(216,483)	216,483	-
Net loss for the period	-	-	-	(135,560)	(135,560)
<b>Balance, June 30, 2014</b>	<b>\$ 10,762,607</b>	<b>\$ 8,600</b>	<b>\$ 567,741</b>	<b>\$ (8,594,126)</b>	<b>\$ 2,744,822</b>
Share-based payments	-	-	2,719	-	2,719
Expiry of warrants	-	(8,600)	-	8,600	-
Net loss for the period	-	-	-	(121,616)	(121,616)
<b>Balance, December 31, 2014</b>	<b>\$ 10,762,607</b>	<b>\$ -</b>	<b>\$ 570,460</b>	<b>\$ (8,707,142)</b>	<b>\$ 2,625,925</b>

*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)**

	Mary March Properties \$	Kenora Property \$	Total \$
<b>PROPERTY ACQUISITION COSTS</b>			
Balance, June 30, 2013 and December 31, 2013	\$ 65,884	\$ -	\$ 65,884
<b>DEFERRED EXPLORATION COSTS</b>			
Balance, June 30, 2013	1,514,286	-	1,514,286
Access	2,610	-	2,610
Administrative	1,391	-	1,391
Assaying	23,242	-	23,242
Drilling	119,078	-	119,078
Field costs	835	-	835
Field supplies	4,131	-	4,131
Project management and geological	5,514	-	5,514
Geophysics and exploration	3,720	-	3,720
Labour and supervision	3,391	-	3,391
Travel	6,342	-	6,342
Balance, December 31, 2013	1,684,540	-	1,684,540
<b>Total, December 31, 2013</b>	<b>\$ 1,750,424</b>	<b>\$ -</b>	<b>\$ 1,750,424</b>
<b>PROPERTY ACQUISITION COSTS</b>			
Balance, June 30, 2014 and December 31, 2014	\$ 65,884	\$ 9,100	\$ 74,984
<b>DEFERRED EXPLORATION COSTS</b>			
Balance, June 30, 2014	1,749,990	8,300	1,758,290
Access	1,209	4,769	5,978
Administrative	50	-	50
Assaying	11,668	23,359	35,027
Drilling	156,586	-	156,586
Field supplies	2,668	421	3,089
Geophysics and exploration	37,200	-	37,200
Labour and supervision	18,068	300	18,368
Travel	34,884	3,531	38,415
Balance, December 31, 2014	2,012,323	40,680	2,053,003
<b>Total, December 31, 2014</b>	<b>\$ 2,078,207</b>	<b>\$ 49,780</b>	<b>\$ 2,127,987</b>

*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)**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2014**

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**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 February 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 December 31, 2014, the Company had a deficit of \$8,707,142 and working capital of \$495,890. 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. The Company has enough working capital to fund operations for the next year. 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 February 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, 2014, 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, 2015 could result in restatement of these unaudited condensed interim financial statements.

*New accounting standards recently adopted:*

The Company has adopted the following new standards, along with any consequential amendments, effective July 1, 2014. These changes were made in accordance with the applicable transitional provisions.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2014**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*New accounting standards recently adopted (Continued):*

IFRS 2 – Share-based Payment (“IFRS 2”) was amended to clarify the definition of “vesting conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The adoption of this standard did not result in any significant changes to the Company’s financial statements.

IFRS 13 – Fair Value Measurement (“IFRS 13”) was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The adoption of this standard did not result in any significant changes to the Company’s financial statements.

IAS 24 – Related Party Disclosures (“IAS 24”) was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The adoption of this standard did not result in any significant changes to the Company’s financial statements.

IAS 32 – Financial Instruments: Presentation (“IAS 32”) was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The adoption of this standard did not result in any significant changes to the Company’s financial statements.

*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. These include:

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 39. 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.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2014**

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**3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

The Company has interests in mineral properties in the McFauld's Lake area, and McDonough Townships in Ontario, Canada, and in 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, Mary March Extension and McFaulds Lake properties have been written off for accounting purposes.

**a) 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.

**b) Mary March Properties**

**(i) Glencore Joint Venture**

The Company entered into an option and Joint Venture Agreement with Freeport-Mcmoran of Canada Limited ("FMCL") formally 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 is held by Xstrata Canada Corporation ("Xstrata"). The Company has a first right of refusal on Xstrata'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 for 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 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 was also granted warrants (issued and valued at \$8,600) for a further 100,000 shares of Canstar exercisable for a period not to exceed two years. These warrants could be exercised at a price of \$0.25 per share until July 27, 2013 and \$0.50 per share until July 27, 2014. During the six months ended December 31, 2014, the warrants expired unexercised.

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 ("NSR") Royalty 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 and 2014. Glencore contributed \$150,000 towards the 2012 exploration costs of the joint venture but did not contribute to the 2013 and 2014 exploration expenditures. Glencore was therefore subject to a voluntary reduction due to non-participation of these exploration programs. Canstar now holds a 53.4% interest in the joint venture and Glencore holds a 46.6% interest.

During fiscal 2013, the Company received \$100,000 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 Property.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2014**

**3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

(Continued)

**b) Mary March Properties (Continued)**

**(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.

**c) McFauld's Lake Properties**

The Company held a 55% interest in a single claim totaling six claim units in the McFauld's Lake area of northwestern Ontario, approximately 540 kilometres north-northeast of Thunder Bay, Ontario. On December 8, 2013 these claims were allowed to lapse and is no longer a strategic holding for the Company.

**d) 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 (\$9,100 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%.

**4. EQUIPMENT**

<b>Cost</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2013 and December 31, 2013</b>	<b>\$ 8,261</b>
Additions	1,880
<b>Balance, June 30, 2014 and December 31, 2014</b>	<b>\$ 10,141</b>
<b>Accumulated Amortization</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2013</b>	<b>\$ 7,685</b>
Amortization	58
<b>Balance, December 31, 2013</b>	<b>7,743</b>
Amortization	122
<b>Balance, June 30, 2014</b>	<b>7,865</b>
Amortization	228
<b>Balance, December 31, 2014</b>	<b>\$ 8,093</b>

**CANSTAR RESOURCES INC.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2014**

4. **EQUIPMENT** (Continued)

<b>Carrying Value</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2013</b>	<b>\$ 576</b>
<b>Balance, December 31, 2013</b>	<b>\$ 518</b>
<b>Balance, June 30, 2014</b>	<b>\$ 2,276</b>
<b>Balance, December 31, 2014</b>	<b>\$ 2,048</b>

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
<b>Balance, June 30, 2013, December 31, 2013, June 30, 2014 and December 31, 2014</b>	<b>82,856,381</b>	<b>\$ 10,762,607</b>

(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.

As at December 31, 2014, the following stock options were outstanding:

Number of Options	Exercisable Options	Exercise Price	Weighted Average Remaining Contractual Life (years) of Number of Options	Expiry Date
901,666	901,666	\$0.10	0.22	March 22, 2015
2,325,000	2,325,000	\$0.18	2.32	April 24, 2017
300,000	300,000	\$0.18	2.32	April 25, 2017
100,000	100,000	\$0.20	2.61	August 10, 2017
500,000	500,000	\$0.10	3.33	May 1, 2018
100,000	75,000	\$0.10	3.55	July 17, 2018
<b>4,226,666 (ii)</b>	<b>4,201,666</b>	<b>\$0.15</b>	<b>2.03</b>	

**CANSTAR RESOURCES INC.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2014**

**5. CAPITAL STOCK, OPTIONS AND WARRANTS (Continued)**

**(c) Stock Options (Continued)**

A summary of changes in stock options is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance, June 30, 2013</b>	<b>5,875,000</b>	<b>\$ 0.15</b>
Granted (i)	100,000	0.10
<b>Balance, December 31, 2013</b>	<b>5,975,000</b>	<b>0.15</b>
Expired	(1,748,334)	(0.15)
<b>Balance, June 30, 2014 and December 31, 2014 (ii)</b>	<b>4,226,666</b>	<b>0.15</b>

- (i) On July 17, 2013, the Company granted 100,000 stock options to a consultant of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of \$0.10 for a period of 5 years. The stock options vest at a rate of 25% on the date of grant and 25% after each of six, twelve and eighteen months thereafter. A fair value of \$5,400 was estimated using the Black-Scholes option pricing model based on the following weighted average expected assumptions: expected dividend yield of 0%; risk free interest rate of 1.66%; expected life of 5 years; and an expected volatility of 155%.
- (ii) 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 stock options will vest at a rate of 25% on the date of grant and 25% after each of six, twelve and eighteen months thereafter. The grant is contingent on the Company obtaining shareholder approval at the next Annual General Meeting and therefore has not been valued.

The total value of share based payments for the three and six months ended December 31, 2014 was \$813 and \$2,719, respectively (three and six months ended December 31, 2013 - \$13,889 and \$67,231, respectively), of which \$813 and \$2,719, respectively (three and six months ended December 31, 2013 - \$12,239 and \$59,806, respectively) was expensed and \$nil (three and six months ended December 31, 2013 - \$1,650 and \$7,425, respectively) was capitalized to deferred exploration expenditures.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2014**

**5. 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
<b>Balance, June 30, 2013, December 31, 2013 and June 30, 2014</b>	<b>100,000</b>	<b>\$ 0.50</b>
Expired	(100,000)	(0.50)
<b>Balance, December 31, 2014</b>	<b>-</b>	<b>\$ -</b>

There are no warrants outstanding as at December 31, 2014.

**6. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the three and six months ended December 31, 2014 was based on the net loss attributable to common shareholders of \$63,938 and \$121,616, respectively (three and six months ended December 31, 2013 - \$96,117 and \$212,313, respectively), and the weighted average number of common shares outstanding of 82,856,381 (three and six months ended December 31, 2013 - 82,856,381).

**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.

(a) Canstar entered into the following transactions with related parties:

During the three and six months ended December 31, 2014, the Company incurred \$5,209 and \$10,419, respectively (three and six months ended December 31, 2013 - \$5,209 and \$10,419, respectively) for rent charged by a corporation of which the former Chairman of the Board, a director and the President and CEO are directors of the Company.

(b) Remuneration of directors and key management personnel of the Company was as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2014	2013	2014	2013
Short-term benefits	\$ 25,000	\$ 25,517	\$ 50,037	\$ 52,369
Share-based payments	587	9,495	2,206	31,303
	<b>\$ 25,587</b>	<b>\$ 35,012</b>	<b>\$ 52,243</b>	<b>\$ 83,672</b>

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.

The above noted transactions are in the normal course of business and are 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)**  
**THREE AND SIX MONTHS ENDED DECEMBER 31, 2014**

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**7. RELATED PARTY TRANSACTIONS (Continued)**

As at December 31, 2014, the directors of the Company together control 2,349,514 common shares or approximately 2.84% 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.