CANSTAR RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

INTRODUCTION

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the audited financial statements of Canstar Resources Inc. (the "Company" or "Canstar") for the year ended June 30, 2013, and the audited financial statements for the year ended June 30, 2012 and related notes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. This MD&A is made as of October 10, 2013.

Additional information relating to the Company is on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Company's website at www.canstarresources.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future prices of base and precious metals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of inferred mineral resources; future prices of base and precious metals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in base and precious metals exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

DESCRIPTION OF THE BUSINESS

The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in Canada. The shares of the Company began trading on the TSX Venture Exchange under the symbol "ROX" on April 8, 2005. The Company is a reporting issuer in the provinces of Ontario, Alberta and British Columbia.

The following table contains a brief description of the Companies core properties held in fiscal 2012, which are or were the primary focus of the Companies exploration initiatives. Further details with respect to the core properties are also provided in this document under the section entitled “Overall Performance”.

Description of Core Property	Target Mineralization	Ownership Interest
The McFauld’s Property 3 is located in the McFauld’s Lake area of northwestern Ontario and is contiguous with Spider Resources’ high-grade copper-zinc massive sulphide discoveries and also proximal to Noront Resources’ recent high-grade nickel-copper-PGE discovery. The property is comprised of 6 contiguous claim units in three mineral licenses.	Copper-zinc- silver-gold	Pursuant to an agreement with New Klondike Exploration Ltd. (formerly United Reef Ltd.), a corporation listed on the TSX Venture Exchange, and Geocanex Limited, a private Corporation owned by a Director of the Company, New Klondike has vested an undivided 45% interest in the property. Canstar owns the remaining 55% interest. In December 2012, two claims comprising 32 units were allowed to lapse.
The Mary March Property, comprised of 18 staked claims, 2 licenses, 1 lease and 2 patented lots, totaling 1,616 hectares, located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland.	Zinc-silver-lead-copper- gold	A 50% interest and right of first refusal on the remaining 50% interest held by Xstrata plc, the company’s Joint Venture partner. The 50% interest was acquired from Freeport-McMoran of Canada Limited. (“FMCL”) (1). The Company is the operator.
The Mary March Extension Property (formerly the XMET Option Property) was acquired on April 7, 2009 and is comprised of 34 claims staked in two contiguous blocks. The property is located immediately west and north of the Mary March property and may cover the extension of the geological horizon hosting the Mary March base and precious metal mineralization.	Zinc-silver-lead-copper- gold	The 34 claims acquired by staking on April 7, 2009 are 100% owned by the Company, and not part of the Xstrata J.V. On February 16, 2010 The Company entered into an agreement with XMET Inc (“XMET”) (formerly On-Strike Gold Inc), whereby XMET has the right to earn a 50% interest in the 34 claims. XMET terminated the option on May 31, 2011.
The Slate Bay Property, comprised of 8 contiguous patented claims covering 128 hectares, located approximately 10 kilometres north of the town of Red Lake, Ontario, within the Red Lake greenstone belt.	Copper-gold -silver	A 75% earned interest in the property pursuant to an option and joint venture participation agreement entered into with Luxor Enterprises Inc. (Luxor) on February 4, 2002.

Notes:

(1) The Company is required to make a cash payment of $2,000,000 to FMCL within six months of commercial production. The Company’s interest is also subject to a 1% NSR royalty due upon commencement of commercial production.

The Company also has two non-core properties, identified in the table below.

Description of Property	Target	Ownership Interest
The Miminiska Property, comprised of three contiguous, unpatented mineral claims totaling 44 claim units, located approximately 100 kilometres east of Pickle Lake, Ontario.	Gold	100% owned
The Shrimp Lake Property is comprised of seven contiguous, unpatented mineral claims totaling 91 claim units, covering 1,456 hectares approximately 165 kilometres north-northeast of Red Lake.	Gold and base metals	100% owned

An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

OVERALL PERFORMANCE

The Company is currently engaged in mineral exploration in Canada. The Company's exploration activities are at an early stage, and it has not yet been determined whether its properties contain recoverable ore. As a result, the Company has no current sources of revenue other than interest earned on cash, short-term investments and money market instruments, all of which were derived from issuances of share capital. There are no known deposits of minerals on any of the mineral exploration properties of the Company and any activities of the Company thereon will constitute exploratory searches for minerals.

Trends

- Although the economic crisis which faced the financial sector in 2008 and 2009 has improved, the Company remains cautious in case the economic factors that have impacted the mining industry deteriorate even further.
- There are significant uncertainties regarding the prices of precious and base metals and other minerals and the limited availability of equity financing for the purposes of mineral exploration and development;
- The Company's future performance is largely tied to the outcome of future drilling results and the overall financial markets; and
- Current financial markets are likely to be volatile in Canada for the remainder of calendar 2013 and in 2014, reflecting ongoing concerns about the stability of the global economy. As well, concern about global growth may lead to further drops in the commodity markets. Uncertainty in the credit markets has also led to increased difficulties in borrowing/raising funds. Companies worldwide have been negatively affected by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of base and precious metals exploration and development, particularly without excessively diluting the interest of current shareholders of the Company.

These trends may limit the Company's ability to discover and develop an economically viable mineral deposit.

The McFauld's Lake Properties

The Company has a 55% interest in a single claim totaling 6 claim units (96 hectares) in the McFauld's Lake area of northwestern Ontario, approximately 540 kilometres north-northeast of Thunder Bay, Ontario. The property is contiguous to the high-grade copper-zinc (minor silver and gold) massive sulphide discoveries of Spider Resources, and proximal to Noront Resources high-grade nickel-copper-PGE discovery.

On April 22, 2008 the Company entered into an option agreement with Geocanex and New Klondike Exploration Ltd. (formerly United Reef Ltd.) ("New Klondike"), whereby New Klondike became the operator of the McFauld's 1 and 3 properties.

A three-hole diamond drilling program was completed on the property by New Klondike during July 2008. Barren granite was intersected in all holes. After substantial completion of their earn-in commitment on the McFauld's Project, New Klondike was allowed to vest a 45% undivided interest in the property. The project is now under a joint-venture agreement, with the Company maintaining operatorship and a 55% undivided interest in the property.

On December 8, 2011, the two claims (32 claim units) comprising the McFaulds Property 1 was allowed to lapse as insufficient assessment credits were available to maintain the property in good standing.

On December 8, 2012, two claim licenses consisting of 32 claim units were allowed to lapse as insufficient assessment credits were available to maintain the claims in good standing.

The property remains a strategic holding for the Company.

The Mary March Property

The Company earned a 50% interest in the property held by Phelps Dodge Company of Canada Limited ("Phelps"), (now part of Freeport-McMoran Canada Ltd.). The Company has earned this 50% interest in the Mary March property by incurring $755,000 of property expenditures and issuing 100,000 common shares valued at $16,000 and 100,000 warrants valued at $8,600. The warrants could be exercised at a price of $0.25 per share by July 27, 2013 and $0.50 per share by July 27, 2014. The Company is also required to make a cash payment of $2,000,000 to Phelps within six months of commercial production. The Company's interest is also subject to a 1% NSR royalty due upon commencement of commercial production. The remaining 50% interest in the property is held by Xstrata Zinc Canada (Xstrata), on which the Company maintains a right of first refusal.

The Mary March Property is comprised of 100 staked claims, 8 licenses, 1 lease and 2 patented lots totaling 3,987 hectares and is located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland. High grade Cu-Pb-Zn-Ag-Au massive sulphides of economic significance were discovered on the Mary March Property by Phelps in 1999, but the core discovery areas of the property had been dormant since August 2000. A TDEM survey completed was completed by Candor, the Company's predecessor, on a non-core portion of the property during the first quarter of 2004 and four holes totaling 925.4 metres were drilled to test these targets during the three months ended July 31, 2004. In February 2006, an infiniTEM survey was completed over the eastern portion of the property. No significant anomalies were identified.

Exploration of this property has been held up for approximately 10 years due to a title dispute with Vinland Resources Limited ("Vinland") that was recently resolved in the Company's favor by the Newfoundland and Labrador Supreme Court. Vinland agreed to not proceed with an appeal of the court's decision. In consideration, Canstar agreed to waive their entitlement to costs.

The Mary March/Nancy April system is a large, strong VMS alteration zone comparable in size, volume and strength to that at Buchans. Eight holes, six on the Mary March Zone and two on the Nancy April Zone, totaling 2,320 meters, were completed. Semi-massive or massive sulphides were intersected in four holes - MM-12-21, MM-12-23, MM-13-27, and MM-13-28.

The tables below provide details of the drilling program including significant assays.

Hole No:	UTM coordinates	Azimuth	Angle	Length
MM-12-21	533,592 E, 5,408,481 N	132	46	301
MM-12-22	533,659 E, 5,408,585 N	123	49	376
MM-12-23	534,357 E, 5,408,931 N	127	45	400
MM-12-24	534,542 E 5,408,838 N	123	54	211
MM-12-25	534,204 E 5,408,446 N	120	65	352
MM-12-26	534,328 E 5,408,602 N	130	71	189
MM-12-27	534,448 E 5,408,733 N	132	44	265
MM-12-28	534,493 E 5,408,782 N	130	60	226

ASSAYS

Hole No	From	To	M	Au ppb	Ag g/t	Cu%	Zn%	Pb%
Nancy April Zone								
MM-12-21	267.8	268	0.2	22	7.5	2.40	--	--
MM-12-22				Minor values only				
Mary March Zone								
*MM-12-23	315.59	316.61	1.02	1258	35.5	.05	5.20	0.99
	325.79	327.09	1.30	823	40.7	.02	1.89	0.73
MM-12-24				No significant values				
MM-12-25	265.62	265.78	0.16	189	90.5	0.50	7.00	3.90
MM-12-26				No significant values				
MM-12-27	123.28	123.52	0.24	61	3.9	0.69	3.10	0.06
	214.79	216.16	1.37	36	1.0	0.18	1.84	0.23
	221.59	221.74	0.15	204	22.1	1.87	12.40	0.42
	247.18	249.18	2.00	43	1.4	0.15	2.30	1.40
MM-12-28	199.58	199.86	0.28	197	53.0	0.44	4.70	4.10

* MM-12-23 was collared of the same location as previous hole MM-294-07 which intersected 9.33 meters averaging 4.11 g/t Au, 118.10 g/t Ag, 0.66% Cu, 10.38% Zn, 1.67% Pb.

<u>Nancy April Zone</u>

On the Nancy April horizon, two drill holes, MM-12-21 and MM-12-22, were completed 220m and 100m respectively, along strike to the southwest from historic Phelps Dodge drill hole MM-294-16. The first hole of the program, MM-12-21, intersected 1.6m of massive, fine to medium grained pyrite with low grade base metals. Both holes successfully intersected the altered and mineralized Nancy April felsic volcanic panel, but only Hole MM-12-21 intersected the massive pyrite horizon, which occurs just below the top of the panel. Additionally, the thickness of the Nancy April panel in Hole MM-12-21 is 80m whereas in Hole MM-12-22 it has thinned to 43m (44.6m in MM-294-16) and is intruded by voluminous altered (diabase) dykes, indicating an improvement to the southwest in this area.

<u>Mary March Zone</u>

Hole MM-12-23 was designed to twin the Phelps Dodge Discovery Hole MM-294-7, which had intersected high grade massive sulphides over 9.63m with an average grade of 10.1% Zn, 1.68% Pb, 0.64% Cu, 122.1 g/T Ag and 4.2 g/T Au. The hole was collared about one meter from the drill casing of MM-294-7 and was drilled at the same azimuth and inclination. When the Mary March horizon was encountered, downhole surveys indicated the hole had wandered approximately 40m northeast of the MM-294-7 high grade intersection. The geology of MM-12-23 is similar to MM-294-7 above the massive sulphides; but instead of duplicating the results, MM-12-23 intersected a lower grade interval of pyritic massive sulphide over 3.15m averaging 2.24% Zn, 0.48% Pb, 0.04% Cu, 21.02 g/T Ag,0.80 g/T Au. Below the massive sulphides, from 317.85m-341.16m, the Mary March Panel was intruded by numerous late dykes that separate several additional “screens” of strongly sericitic felsic volcanic containing low grade semi-massive pyrite. In every case, the “screens” of semi-massive sulphide is bounded at the upper and basal contacts by faults. Altered felsic volcanics with semi-massive sulphide zones occur at: a) 318.18-318.53m; b) 320.66-321.10m; c) 324.42-327.09m; and d) 331.8-341.16m.

Five exploration holes were located up dip from the Phelps Dodge Discovery Hole MM-294-7 and along strike for 500m to the southwest. Drill hole MM-12-25, a 500m step-out, was collared in the footwall below the Mary March horizon, in strongly altered felsic volcanics. All other holes (MM-12-24, MM-13-26, MM-13-27, MM-13-28) were collared in the hanging wall and intersected the Mary March horizon. In several cases, the high grade massive sulphide, was occluded by a later mafic (diabase gabbro) intrusion.

Hole MM-12-27 was drilled to test the Mary March Panel up-dip from hole MM-294-10 and included a mineralized interval of 19.40m averaging 0.82% Zn, 0.12% Pb, 0.08% Cu. Hole MM-13-28 intersected 6.1m of massive pyrite, up-dip of the high grade intersection in the original Discovery Hole.

The high grade intersection originally found in Discovery Hole MM-294-7 and the preliminary results from Canstar's program on the Mary March and Nancy April Zones are very similar to several satellite zones encountered at Buchans, which were indicative of a strong VMS alteration system and proximal to main ore lenses.

After more than ten years since the discovery of the original high-grade intersection by Phelps Dodge, Canstar's first phase of exploration on the Mary March Project has been completed and has provided some very encouraging results. Still at the grass roots stage, the Mary March and Nancy April Zones represent a very complex geological system that has the potential to yield potentially economic base metal mineralization. The Company believes that additional comprehensive, systematic exploration programs are warranted for the property and will announce Second Phase exploration plans as soon as they are completed.

The following table sets out the expenditures by major category for costs incurred during the years ended June 30, 2013 and 2012 on the Mary March Property. Included in the table are amounts of $69,276 for project management and geological consulting and $25,853 for property access costs that represent the cost of stock based compensation for the project.

	Mary March Property $
PROPERTY ACQUISITION COSTS	
Balance, June 30, 2011 and 2012	41,284
DEFERRED EXPLORATION COSTS	
Balance, June 30, 2011	725,173
Administrative	22,807
Drilling	6,604
Field supplies	1,121
Project management and geological consulting	98,364
Geophysics and exploration	200,159
Legal (recovery)	(19,287)
Travel	10,049
Balance, June 30, 2012	1,044,990
Total, June 30, 2012	1,086,274
PROPERTY ACQUISITION COSTS	
Balance, June 30, 2012	41,284
Incurred	24,600
Balance, June 30, 2013	65,884
DEFERRED EXPLORATION COSTS	
Balance, June 30, 2012	1,044,990
Access costs	86,353
Administrative	10,892
Assaying	2,398
Drilling	305,097
Field costs	1,524
Field supplies	17,625
Project management and geological consulting	128,142
Geophysics and exploration	23,902
Labour and supervision	66,978
Legal	68,203
Travel	8,182
Government junior exploration assistance	(100,000)
Reimbursement from Joint Venture partner	(150,000)
Balance, June 30, 2013	1,514,286
Total, June 30, 2013	1,580,170

Mary March Extension Project (formerly XMET Option)

This 100% owned property was acquired on April 7, 2009 and is comprised of 34 claims staked in two contiguous blocks 100%-owned by the Company. The property is located immediately west and north of the Mary March property and may cover the extension of the geological horizon hosting the Mary March base and precious metal mineralization.

On February 16, 2010, The Company signed an option to joint venture with XMET Inc (formerly On-Strike Gold Inc), granting XMET the right to earn a 50% interest in the property. Terms of the option are: cash payments of $25,000 upon signing (paid); $50,000 on 1st anniversary; $100,000 on 2nd anniversary; the issuance of 500,000 common shares of XMET upon signing (paid); and exploration expenditures of $850,000 over 3 years. At the completion of the above a 50/50 joint venture would be formed under industry standard terms. After the 2011 exploration program executed by XMET failed to provide positive results, the Company was advised that XMET decided to discontinue the option agreement on May 30, 2011. Canstar now holds a 100% interest in the property.

The Slate Bay Property

The Slate Bay property is comprised of 8 contiguous, patented claims covering 128 hectares and located about 10 kilometres north of the town of Red Lake, Ontario, within the productive Red Lake greenstone belt. In November 2005, the Company met all of the expenditure requirements to earn its 75% interest in the property and advised Luxor that it wished to establish a joint venture to further explore and develop the property. Under the terms of the agreement, the Company will act as manager of the joint venture.

In 2001 the Company completed detailed ground magnetic and IP surveys over the property and a 5-hole drill program testing a number of IP anomalies. The first hole intersected a 69.33 metre interval of Cu-Au-Ag mineralized breccia. Additional IP surveying in 2003 identified the faulted extension of the chargeability anomaly related to the mineralized zone and extended its total length to 1,000 metres. On September 20, 2005, a program of follow-up drilling consisting of four holes totaling 641 metres intersected a large copper-gold-silver mineralized skarn system, which is believed to have potential for continuity both laterally and to depth, with grades running to a high of 7.2 g/t gold, 5.81% copper and 183 g/t silver over narrow intervals within considerably longer sections of lower grade material. In September 2008, the Company completed a further six holes on the property testing the skarn system at depth and along strike. The mineralized zone was intersected at an additional 50 metres depth and 100m along strike to the northeast of previous drilling. Analytical results confirm that the mineralization extends to depth and along strike, and is similar to previous results. $214,971 in expenditures was written down on the property during the year ended June 30, 2009. The Slate Bay property is currently being reviewed, and the company is open to potential joint venture or option.

SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Year	2013	2012	2011
Operating expenses	$442,096	$421,431	$152,955
Loss from operations	442,096	421,431	152,955
Net loss for the year	442,096	343,318	263,241
Loss per share – basic and diluted	0.01	0.00	0.00
Total assets	3,173,157	2,026,826	1,235,524
Total liabilities	155,787	70,282	367,810

RESULTS OF OPERATIONS

Year ended June 30, 2013 compared to year ended June 30, 2012

The net loss for the year ended June 30, 2013 was $442,096 vs. $305,818 in fiscal year 2012. The main reason for the difference was the recovery of the flow through indemnification in 2012 of $127,881. Expenses increased by $20,665 this year. The major increases were in professional fees (increase of $42,035 as a result of the increased activity and formation and operation of the joint venture). General and office expenses increased by $36,559 due to the increased activity and operating a field office in Newfoundland.

Three months ended June 30, 2013 compared to June 30, 2012

Operating expenses were $89,706 for the three months ended June 30, 2013 compared to $248,757 in 2012. The main reason for the decrease of $159,051 in expenses in the 2013 period was a decrease in share-based payments of $213,670. Net loss of the three months ended June 30, 2013 was $89,706 compared to $120,875. Although the expenses for each of the three month periods were not comparable, the loss in 2012 ended up only $31,169 more than the 2013 three month period. The main reason was that there was a $127,881 recovery of the flow-through indemnification in the three month period ended June 30, 2012.

SUMMARY OF QUARTERLY RESULTS [(1)]

The following table sets out selected quarterly results of the Company for the eight quarters prior to the effective date of this report. The information contained herein is drawn from the audited annual financial statements and unaudited interim financial statements of the Company.

Fiscal Year	2013	2013	2012	2012
Quarter	June 30,	March 31,	December 31,	September 30,
Revenue	$nil	$nil	$nil	$nil
Working Capital (Deficit)	1,436,624	1,483,396	1,468,628	780,173
Interest in Mineral Properties and Deferred Exploration and Evaluation Expenditures	1,580,170	1,591,751	1,414,714	1,209,527
Expenses	89,706	87,720	90,797	173,873
Net (Loss)	(89,706)	(87,720)	(90,797)	(173,873)
Net (Loss) per share (1)	(0.00)	(0.00)	(0.00)	(0.00)

Fiscal Year	2012	2012	2011	2011
Quarter	June 30,	March 31,	December 31,	September 30,
Revenue	$nil	$nil	$nil	$nil
Working Capital	869,550	965,249	716,035	85,748
Interest in Mineral Properties and Deferred Exploration and Evaluation Expenditures	1,086,274	823,013	745,328	760,757
Expenses	248,757	68,833	85,049	18,792
Net (Loss) Income	(120,875)	(67,911)	(135,740)	(18,792)
Net (Loss) Income (per share) (1)	(0.00)	(0.00)	(0.00)	(0.00)

Notes:

(1) Net income (loss) per share on a diluted basis is the same as basic net (income) loss per share, as all factors which were considered in the calculation are anti-dilutive.

RELATED PARTY TRANSACTIONS

During the year ended June 30, 2013, the Company incurred $6,500 (2012 - $7,540) for rent charged by Geocanex Ltd., a corporation of which the principal shareholder is Harry Hodge, a former director of the Company.

During the year ended June 30, 2013, the Company incurred $3,473 (2012 - $Nil) for rent charged by Probe Mines Limited (“Probe”). The Chairman of the Board of Probe (P. Reid) and the President and CEO of Probe (D. Palmer) are directors of the Company. Included in accounts payable as at June 30, 2013 is $3,925 (2012 - $Nil) owed to Probe. These amounts are non-interest bearing and unsecured, with no fixed terms of repayment.

The remuneration of directors and key management during the years ended June 30, 2013 and 2012 were as follows:

	June 30, 2013 ($)	June 30, 2012 ($)
Short-term benefits	17,901	-
Share-based payments	160,974	133,352
	178,875	133,352

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.

LIQUIDITY

As at June 30, 2013, the Company had working capital of $1,436,624 compared to a working capital of $869,550 at June 30, 2012. Working capital increased during the period by $567,074. The exercise of warrants and stock options increased working capital by $1,170,934. A joint venture cash call to Xstrata of $150,000 plus a grant from the Newfoundland Government of $100,000 also increased working capital. The Company has no revenue from operations and is dependent on financings for working capital.

The Company's operating costs are expected to remain approximately the same during the remainder of fiscal 2013 and into fiscal 2014, while exploration costs will depend on the budget for the next drill program of the Mary March drill program as approved by the Company and its joint venture partner.

WORKING CAPITAL RESOURCES

As a result of the warrant exercise and stock option exercise in the amount of $1,170,934 in fiscal year 2013 the Company has adequate funds to carry out all of its next phase of exploration activities in fiscal year 2014. Additional financings will be required for future exploration and working capital.

Most of the Company's requirements for capital to maintain its ownership level in its properties, as well as pay for exploration expenditures and administrative expenses have been met through the completion of private placements and the exercise of stock options and warrants. Typically, these monies have come from institutional and high net worth investors and the amounts raised have been a function of the level of market interest in the junior resource industry as well as the general level of interest in the equity and mineral commodity markets. The Company will have to rely on further equity financings in order to maintain an adequate liquidity base with which to support its general operations and exploration and development mandate.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer other mining companies the opportunity to acquire interests in any of its properties in return for funding by such companies of all or part of the exploration and development of such properties. For the funding of any property acquisitions or exploration conducted by the Company, the Company depends on the issue of shares from treasury to investors. Such financing will depend, in turn, on various factors, such as a positive mineral exploration climate, positive stock market conditions, the Company's track record and the experience of management. If such financing is unavailable for any reason, the Company may become unable to retain its mineral interests and carry out its business plan.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

SUBSEQUENT EVENTS

Options to purchase 100,000 shares at $0.10 per share were granted to a consultant of the Company.

PROPOSED TRANSACTIONS

There are no proposed acquisitions or dispositions being contemplated by the Company as at the date of this report.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of the recoverable value of its mineral properties and related deferred exploration and evaluation expenditures, as well as the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors, including the market value of the Company's shares and financial objectives of the share-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes option pricing model. However, the future volatility is uncertain and the model has its limitations.

The Company's recoverability of its recorded value of its mineral properties and associated deferred exploration and evaluation expenses is based on current market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

NEW ACCOUNTING STANDARDS RECENTLY ADOPTED

IFRS 7 *Financial Instruments - Disclosures* ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 were effective for the Company's annual period beginning on July 1, 2012. The amendments to IFRS 7 did not have a material impact on its financial statements.

IAS 1 *Presentation of Financial Statements* ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US Generally Accepted Accounting Principles ("US GAAP") standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 were effective for annual the Company's period beginning on July 1, 2012. The Company determined that the impact of the amendment did not have a material impact on its financial statements, although it did affect disclosure in the Statements of Operations and Comprehensive Loss.

FUTURE ACCOUNTING CHANGES

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 in future periods. These include:

IFRS 9 *Financial Instruments* ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for the Company's accounting periods beginning on July 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on its financial statements.

IFRS 13 *Fair Value Measurement* ("IFRS 13") converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for the Company's annual periods beginning on July 1, 2013. The Company has not yet determined the impact of IFRS 13 on its financial statements.

IFRS 10 *Consolidated Financial Statements* ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning on July 1, 2013. The Company has not yet determined the impact of IFRS 10 on its financial statements.

IFRS 11 *Joint Arrangements* ("IFRS 11") replaces the guidance in IAS 31 Interests in Joint Ventures. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. IFRS 11 essentially carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11 joint ventures are stripped of the free choice of equity accounting or proportionate consolidation; these entities must now use the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investments in Associates and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening deficit at the beginning of the earliest period presented. The Company intends to adopt IFRS 11 in its financial statements for the annual period beginning on July 1, 2013. The Company has not yet determined the impact of IFRS 11 on its financial statements.

COMMITMENTS AND CONTINGENCIES

a) Environmental Contingencies

The Company's mining and exploration activities are subject to various federal, provincial and state 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.

b) Flow-through Expenditures

As at December 31, 2008, the Company was unable to complete the exploration expenditures within the required time periods to support flow-through deductions that were renounced to holders of flow-through shares. As a consequence of this shortfall in exploration expenditures, the Company will reimburse the investors for income taxes and interest owing as a result of the reduced tax deduction. As at December 31, 2012, the Company has accrued $Nil (June 30, 2012 - $Nil) as the estimated tax and interest amounts related to this commitment in accounts payable and accrued liabilities. The Company reversed the remainder of the accrual ($127,881) in fiscal 2012 as no further amounts are expected to be paid as a result of the income taxes and interest owing.

During the year ended June 30, 2012, the Company issued a total of 2,000,000 flow-through shares for proceeds of $300,000 that were renounced with an effective date of December 31, 2011. As of June 30, 2012, the Company had expended all of these flow-through funds.

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.

FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk (including interest rate, foreign exchange rate and price risk) and credit risk.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities and interest income earned on its cash and marketable securities. As at June 30, 2013, the Company has cash of $1,574,609 (June 30, 2012 – $930,715) to settle current liabilities of $155,787 (June 30, 2012 - $70,282). Interest-bearing instruments in cash and short-term investments are held by two Canadian chartered banks. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(b) Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity prices. In the normal course of business, the Company is exposed to market risks as a result of its investment in publicly-traded companies. During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be vulnerable to market fluctuations. Sensitivity to a plus or minus 1% change in the market value of the marketable securities would affect other comprehensive loss by approximately $Nil since the Company has no marketable securities at June 30, 2013.

(c) Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(d) Interest rate risk is the impact that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In the normal course of business, the Company is exposed to interest rate fluctuations as a result of cash and short-term investments being invested in interest- bearing instruments. Cash and short-term investments include guaranteed investment certificates which have variable interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect net loss by approximately $15,700.

(e) Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short-term investments and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and short-term investments are held with the Royal Bank of Canada, from which management believes the risk of loss to be minimal. Sundry receivables consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to sundry receivables is minimal. Sundry receivables are in good standing as of June 30, 2013.

(f) Fair value

As at June 30, 2013, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

CAPITAL MANAGEMENT

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which is comprised of capital stock, share purchase warrants, broker compensation warrants, contributed surplus and deficit.

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
(ii) minimizing discretionary disbursements;
(iii) reducing or eliminating exploration expenditures that are of limited strategic value; and
(iv) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company is not subject to any capital requirements imposed by a regulator or lending institution. The Company expects that its current capital resources are sufficient to discharge its liabilities as at June 30, 2013. The Company will, in all likelihood, raise capital by public or private placements in fiscal 2014 for any future exploration.

SHARE CAPITAL

During the year ended June 30, 2012, the Company completed a non-brokered private placement financing comprising 7,000,000 units at $0.15 per unit for gross proceeds of $1,050,000, of which 2,000,000 were issued on a flow-through basis. Each unit consists of one common share and one common share purchase warrant.

Each whole purchase warrant entitles the holder to acquire one common share at $0.20 for a period of one year after closing (the "Warrant Term") provided, however, should the closing price of the common shares equal or exceed $0.30 for 20 consecutive trading days following four months and one day after issuance, Canstar may accelerate the Warrant Term to the date which is 30 days following the date a press release is issued by Canstar announcing the Warrant Term.

The grant date fair value of the warrants was estimated to be $243,834, net of share issue costs allocated to warrants of $15,166. The fair value of the warrants on the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 127%, risk-free interest rate of 0.98%, and expected life of 1 year.

Proceeds of the financings are being used to fund exploration of the Mary March Property and working capital.

During the year ended June 30, 2013, the Company issued 100,000 common shares valued at $16,000 relating to the Mary March Property. The Company also received $1,070,934 and $100,000 from the exercise of 5,354,668 warrants and 700,000 stock options.

Pursuant to a resolution approved at the 2012 AGM and subsequently approved by the TSX, the Company's stock option plan limit was increased from a maximum issuance of 9,030,000 shares to 15,000,000 shares.

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options Granted	Exercisable Options	Exercise Price	Expiry Date
#	#	$	
598,334	598,334	0.10	January 6, 2014
100,000	100,000	0.20	January 6, 2014
901,666	901,666	0.10	March 22, 2015
500,000	500,000	0.17	December 19, 2016
2,875,000	2,156,250	0.18	April 24, 2017
300,000	225,000	0.18	April 25, 2017
100,000	50,000	0.20	August 10, 2017
500,000	125,000	0.10	May 1, 2018
5,875,000	4,656,250		

Risks and Uncertainties

An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

- *Exploration Stage Company and Exploration Risks*

The Company is a junior resource company focused primarily on the acquisition and exploration of mineral properties located in Canada. The properties of the Company have no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration, development and production programs of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves that are sufficient to commercially mine some of the Company's properties and to construct complete and install mining and processing facilities on those properties that are actually mined and developed.

- *No History of Profitability*

The Company is a development stage company with no history of profitability. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business plan.

- *Government Regulations*

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labor standards. In order for the Company to carry out its mining activities, its exploitation must be kept current. There is no guarantee that the Company's exploitation will be extended or that new exploitation will be granted. In addition, such exploitation could be changed and there can be no assurances that any application to renew any existing will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

- *Market Fluctuation and Commercial Quantities*

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

- *Mining Risks and Insurance*

The Company is subject to risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Company may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator if its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse effect on the financial position of the Company.

- *Environmental Protection*

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Company or require it to expend significant funds.

- *Capital Investment*

The ability of the Company to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing. There is no assurance that adequate financing will be available to the Company or that the terms of such financing will be. Should the Company not be able to obtain such financing, its properties may be lost entirely.

- *Conflicts of Interest*

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in base and precious metal exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matters in which they may have a conflict of interest.

- *Current Global Financial Conditions*

Current global financial conditions have been characterized by increased volatility, declining liquidity and the exit of a number of traditional investors from public markets. Access to public financing has been made more challenging by a global contraction of commercial and consumer credit markets. The ensuing decline in consumption has led to a marked erosion of investor confidence and risk tolerance. A major consequence/contributor to these factors may be seen in the unparalleled number of established financial institutions facing involuntary corporate reorganization, insolvency, bankruptcy and/or governmental intervention. While the most sensational of the corporate casualties have occurred in the United States, the global nature of today's economic reality has left no interrelated public market unscathed. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favorable to the Company or at all. Any or all of these economic factors, as well as other factors not specifically identified herein, may cause a decline in asset values that could be deemed to be other than temporary, resulting in impairment losses. If such conditions continue, the Company's operations could be negatively impacted, and the trading price of its common shares may be adversely affected.

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business.

DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited annual 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 audited annual financial statements and (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the years presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52- 109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-1 09 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

DISCLOSURE OF OUTSTANDING SHARE DATA (AS AT OCTOBER 10, 2013)

The Company's authorized capital consists of an unlimited number of common shares without par value, of which 82,856,381 are issued and outstanding as of the date of this MD&A. On a fully diluted basis the Company has 88,831,381 common shares outstanding assuming the exercise of 100,000 outstanding warrants and 5,875,000 outstanding stock options.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in the Management Discussion and Analysis. A copy of this report will be provided to anyone who requests it.

OTHER MATTERS

Additional information relating to the Company can be found on SEDAR at www.sedar.com and the Company's website at www.canstarresources.com.