CANSTAR RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2013

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence 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 interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited 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 interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

As at	March 31, 2013	June 30, 2012
ASSETS		
Current		
Cash and cash equivalents	$ **1,500,426**	$ 930,715
Amounts receivable and prepaid expenses	**30,547**	9,117
Total current assets	**1,530,973**	939,832
Equipment (Note 4)	**612**	720
Interest in mineral properties and deferred exploration and evaluation expenditures (Note 3)	**1,591,751**	1,086,274
Total assets	$ **3,123,336**	$ 2,026,826
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	$ **47,577**	$ 70,282
SHAREHOLDERS' EQUITY		
Capital stock (Note 5(b))	**10,762,608**	9,308,861
Warrants (Note 5(d))	**8,600**	243,834
Share-based payment reserve (Note 5(c))	**677,582**	545,750
Deficit	**(8,373,031)**	(8,141,901)
Total shareholders' equity	**3,075,759**	1,956,544
Total liabilities and shareholders' equity	$ **3,123,336**	$ 2,026,826

Commitments and Contingencies (Note 8)
Subsequent Event (Note 9)

APPROVED ON BEHALF OF THE BOARD:

"W. Deluce", Director

"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 March 31, 2013	Three Months Ended March 31, 2012	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012
Operating expenses				
Share-based payments (Note 5 (c))	**$ 42,266**	$ 17,646	**$ 191,924**	$ 42,761
Interest and bank charges	**171**	74	**815**	374
Transfer agent and filing fees	**15,935**	10,458	**39,996**	31,347
General exploration	**-**	-	**5,718**	-
Professional fees	**22,955**	22,968	**88,553**	62,304
General and office expenses	**5,357**	9,806	**8,715**	11,400
Shareholder information	**-**	5,951	**11,561**	17,968
Amortization	**36**	45	**108**	135
Rent (Note 7)	**1,000**	2,500	**5,000**	7,000
Loss before before the undernoted	**(87,720)**	(69,448)	**(352,390)**	(173,289)
Interest income	**-**	922	**-**	922
Realized loss on marketable securities	**-**	-	**-**	(50,691)
Net loss for the period	**$ (87,720)**	$ (68,526)	**$ (352,390)**	$ (223,058)
Items that will be reclassified subsequently to income:				
Decrease in unrealized gains on available-for-sale marketable securities	**-**	-	**-**	(5,000)
Items that will not be reclassified subsequently to income:				
Reclassification of realized loss on available-for-sale marketable securities to income	**-**	-	**-**	42,500
Comprehensive loss for the period	**$ (87,720)**	$ (68,526)	**$ (352,390)**	$ (185,558)
Net loss per share				
- basic and diluted (Note 6)	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of shares	**82,721,011**	76,140,759	**79,140,788**	71,311,876

See accompanying notes to the unaudited condensed interim financial statements.

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

	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	**$ (352,390)**	$ (223,058)
Charges not involving cash:		
Share-based payments	**191,924**	42,761
Amortization	**108**	135
Realized loss on marketable securities	**-**	50,691
	(160,358)	(129,471)
Changes in non-cash working capital items:		
(Increase) decrease in amounts receivable and prepaid expenses	**(21,430)**	15,622
(Decrease) in accounts payable and accrued liabilities	**(22,705)**	(210,721)
Cash flows from operating activities	**(204,493)**	(324,570)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of warrants	**1,070,934**	-
Proceeds from exercise of stock options	**100,000**	128,750
Issuance of shares and warrants for cash, net of costs	**-**	989,131
Cash flows from financing activities	**1,170,934**	1,117,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in mineral properties and deferred exploration and evaluation expenditures - net	**(396,730)**	(110,328)
Refund from government relating to mineral properties	**-**	44,309
Cash flows from investing activities	**(396,730)**	(66,019)
Change in cash and cash equivalents	**569,711**	727,292
Cash and cash equivalents, beginning of period	**930,715**	389,045
Cash and cash equivalents, end of period	**$ 1,500,426**	$ 1,116,337
SUPPLEMENTAL CASH FLOW INFORMATION		
Share-based compensation capitalized to deferred exploration and evaluation expenditures	**$ 84,147**	$ -
Common shares issued for property interest	**16,000**	-
Warrants issued for property interest	**8,600**	-

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	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, June 30, 2011	**$ 8,319,089**	**$ -**	**$ 542,259**	**$ (37,500)**	**$ (7,956,134)**	**$ 867,714**
Share-based payments	-	-	42,761	-	-	42,761
Issuance of units in private placement	791,000	259,000	-	-	-	1,050,000
Share issue costs	(45,702)	(15,166)	-	-	-	(60,868)
Exercise of stock options	244,474	-	(115,724)	-	-	128,750
Exercise of stock options	-	-	(157,551)	-	157,551	-
Unrealized loss on marketable securities	-	-	-	(5,000)	-	(5,000)
Realized loss on marketable securities	-	-	-	42,500	-	42,500
Net income for the period	-	-	-	-	(223,058)	(223,058)
Balance, March 31, 2012	**$ 9,308,861**	**$ 243,834**	**$ 311,745**	**$ -**	**$ (8,021,641)**	**$ 1,842,799**
Share-based payments	-	-	234,005	-	-	234,005
Issuance of units in private placement	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
Unrealized loss on marketable securities	-	-	-	(8,191)	-	(8,191)
Realized loss on marketable securities	-	-	-	8,191	-	8,191
Net loss for the period	-	-	-	-	(120,260)	(120,260)
Balance, June 30, 2012	**$ 9,308,861**	**$ 243,834**	**$ 545,750**	**$ -**	**$ (8,141,901)**	**$ 1,956,544**
Share-based payments	-	-	276,071	-	-	276,071
Issuance of shares for property	16,000	-	-	-	-	16,000
Issuance of warrants for property	-	8,600	-	-	-	8,600
Exercise of stock options	180,291	-	(80,291)	-	-	100,000
Expiry of stock options	-	-	(63,948)	-	63,948	-
Exercise of warrants	1,257,456	(186,522)	-	-	-	1,070,934
Expiry of warrants	-	(57,312)	-	-	57,312	-
Net loss for the period	-	-	-	-	(352,390)	(352,390)
Balance, March 31, 2013	**$ 10,762,608**	**$ 8,600**	**$ 677,582**	**$ -**	**$ (8,373,031)**	**$ 3,075,759**

See accompanying notes to the unaudited condensed interim financial statements.

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

	Mary March Properties
PROPERTY ACQUISITION COSTS	
Balance, June 30, 2011, March 31, 2012 and June 30, 2012	$ 41,284
Shares issued per joint venture option purchase agreement (Note 3(b)(i) and 5(d))	16,000
Warrants issued per joint venture option purchase agreement (Note 3(b)(i) and 5(b))	8,600
Balance, March 31, 2013	65,884
DEFERRED EXPLORATION COSTS	
Balance, June 30, 2011	725,173
Incurred	77,685
Recovered	(8,629)
Recovered from government	(12,500)
Balance, March 31, 2012	781,729
Incurred	263,261
Balance, June 30, 2012	1,044,990
Incurred	630,877
Recovered from exploration partner	(150,000)
Balance, March 31, 2013	1,525,867
Total	**$ 1,591,751**

See accompanying notes to the unaudited condensed interim financial statements.

1. NATURE OF OPERATIONS

Canstar Resources Inc. (the "Company" or “Canstar”) was formed by amalgamation on April 5, 2005. The Company is publicly traded with its shares listed on the Toronto Stock Exchange for venture issuers. The Company’s registered and head office is located at 120 Adelaide Street West, Suite 2500, Toronto, Ontario M5H 1T1.

The financial statements were approved by the Board of Directors on May 24, 2013.

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 March 31, 2013, the Company had a deficit of $8,373,031 and working capital of $1,483,396. 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. Because of this uncertainty there is some doubt about the ability of the Company to continue as a going concern. These 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 interim condensed 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 interim condensed financial statements are based on IFRSs issued and outstanding as of May 24, 2013, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited interim condensed financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2012, 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, 2013 could result in restatement of these unaudited interim condensed financial statements.

New standards not yet adopted and interpretations issued but not yet effective:

There are no relevant changes in accounting standards applicable to future periods other than as disclosed in the most recent annual financial statements as at and for the year ended June 30, 2012 other than noted below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes to accounting policies:

IAS 1, Presentation of Financial Statements was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with 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. At July 1, 2012, the Company adopted this pronouncement and there was no material impact on the Company's unaudited interim condensed financial statement.

3. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION AND EVALUATION 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, all properties except Mary March 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) Xstrata Joint Venture

The Company entered into an Option and Joint Venture Agreement with Phelps Dodge Mining Co. (“Phelps”) 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 $750,000 spent by Phelps Dodge, had completed the necessary exploration expenditures to earn a 50% interest in the property. Exploration of the property was held up approximately 10 years due to a title dispute.

The property consists of 18 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 Phelps and spending $755,000. As part of the agreement with Phelps, Phelps would be 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. The 100,000 warrants issued were assigned an aggregate fair value of $8,600 using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 129%, risk-free rate of return 1.12% and expected life of 1.5 year.

The Company is the operator of the Xstrata Joint Venture and has the deciding vote in the event of a deadlock between the Company and Xstrata. A diamond drilling program was recently completed,with further exploration including drilling planned later this year.

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

b) Mary March Properties (Continued)

(ii) Mary March Extension Project

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

(i) McFaulds One

During the year ended January 31, 2004, the Company acquired a 100% interest, by staking, in 32 contiguous claim units located in the McFauld's Lake area of the James Bay Lowlands, Northern Ontario.

(ii) McFaulds Three

The McFauld's Three Property is located in the McFauld's Lake are of northwestern Ontario. The property is comprised of 6 contiguous claim units in three mineral licences.

In fiscal 2006, both McFaulds properties were written off for financial statement purposes due to disappointing exploration results. In fiscal 2008, the Company entered into an option agreement with New Klondike Exploration Ltd. (formerly United Reef Ltd.) ("New Klondike") and Geocanex covering the McFaulds One and Three properties. The agreement allowed New Klondike and the Company to each earn a 50% interest in the properties. Geocanex waived the one time $25,000 payment and approximately $100,000 in expenditures that were remaining to be paid as per the agreement entered into in September 2004.

The Company received a cash payment of $50,000 and 2,500,000 New Klondike common shares (valued at $200,000) from New Klondike. New Klondike was required to incur exploration expenditures of $150,000 on the properties before December 31, 2008 ($108,266 incurred). Effective December 10, 2008, the Company entered into an amending agreement whereby it was agreed that New Klondike could vest a 45% interest in the claims based on exploration expenditures incurred of $108,266. The Company will maintain a 0.5% net smelter royalty on the properties, 0.25% of which can be purchased by New Klondike for $250,000. The amending agreement further provided that the claims would be operated as a joint venture therafter with the Company holding a 55% interest.

(EXPRESSED IN CANADIAN DOLLARS)

4. Equipment

Cost		Office and field equipment
Balance, June 30, 2011, March 31, 2012, June 30, 2012 and March 31, 2013	$	8,261

Accumulated Amortization		Office and field equipment
Balance, June 30, 2011	$	7,362
Amortization		135
Balance, March 31, 2012		7,497
Amortization		44
Balance, June 30, 2012		7,541
Amortization		108
Balance, March 31, 2013	$	7,649

Carrying Value		Office and field equipment
Balance, June 30, 2011	$	899
Balance, March 31, 2012	$	764
Balance, June 30, 2012	$	720
Balance, March 31, 2013	$	612

(EXPRESSED IN CANADIAN DOLLARS)

5. CAPITAL STOCK, SHARE-BASED PAYMENT RESERVE AND WARRANTS

(a) Authorized

Unlimited number of common shares

(b) Issued

82,856,381 common shares

Summary of changes in capital stock:

	Shares		Amount
Balance, June 30, 2011	**68,826,713**	**$**	**8,319,089**
Private placement - common shares (i)	5,000,000		750,000
Private placement - flow-through shares (i)	2,000,000		300,000
Warrant valuation	-		(259,000)
Exercise of stock options	875,000		244,474
Cost of issue	-		(45,702)
Balance, March 31, 2012 and June 30, 2012	**76,701,713**	**$**	**9,308,861**
Issuance of common shares for property (Note 3(b)(i))	100,000		16,000
Exercise of stock options	700,000		180,291
Exercise of warrants	5,354,668		1,257,456
Balance, March 31, 2013	**82,856,381**	**$**	**10,762,608**

(i) During fiscal 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 at no premium. 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.

(EXPRESSED IN CANADIAN DOLLARS)

5. CAPITAL STOCK, SHARE-BASED PAYMENT RESERVE AND WARRANTS (Continued)

(c) Stock Options

The Company has granted options for the purchase of common shares to its directors, officers, and consultants. The aggregate number of common shares which may be issued under the stock option plan is 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 March 31, 2013, 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
200,000	200,000	$0.10	0.77	January 6, 2014
398,334	398,334	$0.10	0.77	January 6, 2014
100,000	100,000	$0.20	0.77	January 6, 2014
901,666	901,666	$0.10	1.98	March 22, 2015
500,000	375,000	$0.17	3.72	December 19, 2016
2,875,000	1,437,500	$0.18	4.07	April 24, 2017
300,000	150,000	$0.18	4.07	April 25, 2017
100,000	50,000	$0.20	4.36	August 10, 2017
5,375,000	**3,612,500**	**$0.16**	**3.26**	

A summary of changes in stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2011	**4,875,000**	**$ 0.13**
Granted (i)	500,000	0.17
Exercised	(875,000)	0.15
Expired	(1,150,000)	0.15
Balance, March 31, 2012	**3,350,000**	**$ 0.13**
Granted (ii)(iii)	3,175,000	0.18
Balance, June 30, 2012	**6,525,000**	**$ 0.16**
Granted (iv)	100,000	0.20
Exercised	(700,000)	0.15
Expired	(550,000)	0.15
Balance, March 31, 2013	**5,375,000**	**$ 0.16**

(i) On December 19, 2011, the Company granted 500,000 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 $0.17 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. A fair value of $77,400 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.25%; expected life of 5 years; and a volatility of 151%.

(EXPRESSED IN CANADIAN DOLLARS)

5. CAPITAL STOCK, SHARE-BASED PAYMENT RESERVE AND WARRANTS (Continued)

(c) Stock Options (Continued)

(ii) On April 24, 2011, the Company granted 2,875,000 stock options to directors, officers, employees, and consultants of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $0.18 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 $471,500 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.25%; expected life of 5 years; and a volatility of 150%.

(iii) On April 25, 2011, the Company granted 300,000 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 $0.18 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 $48,905 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.25%; expected life of 5 years; and a volatility of 150%.

(iv) On August 10, 2012, 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 $0.20 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 $16,600 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.36%; expected life of 5 years; and a volatility of 137%.

Included in share-based payment expense for the three and nine months ended March 31, 2013 is $42,266 and $191,924, respectively (three and nine months ended March 31, 2012 - $17,646 and $42,761, respectively). For the three and nine months ended March 31, 2013, $17,623 and $84,147, respectively, of share based payments were capitalized to deferred exploration and exploration expenditures (three and nine months ended March 31, 2012 - $Nil).

(d) Share Purchase Warrants

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2011	**-**	**$ -**
Granted (Note 5(b)(i)(ii))	7,000,000	0.20
Balance, March 31, 2012 and June 30, 2012	**7,000,000**	**$ 0.20**
Granted (Note 3(b)(i))	100,000	0.38
Exercised	(5,354,668)	(0.20)
Expired	(1,645,332)	(0.20)
Balance, March 31, 2013	**100,000**	**$ 0.38**

(EXPRESSED IN CANADIAN DOLLARS)

5. CAPITAL STOCK, SHARE-BASED PAYMENT RESERVE AND WARRANTS (Continued)

(d) Share Purchase Warrants (Continued)

The warrants outstanding as at March 31, 2013 are as follows:

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
$ 8,600	100,000	$0.25 - $0.50	July 27, 2014

6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and nine months ended March 31, 2013 was based on the net loss attributable to common shareholders of $87,720 and $352,390, respectively (three and nine months ended March 31, 2012 - $68,526 and $223,058, respectively), and the weighted average number of common shares outstanding of 82,721,011 and 79,140,788, respectively (three and nine months ended March 31, 2012 - 76,140,759 and 71,311,876, respectively).

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. Related party transactions conducted in the normal course of operations are measured at the amount established and agreed to by the related parties.

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

	Three Months Ended March 31,		**Nine Months Ended March 31,**	
	2013	**2012**	**2013**	**2012**
McGovern, Hurley, Cunningham LLP [(1)]	**$ 11,500**	$ 16,000	**$ 11,500**	$ 16,000
Geocanex Ltd. [(2)]	**$ 1,000**	$ 2,500	**$ 5,000**	$ 7,000

[(1)] For the three and nine months ended March 31, 2013, the Company incurred $11,500 (three and nine months ended March 31, 2012 - $16,000) for accounting and tax services included in professional fees by a firm of chartered accountants of which one of the directors and officers of the Company is a former partner and of which partners are shareholders of the Company. Included in accounts payable and accrued liabilities at March 31, 2013 is $Nil (June 30, 2012 - $5,000) accrued for these services. These amounts are non-interest bearing, unsecured, with no fixed terms of repayment.

[(2)] During the three and nine months ended March 31, 2013, the Company incurred $1,000 and $5,000, respectively (three and nine months ended March 31, 2012 - $2,500 and 7,000, respectively) for rent charged by a corporation of which the principal shareholder is a director of the Company.

Also included in accounts payable as at March 31, 2013 is $4,345 (June 30, 2012 - $4,345) owed to a corporation controlled by a director of the Company. These amounts are non-interest bearing, unsecured, with no fixed terms of repayment.

(EXPRESSED IN CANADIAN DOLLARS)

7. RELATED PARTY TRANSACTIONS (Continued)

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

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2012
Salaries and benefits (1)	**$ -**	$ -	**$ -**	$ -
Share-based payments	**$ 32,357**	$ -	**$ 146,452**	$ 3,108

(1) Salaries and benefits include director fees. The board of directors and select officers do not have employment or services contracts with the Company. Directors are entitled to director fees and stock options for their services and officers are currently entitled to stock options for their services.

8. COMMITMENTS AND CONTINGENCIES

a) 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.

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 March 31, 2013, 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 remainder of the accrual ($127,881) was reversed 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.

9. SUBSEQUENT EVENT

The Company issued 500,000 stock options exercisable at $0.10 per common share with an expiry date of five years from the date of the grant (May 1, 2013) to an officer of the Company.