CANSTAR RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX-MONTH PERIODS ENDED DECEMBER 31, 2010 (UNAUDITED)

INTRODUCTION

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of the Company for the year ended June 30, 2010 (audited) and the three and six-month periods ended December 31, 2010 (unaudited) and related notes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). This MD&A is made as of February 22, 2011.

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

Canstar Resources Inc. (the "Corporation" or "Company") is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in Canada. The Corporation was formed upon the amalgamation, effective April 5, 2005, of Nustar Resources Inc. ("Nustar") and Candor Ventures Corp. ("Candor"). The amalgamation was approved by shareholders of Nustar and Candor on March 24, 2005 and final approval of the amalgamation by the TSX Venture Exchange was granted on April 5, 2005. In accordance with the terms of the amalgamation, shares of the Corporation were issued to shareholders of Nustar and Candor on a 1:1 basis. The first year-end of Canstar, subsequent to the effective date of the amalgamation, was June 30, 2005. The financial statements discussed herein are for the year ended June 30, 2010 (audited) and the three and six-month periods ended December 31, 2010 (unaudited). The shares of the Corporation began trading on the TSX Venture Exchange under the symbol "ROX" on April 8, 2005. The Corporation is a reporting issuer in the provinces of Ontario, Alberta and British Columbia.

As a result of the amalgamation, the Corporation wholly-owns or has interests in all of the mineral properties formerly held by Nustar and Candor. The following table contains a brief description of the Corporation's core properties, which are the primary focus of the Corporation's 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 Conception Bay South (CBS) Project is comprised of 190 claim units in seven mineral licenses located in the conception Bay South area of the Avalon Peninsula on the Island of Newfoundland. The properties cover a belt of volcanic rocks which are known to host Volcanogenic Massive Sulphide (VMS) type mineralization containing economically significant values in copper, zinc, lead, gold and silver.	Copper-lead-zinc- silver-gold	Right to acquire a 100% interest in two properties[1)], totaling 148 and 15 claims, respectively, from two separate vendors. The Company terminated the option agreement and the 27 additional claims staked by Canstar lapsed on December 31, 2010. Canstar no longer holds any interest in the area.
The McFauld's Lake Properties are located in the McFauld's Lake area of northwestern Ontario. They are 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 properties are comprised of: (i) a 32-claim unit property totaling 502 hectares ("McFauld's Lake Property 1"); and (ii) a 38-claim unit property immediately east of the 32-claim unit property ("McFauld's Lake Property 3").	Copper-zinc- silver-gold	Pursuant to an agreement with United Reef Limited, a Corporation listed on the TSX Venture exchange, and Geocanex, a private company owned by a Director of Canstar, United Reef has vested an undivided 45% interest in both properties.[(2)] Canstar owns the remaining 55% interest.[(3)] This agreement supersedes an earlier agreement with Geocanex Limited signed on September 22, 2004 and as amended on August 26, 2005. [(4)]
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	Right to earn a 100% interest in an underlying 50% interest held by Phelps Dodge Corporation of Canada, Limited ("Phelps"), pursuant to a letter of intent entered into with Phelps and first right of refusal on the remaining 50% interest held by Xstrata plc. (3)(5)

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 Canstar, and not subject to the Phelps Option. On February 16, 2010 Canstar 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. (6)
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% interest in the property pursuant to an option and joint venture participation agreement entered into with Luxor Enterprises Inc. (Luxor) on February 4, 2002. (7)

Notes:

(1) The Company held a right to acquire a 100% interest in two separate properties, totaling 148 and 15 claims, respectively, by making combined cash payments of $30,000 on signing (paid); $35,000 on the first anniversary of the agreement and $45,000 on the second anniversary of the agreement, and combined share payments of 100,000 common shares of Canstar on signing (paid); 175,000 shares on the first anniversary of the agreement; and 275,000 shares on the second anniversary of signing. Both properties were subject to net smelter royalties of 2% and 2.5%, while the Company reserved the option to buy back 1% and 1.5%, respectively, for $2,750,000. The Company terminated both option agreements before first anniversary payments were due. An additional 27 claims staked by Canstar lapsed on December 31, 2010.

(2) On April 22, 2008 Canstar and Geocanex entered into an agreement whereby United Reef, A TSX Venture-listed company could earn a 50% interest in both the McFauld's 1 and 3 properties by making a payment of 5,000,000 shares (paid), divided equally between Canstar and Geocanex, and a cash payment of $50,000 to Canstar (paid) on signing of the formal agreement. In addition, United Reef would be committed to making exploration expenditures on the property totaling $150,000 before December 31, 2008. Canstar and Geocanex individually hold 0.5% net smelter royalties on both properties. This agreement supersedes an earlier agreement between Canstar and Geocanex on the McFauld's 3 property, with Canstar owning a 50% undivided interest in the McFauld's 3 property upon vesting by United Reef. Subsequent to the period ending December 31, 2008, United Reef informed the Company that it had substantially completed its earn in commitments and Canstar and Geocanex agreed to allow United Reef to vest on a pro-rata basis at 45%. Canstar now owns the remaining 55% interest in the joint venture.

(3) Interest in the McFauld's Property 1 and Mary March were held by Candor prior to the effective date of the amalgamation on April 5, 2005.

(4) Interest in McFauld's Property 3 was held by Nustar prior to the effective date of the amalgamation on April 5, 2005. The Company has not met its expenditure commitment and the agreement was renegotiated on August 26, 2005 and amended with the following term replacing section 2a: "The Optionee shall fund exploration work on the Claims in the total amount of $250,000 during the four year period commencing on the date of execution of this agreement, with the sum of $50,000 to be spent in the first year, the sum of $100,000 to be spent in the third year and the sum of $100,000 to be spent in the fourth year". The property was written off in 2006; however, the Corporation maintains 55% ownership of the McFauld's properties pursuant to the United Reef-Canstar-Geocanex agreement (see note (2)).

(5) By virtue of an underlying agreement, Phelps may earn a 50% interest in the property from Xstrata plc by incurring expenditures of $1,500,000 over five years. Under the terms of the letter of intent, the Corporation will assume the remaining exploration expenditures of approximately $755,000 and will issue 100,000 common shares to Phelps, together with 100,000 common share purchase warrants exercisable at a price of $0.50 for a period of twenty-four months. The Corporation is also required to make a cash payment of $2,000,000 to Phelps within six months of commercial production. The Corporation's interest is also subject to a 1% NSR royalty due upon commencement of commercial production. The property is currently subject to a title dispute (see page 8).

(6) On February 16th, 2010, Canstar signed an option to joint venture with XMET Inc (formerly On-Strike Gold Inc), granting XMET the right to earn a 50% interest in 34 claims which are 100% owned by Canstar. 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.

(7) In accordance with the terms of the agreement, to earn its interest in the property, Candor, the Corporation's predecessor, issued 30,000 common shares to Luxor and paid back taxes of approximately $18,000, with the requirement to pay all property taxes during the earn-in period. The Corporation may maintain its option by issuing an additional 90,000 common shares and spending a total of $150,000 on the property (which has already been spent) over a three-year period. In February 2005, a one-year extension of the agreement to February 4, 2006 was negotiated. In consideration for such extension, the Corporation has issued an additional 90,000 common shares valued at $19,800. Canstar vested its 75% interest in November 2005 and indicated its intention to form a joint venture.

The Corporation also has three non-core properties, identified in the table below, which the Corporation has chosen to joint venture to other exploration companies.

Description of Property	Target	Ownership Interest
The Miminiska Property, comprised of three contiguous, unpatented mineral claims totalling 44-claim units, located approximately 100 kilometres east of Pickle Lake, Ontario.	Militi Gold	100% owned.[(1)(2)]
The Tahoe Lake property is comprised of two contiguous, unpatented mineral claims totaling 32 claim units, covering 512 hectares, approximately 170 kilometres north- northeast of Red Lake, Ontario.	Gold and base metals	100% owned.[(3)] One of the three original mineral claims was allowed to lapse in 2010, the remaining two lapsed on January 30, 2011 due to insufficient assessment credits required to maintain the claims in good standing.
The Shrimp Lake Property is comprised of seven contiguous, unpatented mineral claims totalling 91-claim units, covering 1,456, hectares approximately 165 kilometres north-northeast of Red Lake.	Gold and base metals	100% owned.[(3)]

Notes:

(1) Interest was held by Nustar prior to the effective date of the amalgamation on April 5, 2005.

(2) These claims were staked in 2002. A seven-hole drill program was undertaken in February and March 2005 to test chargeability anomalies and the proposed down plunge projection of a gold-mineralized zone known from previous drilling. No intersections of economic significance were achieved. One

(3) Interest was held by Candor prior to the effective date of the amalgamation on April 5, 2005.

An investment in the securities of the Corporation 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.

Development Stage Corporation and Exploration Risks

The Corporation is a junior resource company focused primarily on the acquisition and exploration of mineral properties located in Canada. The properties of the Corporation have no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Corporation will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Corporation 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 involves a high degree of financial risk over a significant period of time of which even a combination of careful evaluation, experience and knowledge of management 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 Corporation will result in profitable commercial mining operations. The profitability of the Corporation'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 which are sufficient to commercially mine the Corporation's properties and to construct, complete and install mining and processing facilities in those properties that are actually mined and developed.

No History of Profitability

The Corporation is a development stage company with no history of profitability. There can be no assurance that the operations of the Corporation will be profitable in the future. The Corporation 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 Corporation may become unable to acquire or retain its mineral concessions and carry out its business plan.

Government Regulations

The Corporation's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Corporation to carry out its mining activities, the Corporation's exploitation licences must be kept current. There is no guarantee that the Corporation's exploitation licences will be extended or that new exploitation licences will be granted. In addition, such exploitation licences could be changed and there can be no assurance that any application to renew any existing licences will be approved. The Corporation may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Corporation will also have to obtain and comply with permits and licences which 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 Corporation will be able to comply with any of such conditions.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Corporation such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing corporations, 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 Corporation’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 which may affect commercial viability so that any adverse combination of such factors may result in the Corporation not receiving an adequate return on invested capital.

Mining Risks and Insurance

The Corporation is subject to risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Corporation 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 affect on the financial position of the Corporation.

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 Corporation or require it to expend significant funds.

Capital Investment

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

Conflicts of Interest

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

OVERALL PERFORMANCE

The Corporation is currently engaged in mineral exploration in Canada. The Corporation'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 Corporation 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 Corporation and any activities of the Corporation thereon will constitute exploratory searches for minerals. The following is a description of the Corporation's core projects and recent or proposed exploration initiatives.

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 impact the mining industry deteriorate.;

- There are significant uncertainties regarding the prices of precious and base metals and other minerals and the availability of equity financing for the purposes of mineral exploration and development. Although the prices of precious and base metals have risen substantially over the past several months the Company still remains cautious.

- 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 the calendar year and potentially into 2011, reflecting ongoing concerns about the stability of the global economy. As well, concern about global growth may lead to future 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 CBS Properties

The CBS project is comprised of 190 contiguous claim units covering an under-explored volcanic belt on the Island of Newfoundland's Avalon Peninsula, situated approximately 30 kilometres from the Capital City of St. John's.

During September 2008 a VTEM airborne electromagnetic and magnetic survey, comprising 1,181 line kilometres covering a 25 kilometre strike length of the volcanic belt was flown in the project area.

Between November 25 and December 13, 2008, a diamond drilling program was completed on the property testing airborne and geological targets. The program comprised 12 drill holes totaling 1 1 96m. Seven holes were drilled to test the strike and depth extension of the historic Pastureland base and precious metal showing. Highlights include a 26m zone of thin, intermittent, copper-lead-zinc sulphide mineralized bands in a pervasively altered mafic volcanic horizon. A 14 metre interval within this zone returned assay results of 1 % zinc; 0.6% lead; 0.2% copper and 8 g/t silver, including 2.2 metres grading 2.6% zinc, 1.7% lead, 0.2% copper, 26 g/t silver. The last five holes tested selected VTEM airborne anomalies along the Pastureland horizon and intersected thick sequences of altered volcanics interlayered with altered metasedimentary rocks. No significant assays were returned from these holes. $391,291 in expenditures was written down on the property during the year ended June 30, 2009.

Prior to the required first anniversary payments the option agreements were terminated and the properties returned to the owners. An additional 27 claims staked by the Company were allowed to laps on December 31, 2010. Canstar no longer holds any interests in this area.

The McFauld's Lake Properties

The Corporation has a 55% interest in a single claim block totaling 70 claim units (502 ha) 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.

The Company contracted an airborne geophysical survey in December 2007 covering the entire property.

On April 22, 2008 the Company entered into an option agreement with Geocanex and United Reef, whereby United Reef became the operator of the McFauld's 1 and 3 properties.

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

The Mary March Property

The Corporation has the right to earn a 100% interest in an underlying interest in the property held by Phelps Dodge Corporation of Canada Limited ("Phelps"), pursuant to a letter of intent entered into with Phelps. By virtue of an underlying agreement, Phelps may earn a 50% interest in the property from Falconbridge Limited by incurring expenditures of $1,500,000 over five years. Under the terms of the letter of intent, the Corporation will assume the remaining exploration expenditures of approximately $755,000 and will issue 100,000 common shares to Phelps, together with 100,000 common share purchase warrants exercisable at a price of $0.50 for a period of twenty-four months. The Corporation is also required to make a cash payment of $2,000,000 to Phelps within six months of commercial production. The Corporation'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 plc, on which the Corporation maintains a right of first refusal.

The Mary March Property is comprised of 18 staked claims, 2 licenses, 1 lease and 2 patented lots totaling 1,616 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 Corporation'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.

Title to the core discovery areas of the Mary March Property is currently being contested. In September and October 2000, Vinland Resources Limited, a privately held Newfoundland company filed applications with the Mineral Claims Recorder for the Government of Newfoundland and Labrador (the "Mineral Claims Recorder") seeking Map Staking Licenses over the core Mary March discovery areas. On the basis of evidence demonstrating that the lands in question were not open for staking, the applications were rejected by the Mineral Claims Recorder. On December 20, 2000, the party in question filed a grievance with the Mineral Rights Adjudication Board (the "Board"), asking that the Mineral Claims Recorder's decision be overturned. In a ruling handed down December 17, 2003, the Board ruled against the Province and titleholders. On January 8, 2004, the Province filed an appeal on behalf of the Mineral Claims Recorder before the Supreme Court of Newfoundland and Labrador, Trial Division. The Supreme Court hearing on the matter commenced on January 23, 2006 and concluded on January 27, 2006. On July 26, 2006, the Supreme Court of Newfoundland and Labrador set aside the decision of the Mineral Rights Adjudication Board and referred the matter back to a re-hearing.

Following an appeal by Vinland Resources of this ruling, The Mineral Claims Recorder, in conjunction with Canstar-Phelps Dodge and Xstrata filed a cross appeal to overturn the decision by Newfoundland and Labrador Supreme Court. The cross-appeal asked that the dispute be finally settled during the appeal, as the matter rests on points of law which are best decided by the courts.

The appeal and cross appeal hearing were completed on November 9th, 2007 and a decision was handed down on February 18th , 2008 dismissing Vinland's appeal and Canstar-Xstrata-Phelps' cross appeal. The decision upheld the Supreme Court of Newfoundland's ruling overturning the Mineral Right's Board decision, favouring Vinland, and called for a re-hearing. The Supreme Court ruling favours Canstar, as does the Appeal Courts decision. The second adjudication hearing ended on January 25th , 2009 and final summations were completed on May 29, 2009. On October 23rd, 2009 the Adjudication Board handed down a unanimous decision recognizing the current title holder, Phelps Dodge Canada, as the owner of the Mary March property. On November 20, 2009, Vinland filed a Notice of Appeal with the Newfoundland and Labrador Supreme Court (Trial Division) to the October 23, 2009 decision of the Mineral Rights Adjudication Board. On July 21, 2010, the Company was advised by their legal counsel that the Mary March Hearing, originally scheduled for July 19, 2010, had been postponed until October 25 and 26, 2010. It should be noted that the matter has already been considered by the Court of Appeal and the re-hearing by the Board followed the direction of that Court. A comprehensive drilling program has been planned to commence on the property pending receipt of necessary permits and equity financing.

The XMET Option

The XMET Option Property was acquired on April 7, 2009 and is comprised of 34 claims staked in two contiguous blocks 100%-owned by Canstar. 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, Canstar 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.

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 Corporation 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 Corporation will act as manager of the joint venture.

The Corporation has completed detailed ground magnetic and IP surveys over the property and an initial 5-hole drill program conducted in 2001 tested 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 1 00m 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.

RESULTS OF OPERATIONS

Three months ended December 31, 2010 compared to December 31, 2009.

Due to the various delays in resolving the Mary March property dispute, there has been very little activity in both quarters. Operating expenses and the corresponding net loss were $30,766 in the December 31, 2010 quarter compared to $36,725 in the comparable quarter in 2009. After adjusting for a credit of $8,929 in stock-based compensation, total operating expenses for both quarters were about the same in aggregate although certain amounts varied by classification due to the timing of incurring certain charges. During the three months ended December 31, 2010 stock-based compensation was adjusted to correct for over expensing certain options in the first quarter.

As at December 31, 2010, the interest in mineral properties and deferred exploration expenditures were $901,449 compared to $888,964 on June 30, 2010. There were no significant funds spent on exploration in the first and second quarters of fiscal 2011.

SUMMARY OF QUARTERLY RESULTS [1]

The following table sets out selected quarterly results of the Corporation 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 Corporation.

Year	2010	2010	2010	2010
Quarter	December 31	September 30	June 30	March 31
Revenue	$nil	$nil	$nil	$nil
Working Capital (Deficit)	289,719	(46,792)	(165,633)	(105,748)
Interest in Mineral Properties and Deferred Exploration Expenditures	901,449	892,599	888,964	862,941
Expenses	30,766	62,263	61,865	53,258
Net Income (Loss)	(30,766)	32,737	(61,865)	(53,258)
Net Income (Loss) per share (1)	(0.00)	0.00	(0.00)	(0.00)

Year	2009	2009	2009	2009
Quarter	December 31	September 30	June 30	March 31
Revenue	$nil	$nil	$nil	$nil
Working Capital	(100,325)	(59,875)	3,457	21,902
Interest in Mineral Properties and Deferred Exploration Expenditures	881,046	872,026	853,809	882,555
Expenses	36,725	26,369	57,685	101,408
Net (Loss) Income	(36,725)	(51,369)	(16,212)	(650,060)
Net (Loss) (per share) (1)	(0.00)	(0.00)	(0.01)	(0.01)

Notes:

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

LIQUIDITY

As at December 31, 2010, the Company had working capital of $289,719 compared to a working capital deficiency of $165,633 at June 30, 2010. Working capital deficiency improved at September 30, 2010 compared to June 30, 2010 by $455,352 mainly due to the receipt of X-Met Inc. option proceeds valued at $95,000 and receipt of $400,000 cash from the exercise of shareholder warrants. The Company has no revenue from operations and is dependent on financings for working capital. There were no financings during the quarter except the warrant exercise.

For the six months ended December 31, 2010, operating expenses were $93,029 vs. $63,094 for the comparable period in 2009. Included in these amounts is a $19,338 increase in 2010 for stock-based compensation which is a non-cash expense.

The Company's operating costs are expected to remain at the current level during the remainder of the year, while exploration costs should increase if proposed exploration programs are implemented.

WORKING CAPITAL RESOURCES

The Company does not currently have adequate funds to carry out all of its planned exploration activities in fiscal 2011. Additional financings will be required for exploration.

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 Corporation 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 Corporation does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Three Month Period Ended December 31, 2010

Included in accounts payable at December 31, 2010 is $4,345 (June 30, 2010 - $4,345) owed to a corporation controlled by a director of the Company. This amount is non-interest bearing, unsecured, with no fixed terms of repayment.

Included in accounts payable and accrued liabilities at December 31, 2010 is $15,075 (June 30, 2010 - $2,625) accrued for accounting services to a firm of Chartered Accountants of which one of the directors is a former partner. This amount is non-interest bearing, unsecured, with no fixed terms of repayment.

During the three and six months ended December 31, 2010, the Company incurred $1,500 and $3,000 respectively (three and six months ended December 31 2009 - $1,500 and $3,000), for rent from Geocanex Limited. The Chairman and director of Canstar is the President of Geocanex Limited.

The above transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties and does not exceed the arm's length equivalent value for these services. Amounts owing to or from related parties are subject to normal trade payment terms.

SUBSEQUENT EVENTS

There are no subsequent events.

PROPOSED TRANSACTIONS

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

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the financial statements include the Corporation's estimate of the recoverable value of its mineral properties and related deferred exploration expenditures, amounts owing to flow-through investors for income tax reassessments 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 Corporation'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 Corporation's control and will depend on a variety of factors, including the market value of the Corporation's shares and financial objectives of the stock-based instrument holders. The Corporation 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 Corporation's recoverability of its recorded value of its mineral properties and associated deferred exploration 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 Corporation operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Corporation and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

Amounts owing to flow-through investors are dependent on the number of investors that make claims and their respective income tax rates.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Marketable Securities

Investments in marketable securities are designated as available for sale and recorded at fair value. Fair values are determined by reference to quoted market prices at the balance sheet date. Unrealized gains and losses on available for sale investments are recognized in other comprehensive income. Investment transactions are recognized on the trade date with transaction costs charged to operations.

New Standards and Accounting Policy Changes

International Financial Reporting Standards ("IFRS") Implementation Plan

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (IFRS will replace Canadian GAAP for public companies). The official changeover date will apply for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended September 30, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's I FRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee and consultants training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Completed
Assessment of first-time adoption (I FRS 1) requirements and alternatives	Completed
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	In process, completion expected during Fiscal 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In process, completion expected during Fiscal 2011
Management, employee and consultant education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2010 and 2011

Impact of Adopting IFRS on the Company's Business

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies.

The Company's advisers involved in the preparation of the financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to accounting policies.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.
The Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at June 1, 2010, its transition date:

- To apply IFRS 2 *Share-based Payments* only to equity instruments granted and that had not vested by the transition date.
- To apply IFRS 3 *Business Combinations* prospectively from the transition date, therefore not restating business combinations that took place prior to the transition date.
- To apply the transition provisions of IFRIC 4 *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the transition date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 *Borrowing Costs* prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ending September 30, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

Impact of Adopting IFRS on the Company's Financial Statements

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1) Exploration and Evaluation Expenditures

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties. Accordingly, the Company could continue with its current policy. The Company may establish an accounting policy to expense, as incurred, all costs relating to exploration and evaluation until such time as it has been determined that a property has economically recoverable reserves.

The application of this policy on the adoption of IFRS will have a significant impact on the Company's financial statements. On adoption of this policy, the carrying value of the mineral resource properties will be reduced to zero (as at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and evaluation costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

2) Impairment of (Non-financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. However, the Company does not expect that this change will have an immediate impact on the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the transition date.

3) Share-based Payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

4) Asset Retirement Obligations (Decommissioning Liabilities)

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences. However, the Company does not expect this change will have an immediate impact on the carrying value of its assets.

5) Property and Equipment

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

6) Income Taxes

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company’s MD&A for the 2011 interim periods and the year ended June 30, 2011, will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.

- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending September 30, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending September 30, 2011, will also include 2010 financial statements for the comparative period adjusted to comply with IFRS, and the Company’s transition date IFRS statement of financial position (at July 1, 2010).

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, Business Combinations, Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling interests. These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements, and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

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. The Company has cash and marketable securities of $610,979 (June 30, 2010 - $172,808) to settle current liabilities of $330,860 (June 30, 2010 - $349,041). 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, except the accrual for flow-through investors of $127,881, 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 income (loss) by approximately $1,300.

(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.

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 at call which have variable interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect net loss by approximately $4,800.

(d) 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 December 31, 2010.

(e) Fair value

As at December 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent. The Company’s financial instruments measured at fair value, namely cash and marketable securities, are classified as Level 1 within the fair value hierarchy.

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 December 31, 2010. The Company will, in all likelihood, raise capital by public or private placements in fiscal 2011.

During the quarter ended December 31, 2010, 4,000,000 of the Company's warrants with an expiry date of November 12, 2010 were exercised for gross proceeds of $400,000. The remaining 1,000,000 warrants expired unexercised. In addition, 500,000 options exercisable at $0.15 expired on November 10, 2010.

Share Capital

As of the date of this MD&A, the Company had 68,826,713 issued and outstanding common shares. There are no share purchase warrants outstanding for the Company at the date of this MD&A.

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

Options Granted	Exercisable Options	Exercise Price	Expiry Date
#	#	$	
1,875,000	1,875,000	0.15	January 26, 2012
50,000	25,000	0.20	July 28, 2012
100,000	100,000	0.10	July 28, 2012
1,200,000	1,200,000	0.15	December 20, 2012
200,000	200,000	0.10	January 6, 2014
398,334	398,334	0.10	January 6, 2014
100,000	50,000	0.20	January 6, 2014
951,666	475,833	0.10	March 22, 2015
4,875,000	4,324,167		

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.

- *Development 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 labour standards. In order for the Company to carry out its mining activities, its exploitation licences must be kept current. There is no guarantee that the Company's exploitation licences will be extended or that new exploitation licences will be granted. In addition, such exploitation licences could be changed and there can be no assurances that any application to renew any existing licences 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 licences 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 favourable. 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 favourable 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, and especially during the fourth quarter of 2008 and early 2009, 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.

APPROVAL

The Board of Directors of Canstar 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.