
CANSTAR RESOURCES INC.
(A Development Stage Enterprise)

INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2010

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Canstar Resources Inc. (A Development Stage Enterprise) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the June 30, 2010 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited 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 interim financial statements and (ii) the unaudited 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 interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited 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 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 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.

The accompanying notes are an integral part of these unaudited interim financial statements

Canstar Resources Inc.
(A Development Stage Enterprise)
Interim Balance Sheets
(Expressed In Canadian Dollars)
(Prepared by Management)
(Unaudited)

As at	September 30, 2010	June 30, 2010
ASSETS		
Current		
Cash	\$ 123,982	\$ 172,808
Amounts receivable and prepaid expenses	13,502	10,600
Marketable securities	145,000	-
	282,484	183,408
Equipment	1,068	1,124
Interest in mineral properties and deferred exploration expenditures (Note 5)	892,599	888,964
	\$ 1,176,151	\$ 1,073,496
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 329,276	\$ 349,041
SHAREHOLDERS' EQUITY		
Capital stock (Note 6(b))	6,897,919	6,897,919
Warrants (Note 6(d))	50,000	50,000
Contributed surplus	2,135,800	2,096,117
Deficit	(8,286,844)	(8,319,581)
Accumulated other comprehensive income (loss)	50,000	-
	846,875	724,455
	\$ 1,176,151	\$ 1,073,496

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 10)

The accompanying notes are an integral part of these unaudited interim financial statements

Canstar Resources Inc.
(A Development Stage Enterprise)
Interim Statements of Operations
(Expressed In Canadian Dollars)
(Prepared by Management)
(Unaudited)

Three Months Ended September 30,	2010	2009
Operating expenses		
Stock-based compensation	\$ 39,683	\$ 6,688
Interest and bank charges	5,180	34
Transfer agent and filing fees	1,923	2,593
Accounting	5,500	5,698
Professional fees	8,362	6,262
General and office expenses	59	3,528
Shareholder information	-	-
Rent	1,500	1,500
Amortization	56	66
	62,263	26,369
Loss before the under-noted	(62,263)	(26,369)
Realized loss on short-term investment	-	(25,000)
Other income (Note 5 (iii))	95,000	-
Net income (loss) and comprehensive loss	\$ 32,737	\$ (51,369)
Net loss per share		
- basic and diluted (Note 7)	\$ 0.00	\$ (0.00)
Weighted average number of shares	64,826,713	64,826,713

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Canstar Resources Inc.
(A Development Stage Enterprise)
Interim Statements of Cash Flows
(Expressed In Canadian Dollars)
(Prepared by Management)
(Unaudited)

Three Months Ended September 30,	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ 32,737	\$ (51,369)
Charges not involving cash:		
Stock-based compensation	39,683	6,688
Amortization	56	66
Realized loss on short-term investment	-	25,000
Fair value of shares of marketable securities received for property option payment	(95,000)	-
	(22,524)	(19,615)
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable and prepaid expenses	(2,902)	29,112
(Decrease) increase in accounts payable and accrued liabilities	(19,765)	(8,408)
	(45,191)	1,089
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in mineral properties and deferred exploration expenditures	(3,635)	(18,217)
Proceeds from sale of short-term investment	-	50,000
	(3,635)	31,783
Change in cash	(48,826)	32,872
Cash, beginning of period	172,808	229,719
Cash, end of period	\$ 123,982	\$ 262,591

The accompanying notes are an integral part of these unaudited interim financial statements

Canstar Resources Inc.
(A Development Stage Enterprise)
Interim Statements of Changes in Shareholders' Equity
(Expressed In Canadian Dollars)
(Prepared by Management)
(Unaudited)

Three Months Ended September 30,	2010	2009
Capital Stock		
Balance at beginning of period	\$ 6,897,919	\$ 6,897,919
Shares issued for property	-	-
Balance at end of period	\$ 6,897,919	\$ 6,897,919
Warrants		
Balance at beginning of period	\$ 50,000	\$ 50,000
Balance at end of period	\$ 50,000	\$ 50,000
Contributed Surplus		
Balance at beginning of period	\$ 2,096,117	\$ 2,027,034
Stock-based compensation	39,683	6,688
Balance at end of period	\$ 2,135,800	\$ 2,033,722
Deficit		
Balance at beginning of period	\$ (8,319,581)	\$ (8,116,364)
Net loss for the period	32,737	(51,369)
Balance at end of period	\$ (8,286,844)	\$ (8,167,733)
Accumulated other comprehensive income		
Balance at beginning of period	\$ -	\$ -
Other comprehensive income	50,000	-
Balance at end of period	50,000	-
Total shareholders' equity, end of period	\$ 846,875	\$ 813,908

The accompanying notes are an integral part of these unaudited interim financial statements

Canstar Resources Inc.
(A Development Stage Enterprise)
Notes to Interim Financial Statements
Three Months Ended September 30, 2010
(Expressed in Canadian Dollars)
(Prepared by Management)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Canstar Resources Inc. (the "Company" or "Canstar") is in the development stage as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11 "Enterprises in the Development Stage", as it is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the carrying values of mineral properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing necessary to complete development of the properties, and the future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

As at September 30, 2010, the Company had a deficit of \$8,286,844 and a working capital deficiency of \$46,792. 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. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended September 30, 2010 may not necessarily be indicative of the results that may be expected for the year ending June 30, 2011.

The balance sheet at June 30, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete financial statements. The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended June 30, 2010, except as noted below. For further information, refer to the audited financial statements and notes thereto for the year ended June 30, 2010.

Canstar Resources Inc.
(A Development Stage Enterprise)
Notes to Interim Financial Statements
Three Months Ended September 30, 2010
(Expressed in Canadian Dollars)
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2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Future Accounting Changes

(i) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of fiscal 2012 for which the current and comparative information will be prepared under IFRS. The Company is required to apply all of those IFRS standards which are effective for the fiscal year ending June 30, 2012 and apply them to its opening July 1, 2010 balance sheet. While the Company has begun assessing the impact of the adoption of IFRS on its financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(ii) Business Combinations

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 - "Business Combinations" and provides the Canadian equivalent to IFRS 3 - Business Combinations. This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company will adopt this standard on July 1, 2011. The Company is currently evaluating the impact on its financial statements.

(iii) Consolidations and Non-Controlling Interests

CICA Handbook Section 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 - "Consolidated and Separate Financial Statements", for non-controlling interests. The Company will adopt this standard on July 1, 2011. The Company is currently evaluating the impact on its financial statements.

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Three Months Ended September 30, 2010
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3. CAPITAL MANAGEMENT

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis.

The Company considers its capital to be equity, comprising share capital, contributed surplus and deficit which at September 30, 2010 totaled \$846,875 (June 30, 2010 - \$724,455).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is regularly updated based on activities related to its mineral properties. Selected information is frequently provided to the Board of Directors of the Company. The Company's capital management objectives, policies and processes have remained unchanged during the three months ended September 30, 2010. The Company is not subject to external capital requirements.

4. FINANCIAL RISK FACTORS

(a) Fair Value of Financial Instruments

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for amounts receivable and accounts payable and accrued liabilities on the balance sheets, approximate fair market value because of the limited term of these instruments.

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4. FINANCIAL RISK FACTORS (Continued)

(b) Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(i) Credit risk

The Company's credit risk is primarily attributable to cash and receivables included in amounts receivables and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in amounts receivables and prepaid expenses consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivables and prepaid expenses is remote.

(ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2010, the Company had a cash balance of \$123,982 (June 30, 2010 - \$172,808) to settle current liabilities of \$329,276 (June 30, 2010 - \$349,041). The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is continuing to pursue various financing initiatives in order to provide sufficient cash flow to finance operations as well as funding its exploration expenditures. \$201,395 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The remaining \$127,881 relates to the accrual in relation to the exploration expenditures discussed in Note 10(b) of the audited June 30, 2010 financial statements. The Company is uncertain when and how much of these funds will need to be paid.

(iii) Interest rate risk

The Company has cash balances subject to interest rate. Management does not believe the Company is exposed to significant interest rate risk.

(iv) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is not exposed to foreign exchange risk.

(v) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

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4. FINANCIAL RISK FACTORS (Continued)

(c) Sensitivity Analysis

The Company has designated its cash as held-for-trading, which is measured at fair value. Financial instruments included in amounts receivables and prepaid expenses are classified as loans and receivables, which are measured at amortized cost. Marketable securities are designated as available-for-sale, which are measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at September 30, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately the same.

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a three-month period:

Cash is invested in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank. Sensitivity to a plus or minus 1% change in rates, based on the current balance of cash, would affect the net loss by plus or minus \$1,300 during a three month period.

The Company's investment in marketable securities is subject to fair value fluctuation. As at September 30, 2010, if the fair value of the Company's marketable securities had decreased/increased by 10% with all other variables held constant, comprehensive loss for the three month period ended September 30, 2010 would have been approximately \$14,500 higher/lower. Similarly, as at September 30, 2010, reported shareholder's equity would have been approximately \$14,500 lower/higher as a result of a 10% decrease/increase in the fair value of the Company's investment in mineral exploration company.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

5. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

On a quarterly basis, management of the Company reviews interests in mineral properties and deferred exploration expenditures to ensure expenditures include only costs and projects that are eligible for capitalization. As of September 30, 2010, the Company's interests in mineral properties and deferred exploration expenditures consisted of the following:

	June 30, 2010	Additions	Option Payments	Write-off	September 30, 2010
Slate Bay Property (i)	\$ 202,561	\$ -	-	\$ -	\$ 202,561
Mary March Property (i)	683,678	3,635	-	-	687,313
McFauld's Lake (i)	2,725	-	-	-	2,725
	\$ 888,964	\$ 3,635	-	\$ -	\$ 892,599

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

- (i) Refer to Note 5 of the audited June 30, 2010 financial statements for details of interests in mineral properties and deferred exploration expenditures.
- (ii) On July 21, 2010, the Company was advised by their legal counsel that the Mary March hearing, scheduled for July 19, 2010, has been postponed until October 25 and 26, 2010.
- (iii) During the quarter ended September 30, 2010, the Company received 500,000 shares of On-Strike Gold Inc. ("On-Strike") in accordance with the terms of the Mining Option agreement signed February 16, 2010. The underlying shares were ascribed a fair value of \$95,000. Accordingly, the net proceeds of \$95,000 were recorded as other income on the Company's statement of operations

6. CAPITAL STOCK, OPTIONS, AND WARRANTS

- (a) Authorized:
Unlimited number of common shares

- (b) Issued:

	Shares	Amount
Balance, June 30, 2010	64,826,713	\$ 6,897,919
Balance, September 30, 2010	64,826,713	\$ 6,897,919

- (c) Stock Option Plan

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2010	5,375,000	\$ 0.14
Balance, September 30, 2010	5,375,000	\$ 0.14

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Three Months Ended September 30, 2010
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6. CAPITAL STOCK, OPTIONS, AND WARRANTS (Continued)

The options outstanding as at September 30, 2010 are as follows:

Number of Options	Exercisable Options	Exercise Price	Weighted Average Remaining Contractual Life (years) of Number of Options	Expiry Date
500,000	500,000	\$0.15	0.11	November 10, 2010
1,875,000	1,875,000	\$0.15	1.32	January 26, 2012
50,000	25,000	\$0.20	1.83	July 28, 2012
100,000	100,000	\$0.10	1.83	July 28, 2012
1,200,000	1,200,000	\$0.15	2.22	December 20, 2012
200,000	200,000	\$0.10	3.27	January 6, 2014
398,334	398,334	\$0.10	3.27	January 6, 2014
100,000	75,000	\$0.20	3.27	January 6, 2014
951,666	475,833	\$0.10	4.48	March 22, 2015
5,375,000	4,849,167	\$0.14	2.24	

(d) Warrants

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2010	5,000,000	\$ 0.10
Balance, September 30, 2010	5,000,000	\$ 0.10

The warrants outstanding as at September 30, 2010 are as follows:

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
\$ 50,000	5,000,000	\$0.10	November 12, 2010

7. BASIC AND DILUTED LOSS PER SHARE

The loss per share figures have been calculated using the weighted average number of common shares outstanding during the respective periods. Basic loss per share is computed by dividing earnings by the weighted average number of common shares outstanding for the period.

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Notes to Interim Financial Statements
Three Months Ended September 30, 2010
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8. RELATED PARTY TRANSACTIONS

Included in accounts payable at September 30, 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 September 30, 2010 is \$2,875 (June 30, 2010 - \$2,625) accrued for accounting services to a firm of Chartered Accountants of which one of the directors is a partner. This amount is non-interest bearing, unsecured, with no fixed terms of repayment.

During the three months ended September 30, 2010, the Company incurred \$1,500 (three months ended September 30, 2009 - \$1,500), 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.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period financial statement presentation.

10. SUBSEQUENT EVENT

Subsequent to quarter ended September 30, 2010, 4,000,000 of the Company's warrants with expiry of November 12, 2010 were exercised for proceeds of \$400,000. The remaining 1,000,000 warrants expired unexercised.