CANSTAR RESOURCES INC.
(A Development Stage Enterprise)

INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 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, 2009 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)

	March 31, 2010	June 30, 2009
ASSETS		
Current		
Cash	**$ 218,387**	$ 229,719
Short-term investment	**-**	75,000
Amounts receivable and prepaid expenses	**1,000**	29,612
	219,387	334,331
Equipment	**1,124**	1,323
Interest in mineral properties and deferred exploration expenditures (Note 5)	**862,941**	853,809
	$ 1,083,452	$ 1,189,463
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**$ 325,135**	$ 330,874
SHAREHOLDERS' EQUITY		
Capital stock (Note 6(b))	**6,897,919**	6,897,919
Warrants (Note 6(d))	**50,000**	50,000
Contributed surplus	**2,068,114**	2,027,034
Deficit	**(8,257,716)**	(8,116,364)
	758,317	858,589
	$ 1,083,452	$ 1,189,463

Nature of Operations and Going Concern (Note 1)
Subsequent Event (Note 9)

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 March 31,		Nine Months Ended March 31,	
	2010	2009	**2010**	2009
Operating expenses				
Stock-based compensation	**$ 29,664**	$ 26,408	**$ 41,080**	$ 59,434
Interest and bank charges	**16**	40	**64**	327
Transfer agent and filing fees	**18,108**	16,192	**27,126**	43,387
Accounting	**5,487**	5,503	**16,666**	20,098
Professional fees	**5,262**	675	**16,441**	1,675
General and office expenses	**1,767**	2,953	**2,224**	3,791
Shareholder information	**(8,612)**	(15)	**8,053**	8,228
Rent	**1,500**	-	**4,500**	-
Amortization	**66**	83	**198**	248
Flow-through interest penalty	**-**	49,569	**-**	49,569
	53,258	101,408	**116,352**	186,757
Loss before the under-noted	**(53,258)**	(101,408)	**(116,352)**	(186,757)
Realized loss on short-term investment	**-**	-	**(25,000)**	-
Flow-through repayment	**-**	-	**-**	(150,000)
Unrealized loss on short-term investment	**-**	-	**-**	(137,500)
Write-off of interest in mineral properties	**-**	(548,652)	**-**	(1,070,963)
Net loss and comprehensive loss	**$ (53,258)**	$ (650,060)	**$ (141,352)**	$ (1,545,220)
Net loss per share				
- basic and diluted (Note 7)	**$ (0.00)**	$ (0.01)	**$ (0.00)**	$ (0.02)
Weighted average number of shares	**64,826,713**	64,826,713	**64,826,713**	62,336,759

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

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Nine Months Ended March 31, 2010	Nine Months Ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	**$ (53,258)**	$ (650,060)	**$ (141,352)**	$ (1,545,220)
Charges not involving cash:				
Stock-based compensation	**29,664**	26,408	**41,080**	59,434
Amortization	**66**	83	**198**	248
Unrealized loss on short-term investment	**-**	-	**-**	137,500
Realized loss on short-term investment	**-**	-	**25,000**	-
Write-off of mineral property and deferred exploration expenditures	**-**	548,652	**-**	1,070,963
	(23,528)	(74,917)	**(75,074)**	(277,075)
Changes in non-cash working capital items:				
Decrease (increase) in amounts receivable and prepaid expenses	**250**	228,223	**28,613**	(8,996)
(Decrease) increase in accounts payable and accrued liabilities	**6,843**	(5,216)	**(5,739)**	199,972
	(16,435)	148,090	**(52,200)**	(86,099)
CASH FLOWS FROM FINANCING ACTIVITY				
Issuance of shares and warrants for cash, net of costs	**-**	-	**-**	242,958
	-	-	**-**	242,958
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest in mineral properties and deferred exploration expenditures, net	**18,105**	9,100	**(9,132)**	(507,268)
Proceeds from sale of short-term investment	**-**	-	**50,000**	-
	18,105	9,100	**40,868**	(507,268)
Change in cash	**1,670**	157,190	**(11,332)**	(350,409)
Cash, beginning of period	**216,717**	41,345	**229,719**	548,944
Cash, end of period	**$ 218,387**	$ 198,535	**$ 218,387**	$ 198,535
SUPPLEMENTAL CASH FLOW INFORMATION				
Shares issued for property	**$ -**	$ (11,000)	**$ -**	$ 11,000

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

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	Nine Months Ended March 31, 2010	Nine Months Ended March 31, 2009
Capital Stock				
Balance at beginning of period	**$ 6,897,919**	$ 6,816,439	**$ 6,897,919**	$ 6,694,960
Shares issued for property	**-**	-	**-**	11,000
Issued on private placement	**-**	-	**-**	250,000
Cost of issue - cash	**-**	-	**-**	(7,042)
Issuance of warrants - valuation	**-**	-	**-**	(132,479)
Balance at end of period	**$ 6,897,919**	$ 6,816,439	**$ 6,897,919**	$ 6,816,439
Warrants				
Balance at beginning of period	**$ 50,000**	$ 132,479	**$ 50,000**	$ 205,240
Issuance of warrants - valuation	**-**	-	**-**	132,479
Expiration of warrants - valuation	**-**	-	**-**	(205,240)
Balance at end of period	**$ 50,000**	$ 132,479	**$ 50,000**	$ 132,479
Contributed Surplus				
Balance at beginning of period	**$ 2,038,450**	$ 1,987,189	**$ 2,027,034**	$ 1,748,923
Stock-based compensation	**29,664**	26,408	**41,080**	59,434
Warrants expired	**-**	-	**-**	205,240
Balance at end of period	**$ 2,068,114**	$ 2,013,597	**$ 2,068,114**	$ 2,013,597
Deficit				
Balance at beginning of period	**$ (8,204,458)**	$ (7,406,592)	**$ (8,116,364)**	$ (6,511,432)
Net loss for the period	**(53,258)**	(650,060)	**(141,352)**	(1,545,220)
Balance at end of period	**$ (8,257,716)**	$ (8,056,652)	**$ (8,257,716)**	$ (8,056,652)
Total shareholders' equity, end of period	**$ 758,317**	$ 905,863	**$ 758,317**	$ 905,863

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

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 there from or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

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

As at March 31, 2010 the Company had a deficit of $8,257,716 and a working capital deficit of $105,748. 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 and nine months ended March 31, 2010 may not necessarily be indicative of the results that may be expected for the year ending June 30, 2010.

The balance sheet at June 30, 2009 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, 2009, except as noted below. For further information, refer to the audited financial statements and notes thereto for the year ended June 30, 2009.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Goodwill and Intangible Assets

Effective April 1, 2009, the Company adopted CICA Section 3064, "Goodwill and Intangible Assets" which replaces CICA Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs", as well as EIC-27, "Revenues and Expenditures During the Pre-operating Period", and part of Accounting Guideline 11, "Enterprises in the development stage". Under previous Canadian standards, a greater number of items were recognized as assets than are recognized under International Financial Reporting Standards ("IFRS"). The provisions relating to the definition and initial recognition of intangible assets reduce the differences with IFRS in the accounting for intangible assets. The objectives of CICA 3064 are: 1) to reinforce the principle-based approach to the recognition of assets; 2) to establish the criteria for asset recognition; and 3) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing items that do not meet the recognition criteria is eliminated. The standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The portions in the standard relating to goodwill remain unchanged. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2010.

Financial Instruments

During 2009, CICA Handbook Section 3862, Financial Instruments - Disclosures ("Section 3862") was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 - Inputs that are not based on observable market data.

This amended standard applies to annual financial statements with fiscal years ending after September 30, 2009. The Company will include these disclosures in its annual financial statements for the year ending June 30, 2010.

Future Accounting Changes

IFRS

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian generally accepted accounting principles with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. 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. The Company has commenced the development of an IFRS implementation plan to prepare for this transition.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Business Combinations, 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 lAS 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.

3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of capital stock, stock options, and warrants. When managing capital, the Company’s objective is to ensure the entity continues as a going concern as well as to achieve 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 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 the planned exploration program 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 within current economic conditions by:

i) minimizing discretionary disbursements;
ii) reducing or eliminating exploration expenditures which are of limited strategic value; and
iii) exploring alternate 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 it feels 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 reasonable.

There were no changes in the Company's approach to capital management during the three and nine months ended March 31, 2010. The Company is not subject to externally imposed 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.

(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 March 31, 2010, the Company had a cash balance of $218,387 (June 30, 2009 - $229,719) to settle current liabilities of $325,135 (June 30, 2009 - $330,874). 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. $197,254 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, 2009 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.

(Expressed in Canadian Dollars)

4. FINANCIAL RISK FACTORS (Continued)

(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.

(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. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As at March 31, 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 nine-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 approximately plus or minus $1,600 during a nine month period.

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 March 31, 2010, the Company's interests in mineral properties and deferred exploration expenditures consisted of the following:

	June 30, 2009	Additions, net of recoveries	Write-off	March 31, 2010
Slate Bay Property (i)	$ 200,000	$ 2,560	$ -	$ 202,560
Mary March Property (i)(ii)(iii)	651,084	6,572	-	657,656
McFauld's Lake (i)	2,725	-	-	2,725
	$ 853,809	$ 9,132	$ -	$ 862,941

(i) Refer to Note 5 of the audited June 30, 2009 financial statements for details of interests in mineral properties and deferred exploration expenditures.

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

(ii) On October 23, 2009, the Mineral Rights Adjudication Board of the Province of Newfoundland and Labrador unanimously rejected the grievance filed by Vinland Resources Limited ("Vinland"). This grievance had been filed after the Mineral Claims Recorder for the Government of Newfoundland and Labrador refused to issue a licence to Vinland for lands in which Canstar holds rights. Vinland had claimed that the areas in question had been excluded from lands taken by the Anglo-Newfoundland Development Company Limited pursuant to legislation in 1905, and on that basis had been open for staking. In its 55 page ruling, the Board upheld the position taken by the Mineral Claims Recorder and Canstar, following a careful review of the evidence it had heard.

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.

Vinland filed an Appeals Book on January 18, 2010 and Factum on February 19, 2010, pursuant to their appeal against the decision by the Newfoundland and Labrador Mineral Rights Adjudication Board. The Appeals Book refers to a formal record of all previously filed documents in the dispute between Vinland and The Mineral Recorder's office. The Factum sets out the specific terms of the appeal.

On March 24, 2010, Canstar filed a Factum in response to the Factum filed by Vinland on February 19, 2010.

(iii) On February 23, 2010, Canstar signed a Mining Option Agreement ("MOA") with On-Strike Gold Inc. ("On-Strike"), a private company, to explore Canstar's mineral claims, adjacent to Canstar's Mary March property.

These claims are not involved in the Mary March property dispute between the Mining Recorder's office and Vinland.

The MOA with Canstar allows On-Strike to earn a 50% interest in the claims on the following terms:

- On signing MOA, On-Strike will pay Canstar $25,000 (paid) and issue 500,000 shares of On-Strike to Canstar.
- On or before the 1st anniversary On-Strike will pay $50,000 in cash to Canstar.
- On, or before the 2nd anniversary On-Strike will pay $100,000 in cash to Canstar.
- On-Strike will incur exploration expenditures on the claims as follows;

  - In 1st year - $100,000
  - In 2nd year - $250,000
  - In 3rd year - $500,000

Upon earning 50% interest, On-Strike will enter into a 50/50% Joint Venture agreement with Canstar on the claims with industry standard terms.

As of March 31, 2010, the 500,000 shares of On-Strike have not been received by Canstar.

(Expressed in Canadian Dollars)

6. CAPITAL STOCK, OPTIONS, AND WARRANTS

(a) Authorized:

Unlimited number of common shares

(b) Issued:

	Shares		Amount
Balance, June 30, 2009	64,826,713	$	6,897,919
Balance, March 31, 2010	**64,826,713**	**$**	**6,897,919**

(c) Stock Option Plan

	Number of Options		Weighted Average Exercise Price
Balance, June 30, 2009	5,225,000	$	0.17
Granted (1)(2)	1,101,666		0.10
Balance, March 31, 2010	**6,326,666**	**$**	**0.16**

(1) On January 28, 2010, the Company granted 150,000 stock options to an employee of the Company. 50,000 stock option allows the holder to acquire one common share of the Company at an exercise price of $0.20 per common share until July 28, 2012. 100,000 stock option allows the holder to acquire one common share of the Company at an exercise price of $0.10 per common share until July 28, 2012. All stock options issued vest 1/4 on the date of grant and at the conclusion of each six-month period subsequent to the date of grant.

A value of $3,950 was estimated for 50,000 stock options on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 195%; risk-free interest rate of 1.17%; and an expected average life of 2.5 years. The impact on expenses for the three and nine months ended March 31, 2010 was $1,591 and was charged to stock-option compensation and credited to contributed surplus. The remaining value will be expensed as the related options vest.

A value of $8,300 was estimated for 100,000 stock options on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 195%; risk-free interest rate of 1.17%; and an expected average life of 2.5 years. The impact on expenses for the three and nine months ended March 31, 2010 was $3,343 and was charged to stock-option compensation and credited to contributed surplus. The remaining value will be expensed as the related options vest.

(Expressed in Canadian Dollars)

6. CAPITAL STOCK, OPTIONS, AND WARRANTS (Continued)

(c) Stock Option Plan (Continued)

(2) On March 24, 2010, the Company granted 951,666 stock options to directors and officers of the Company at a price of $0.10 per share. The options are exercisable for a period of five years, and will expire on March 22, 2015. All stock options issued vest 1/4 on the date of grant and at the conclusion of each six-month period subsequent to the date of grant.

A value of $83,747 was estimated for 951,666 stock options on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 159%; risk-free interest rate of 2.86%; and an expected average life of 5 years. The impact on expenses for the three and nine months ended March 31, 2010 was $21,826 and was charged to stock-option compensation and credited to contributed surplus. The remaining value will be expensed as the related options vest.

(3) The weighted average fair value of the total options granted during the nine months ended March 31, 2010 on the grant date was $0.09.

The options outstanding as at March 31, 2010 are as follows:

Number of Options	Exercisable Options	Exercise Price	Weighted Average Remaining Contractual Life (years) of Number of Options	Expiry Date
951,666	951,666	$0.30	0.07	April 26, 2010
500,000	500,000	$0.15	0.61	November 10, 2010
1,875,000	1,875,000	$0.15	1.82	January 26 , 2012
50,000	12,500	$0.20	2.33	July 28, 2012
100,000	25,000	$0.10	2.33	July 28, 2012
1,200,000	1,200,000	$0.15	2.73	December 20, 2012
200,000	150,000	$0.10	3.77	January 6, 2014
398,334	298,751	$0.10	3.77	January 6, 2014
100,000	75,000	$0.20	3.77	January 6, 2014
951,666	237,917	$0.10	4.98	March 22, 2015
6,326,666	**5,325,834**	**$0.16**	**2.34**	

(Expressed in Canadian Dollars)

6. CAPITAL STOCK, OPTIONS, AND WARRANTS (Continued)

(d) Warrants

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2009	5,000,000	$ 0.10
Balance, March 31, 2010	**5,000,000**	**$ 0.10**

The warrants outstanding as at March 31, 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. No dilutive loss per share has been disclosed as it would be anti-dilutive.

8. RELATED PARTY TRANSACTIONS

During the three and nine months ended March 31, 2010, the Company incurred a total of $nil (three and nine months ended March 31, 2009 - $10,000 and $42,500, respectively) for consulting and administrative fees charged by a corporation controlled by a director of the Company.

During the three and nine months ended March 31, 2010, the Company incurred a total of $nil (three and nine months ended March 31, 2009 - $4,394 and $23,539, respectively) for rent and operating expenses charged by a corporation controlled by a director of the Company. Included in accounts payable at March 31, 2010 is $4,345 (June 30, 2009 - $4,345) owing to this corporation. This amount is non-interest bearing, unsecured, with no fixed terms of repayment.

8. RELATED PARTY TRANSACTIONS (Continued)

During the three and nine months ended March 31, 2010, the Company incurred $2,625 and $7,875, respectively (three and nine months ended March 31, 2009 - $nil and $10,500, respectively), for accounting and tax services rendered by a firm of chartered accountants of which one of the directors is a partner. Included in accounts payable and accrued liabilities at March 31, 2010 is $18,625 (June 30, 2009 - $10,000) accrued for accounting services. This amount is non-interest bearing, unsecured, with no fixed terms of repayment.

During the three and nine months ended March 31, 2010, the Company incurred $1,500 and $4,500, respectively (three and nine months ended March 31, 2009 - $nil), for rent from Geocanex Limited. The Chairman and director of Canstar is the President of Geocanex Limited. Included in accounts payable at March 31, 2010 is $3,445 (June 30, 2009 - $nil) owing to Geocanex Limited. This amount is non-interest bearing, unsecured, with no fixed terms of repayment.

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.

During the three and nine months ended March 31, 2010, the Company sold nil and 2,500,000, respectively common shares of United Reef Limited to the Chairman and director of Canstar for an aggregate amount of $50,000. The shares were sold at the quoted market price at the time of the sale.

9. SUBSEQUENT EVENT

On April 26, 2010, 951,666 options with an exercise price of $0.30 expired unexercised.