CANSTAR RESOURCES INC.
(A Development Stage Enterprise)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
MARCH 31, 2009

(UNAUDITED)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Canstar Resources Inc. (A Development Stage Company) 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, 2008 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated 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 consolidated 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 consolidated financial statements and (ii) the unaudited interim consolidated 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 consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

		March 31, 2009		June 30, 2008
ASSETS				
Current				
Cash	**$**	**198,535**	$	548,944
Short-term investments		**50,000**		187,500
Amounts receivable and prepaid expenses		**27,617**		18,621
		276,152		755,065
Equipment		**1,406**		1,654
Interest in mineral properties and deferred exploration expenditures (Note 5)		**882,555**		1,435,250
	$	**1,160,113**	$	2,191,969
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Notes 6 and 9)	**$**	**254,250**	$	54,278
SHAREHOLDERS' EQUITY				
Capital stock (Note 7(b))		**6,816,439**		6,694,960
Warrants (Note 7(d))		**132,479**		205,240
Contributed surplus		**2,013,597**		1,748,923
Deficit		**(8,056,652)**		(6,511,432)
		905,863		2,137,691
	$	**1,160,113**	$	2,191,969

Nature of Operations and Going Concern (Note 1)
Commitments (Note 6)
Subsequent Events (Note 11)

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

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008	Nine Months Ended March 31, 2009	Nine Months Ended March 31, 2008
Operating expenses				
Stock-based compensation	**$ 26,408**	$ 53,525	**$ 59,434**	$ 170,826
Professional fees	**675**	788	**1,675**	11,672
Transfer agent and filing fees	**16,192**	9,577	**43,387**	34,744
Interest and bank charges	**40**	16,086	**327**	16,193
General and office expenses	**2,953**	3,038	**3,791**	22,842
Accounting	**5,503**	13,734	**20,098**	32,586
Shareholder information	**(15)**	21	**8,228**	12,332
Consulting fees	**-**	-	**-**	3,792
Amortization	**83**	49	**248**	147
Flow-through interest penalty	**49,569**	-	**49,569**	-
	101,408	96,818	**186,757**	305,134
(Loss) before the under-noted	**(101,408)**	(96,818)	**(186,757)**	(305,134)
Flow-through repayment (note 6)	**-**	-	**(150,000)**	-
Unrealized loss on short-term investment	**-**	-	**(137,500)**	-
General exploration	**-**	-	**-**	(947)
Write-off of interest in mineral properties	**(548,652)**	-	**(1,070,963)**	(5,292)
Net loss for the period before the following	**(650,060)**	(96,818)	**(1,545,220)**	(311,373)
Future income tax recovery	**-**	193,104	**-**	193,104
Net (loss) income	**(650,060)**	96,286	**$ (1,545,220)**	$ (118,269)
Net (loss) income per share - basic and diluted (Note 8)	**$ (0.01)**	$ 0.00	**$ (0.02)**	$ 0.00
Weighted average number of shares	**64,826,713**	59,726,713	**62,336,759**	57,673,642

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

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

	Three Months Ended March 31, **2009**	Three Months Ended March 31, 2008	Nine Months Ended March 31, **2009**	Nine Months Ended March 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss)/income for the period	**$ (650,060)**	$ 96,286	**$ (1,545,220)**	$ (118,269)
Charges not involving cash:				
Stock-based compensation	**26,408**	53,525	**59,434**	170,826
Amortization	**83**	49	**248**	147
Unrealized loss on short-term investment	**-**	-	**137,500**	-
Write-off of mineral property and deferred exploration expenditures	**548,652**	-	**1,070,963**	-
Future income tax recovery	**-**	(193,104)	**-**	(193,104)
	(74,917)	(43,244)	**(277,075)**	(140,400)
Changes in non-cash working capital items:				
Decrease (increase) in amounts receivable and prepaid expenses	**228,223**	(9,424)	**(8,996)**	(75,301)
Increase (decrease) in accounts payable and accrued liabilities	**(5,216)**	(320,397)	**199,972**	(64,672)
	148,090	(373,065)	**(86,099)**	(280,373)
CASH FLOWS FROM FINANCING ACTIVITIES				
Exercise of warrants	**-**	-	**-**	957,625
Issuance of shares and warrants for cash, net of costs	**-**	-	**242,958**	-
	-	-	**242,958**	957,625
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest in mineral properties and deferred exploration expenditures	**9,100**	5,111	**(507,268)**	(421,326)
Change in cash	**157,190**	(367,954)	**(350,409)**	255,926
Cash, beginning of period	**41,345**	884,271	**548,944**	260,391
Cash, end of period	**$ 198,535**	$ 516,317	**$ 198,535**	$ 516,317
SUPPLEMENTAL CASH FLOW INFORMATION				
Shares issued for property	**$ (11,000)**	$ -	**$ 11,000**	$ -

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

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

	Three Months Ended March 31, **2009**	Three Months Ended March 31, 2008	Nine Months Ended March 31, **2009**	Nine Months Ended March 31, 2008
Capital Stock				
Balance at beginning of period	**$ 6,816,439**	$ 7,396,054	**$ 6,694,960**	$ 6,171,595
Shares issued for property (Note 5)	**-**	-	**11,000**	-
Issued on private placement (Note 7)	**-**	-	**250,000**	-
Cost of issue - cash	**-**	-	**(7,042)**	-
Issuance of warrants - valuation (Note 7)	**-**	-	**(132,479)**	-
Exercise of warrants - cash	**-**	-	**-**	957,625
Exercise of warrants - valuation	**-**	-	**-**	266,834
Renunciation of flow-through expenditures	**-**	(193,104)	**-**	(193,104)
Balance at end of period	**$ 6,816,439**	$ 7,202,950	**$ 6,816,439**	$ 7,202,950
Warrants				
Balance at beginning of period	**$ 132,479**	$ 155,081	**$ 205,240**	$ 610,911
Exercise of warrants - valuation	**-**	-	**-**	(266,834)
Issuance of warrants - valuation (Note 7)	**-**	-	**132,479**	-
Expiration of warrants - valuation	**-**	-	**(205,240)**	(188,996)
Balance at end of period	**$ 132,479**	$ 155,081	**$ 132,479**	$ 155,081
Contributed Surplus				
Balance at beginning of period	**$ 1,987,189**	$ 1,198,440	**$ 1,748,923**	$ 892,143
Stock-based compensation	**26,408**	53,525	**59,434**	170,826
Warrants expired	**-**	-	**205,240**	188,996
Balance at end of period	**$ 2,013,597**	$ 1,251,965	**$ 2,013,597**	$ 1,251,965
Deficit				
Balance at beginning of period	**$ (7,406,592)**	$ (6,696,377)	**$ (6,511,432)**	$ (6,481,822)
Net income/(loss) for the period	**(650,060)**	96,286	**(1,545,220)**	(118,269)
Balance at end of period	**$ (8,056,652)**	$ (6,600,091)	**$ (8,056,652)**	$ (6,600,091)
Total shareholders' equity, end of period	**$ 905,863**	$ 2,009,905	**$ 905,863**	$ 2,009,905

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

Canstar Resources Inc.
(A Development Stage Enterprise)
Interim Consolidated Statements of Interest in Mineral Properties and Deferred Exploration Expenditures
(Expressed In Canadian Dollars)
(Prepared by Management)
(Unaudited)

	Three Months Ended March 31, **2009**	Three Months Ended March 31, 2008	Nine Months Ended March 31, **2009**	Nine Months Ended March 31, 2008
Slate Bay Property, McDonough Township**				
Balance, beginning of period	**$ 412,471**	$ 229,679	**$ 229,679**	$ 229,679
Claim staking, maintenance fees	**-**	-	**7,510**	-
Consultants	**2,500**	-	**2,500**	-
Drilling	**-**	-	**149,823**	-
Geophysical	**-**	-	**600**	-
Geological	**-**	-	**4,000**	-
General exploration	**-**	-	**5,767**	-
Assays, analysis and report	**-**	-	**9,744**	-
Travel	**-**	-	**5,348**	-
Write down of property	**(214,971)**	-	**(214,971)**	-
	(212,471)	-	**(29,679)**	-
Balance, end of period	**$ 200,000**	$ 229,679	**$ 200,000**	$ 229,679
Mcfauld's Lake Property**				
Balance, beginning of period	**$ 2,725**	$ 34,208	**$ -**	$ -
Property acquisition costs	**-**	(25,000)	**-**	-
Geological	**-**	8,125	**-**	17,333
General exploration	**-**	-	**17**	-
Consultants	**-**	-	**2,708**	-
	-	(16,875)	**2,725**	17,333
Balance, end of period	**$ 2,725**	$ 17,333	**$ 2,725**	$ 17,333
Mary March Property**				
Balance, beginning of period	**$ 601,165**	$ 412,951	**$ 459,501**	$ 351,872
Agreement costs	**30,839**	9,973	**31,742**	46,985
Drilling	**-**	-	**-**	2,100
Geological	**-**	8,125	**-**	14,625
General exploration	**2,100**	1,859	**6,337**	3,526
Consultants	**-**	-	**9,479**	-
Supplies and equipment	**-**	-	**12,290**	-
Claim staking, maintenance fees	**(54,274)**	3,000	**15,450**	16,800
Professional fees	**-**	-	**45,031**	-
	(21,335)	22,957	**120,329**	84,036
Balance, end of period	**$ 579,830**	$ 435,908	**$ 579,830**	$ 435,908

** *For a description of these properties, please refer to Note 4 of the audited consolidated financial statements for the year ended June 30, 2008.*

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

Canstar Resources Inc.
(A Development Stage Enterprise)
Interim Consolidated Statements of Interest in Mineral Properties and Deferred Exploration Expenditures (Continued)
(Expressed In Canadian Dollars)
(Prepared by Management)
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2009	2008	**2009**	2008
Shrimp Lake Property**				
Balance, beginning of period	**$ -**	$ 412,056	**$ 414,251**	$ 358,628
Drilling	**-**	-	**-**	45,730
Recovery of costs	**1,390**	-	**(223,610)**	-
Geological	**-**	-	**-**	6,500
Assays, analysis and reports	**-**	2,195	**-**	2,195
General exploration	**-**	-	**40**	1,198
Write-off	**(1,390)**	-	**(190,681)**	-
	-	2,195	**(414,251)**	55,623
Balance, end of period	**$ -**	$ 414,251	**$ -**	$ 414,251
Tahoe Lake Property**				
Balance, beginning of period	**$ -**	$ 345,206	**$ 331,819**	$ 67,485
Geological	**-**	-	**-**	6,500
General exploration	**-**	-	**300**	3,595
Drilling	**-**	(13,387)	**-**	253,795
Travel	**-**	-	**901**	444
Write-offs	**-**	-	**(333,020)**	-
	-	(13,387)	**(331,819)**	264,334
Balance, end of period	**$ -**	$ 331,819	**$ -**	$ 331,819
Conception Bay South				
Balance, beginning of period	**$ 423,947**	$ -	**$ -**	$ -
Property acquisition (Note 5)	**-**	-	**41,000**	-
Supplies and equipment	**7**	-	**4,317**	-
General exploration	**-**	-	**3,820**	-
Drilling	**-**	-	**133,840**	-
Consultants	**7,500**	-	**27,813**	-
Geophysical	**-**	-	**205,295**	-
Travel	**837**	-	**16,206**	-
Write down of property	**(332,291)**	-	**(332,291)**	-
	(323,947)	-	**100,000**	-
Balance, end of period	**$ 100,000**	$ -	**$ 100,000**	$ -
Total, end of period	**$ 882,555**	$ 1,428,990	**$ 882,555**	$ 1,428,990

** *For a description of these properties, please refer to Note 4 of the audited consolidated financial statements for the year ended June 30, 2008.*

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated on March 5, 1997 as Agri-Solutions Systems Incorporated and, pursuant to Articles of Amendment filed on February 26, 1999, changed its name to IoGold Systems Canada Incorporated. On June 14, 2001, the Company announced its intent to establish a mineral resource exploration business. Pursuant to Articles of Amendment filed on July 26, 2001, the Company changed its name to Candor Ventures Corp. The Company sold its water treatment business to IoSolutions Incorporated during fiscal 2002. On April 5, 2005, the Company amalgamated its operations with Nustar Resources Inc. and changed its name to Canstar Resources Inc.

The Company is in the development stage and 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, 2009, the Company had a deficit of $8,056,652 and working capital of $21,902. These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, as applicable to a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited interim consolidated financial statements.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited interim consolidated 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 consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated 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, 2009 may not necessarily be indicative of the results that may be expected for the year ending June 30, 2009.

The consolidated balance sheet at June 30, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended June 30, 2008, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended June 30, 2008.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures [Handbook Section 1535], Financial Instruments – Disclosures [Handbook Section 3862], and Financial Instruments – Presentation [Handbook Section 3863]. These new standards became effective for the Company on July 1, 2008.

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to these unaudited interim consolidated financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4 to these interim consolidated financial statements.

General Standard of Financial Statement Presentation

In June 2007, the CICA amended Handbook Section 1400, Going Concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's unaudited interim financial statements as at and for the three and nine months ended March 31, 2009.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The application of this new standard had no impact on the Company's unaudited interim financial statements as at and for the three and nine months ended March 31, 2009.

Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174 Mining Exploration Costs, which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. 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, 2009.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Future Accounting Changes

International Financial Reporting Standards ["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 is currently assessing the impact of IFRS on its consolidated financial statements.

Goodwill and Intangible Assets

In November 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450 "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

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 International Financial Reporting Standards 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 International Financial Reporting Standard 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.

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 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 properties in which the Company currently has an interest is 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;
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, 2009. The Company is not subject to externally imposed capital requirements.

4. PROPERTY AND FINANCIAL RISK FACTORS

(a) Property Risk

The Company's significant mineral properties are Mary March, Mcfauld's Lake, Slate Bay and Conception Bay South properties. Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon these properties. If no additional mineral properties are acquired by the Company, any adverse development affecting the Company's properties would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial Risk

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

4. PROPERTY AND FINANCIAL RISK FACTORS (continued)

(b) Financial Risk (continued)

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfills its payment obligations. The Company's credit risk is primarily attributable to cash, short term investment and accounts receivable. Cash is held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal.

Financial instruments included in amounts receivable consist of sales tax receivable from government authorities in Canada and deposits held with service providers. Amounts receivable are in good standing as of March 31, 2009. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is minimal.

Liquidity Risk

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 a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at March 31, 2009, the Company had a cash balance of $198,535 (June 30, 2008 - $548,944) to settle current liabilities of $254,250 (June 30, 2008 - $54,278). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high yield saving accounts. The Company regularly monitors its cash management policy.

(b) Foreign Currency Risk

The Company's functional and reporting 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.

(c) Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

4. PROPERTY AND FINANCIAL RISK FACTORS (continued)

(b) Financial Risk (continued)

Sensitivity Analysis

The Company has, for accounting purposes, designated its cash as held-for-trading, which is measured at fair value. Amounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost. Short-term investments is classified for accounting purposes as held-for-trading, which is measured at fair market value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost and are also equal to fair market value.

As of March 31, 2009, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

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

(i) The Company's short-term investment in the common shares of United Reef Ltd. is subject to fair value fluctuations. As at March 31, 2009, if the quoted market price of United Reef Ltd. had changed by 10% with all other variables held constant, unrealized loss for the nine months ended March 31, 2009 would have varied by approximately $5,000. Similarly, as at March 31, 2009, reported shareholders' equity would have varied by approximately $5,000 as a result of a 10% change in the quoted market price of United Reef Ltd.

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

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them. As of March 31, 2009, the Company was not a producer of valuable minerals. s a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. his may also affect the Company's liquidity and its ability to meet its ongoing obligations.

5. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

<u>**Conception Bay South**</u>

The Company has entered into agreements to acquire 100% interests in two mineral properties in the area of Conception Bay South on the Avalon Peninsula, Province of Newfoundland and Labrador.

To acquire a 100% interest in the two properties, the Company must make 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 (issued September 17, 2008 and assigned a fair value of $1 1,000); 175,000 shares on the first anniversary of the agreement; and 275,000 shares on the second anniversary of signing. Properties are subject to net smelter royalties of 2% and 2.5%, while the Company reserves the option to buy back 1% and 1.5%, respectively, for $2,750,000.

(Expressed in Canadian Dollars)

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

Shrimp and Tahoe Lake Properties

The Company has requested and received $223,600 from a drilling contractor of funds that were to be spent on the Shrimp Lake Property.

As a result of poor exploration results, management has decided to write-off all costs related to the Shrimp and Tahoe Lake properties.

6. FLOW-THROUGH COMMITMENT

The Company has determined that it was not able to complete the exploration expenditures within the required time periods to support flow-through deductions that were renounced to holders of flow-through shares. As a consequence of the short fall in exploration expenditures, the Company will reimburse the investors for income taxes and interest owing as a result of the reduced tax deduction. The Company has accrued the estimated tax and interest amount in the accounts.

7. CAPITAL STOCK, OPTIONS, AND WARRANTS

(a) Authorized:

Unlimited number of common shares

(b) Issued:

	Shares		Amount
Balance, June 30, 2008	59,726,713	$	6,694,960
Common shares issued - private placement (i)	5,000,000		250,000
Warrants valuation (i)	-		(132,479)
Shares issued for property (Note 5)	100,000		11,000
Cost of issue - cash	-		(7,042)
Balance, March 31, 2009	**64,826,713**	**$**	**6,816,439**

(i) On November 12, 2008, the Company completed a non-brokered private placement financing of $250,000 through the sale of up to 5,000,000 units at $0.05 per unit. Each Unit consists of one common share and one common share purchase warrant. ach common share purchase warrant entitles the holder to acquire one common share for $0.10 until November 12, 2010, provided, however, that should the closing price at which the common shares trade equal or exceed $0.18 for 20 consecutive trading days following November 12, 2008, the Company may accelerate the Warrant Term to the date which is 30 days following the date a press release is issued by the Company announcing the reduced Warrant Term.

The fair value of each warrant was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 107%; risk-free interest rate of 1.84% and an expected average life of 2 years. The value assigned was $132,479.

(Expressed in Canadian Dollars)

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

(c) Stock Option Plan

	Number of Options		Weighted Average Exercise Price
Balance, June 30, 2008	5,475,000	$	0.19
Granted (i)(ii)	698,334		0.17
Expired	(948,334)		0.24
Balance, March 31, 2009	**5,225,000**	**$**	**0.18**

(i) On January 6, 2009 the Company granted an aggregate of 200,000 incentive stock options to a consultant with an exercise price of $0.10, expiring on January 6, 2014. The above noted options are subject to semi-annual vesting over a period of 18 months, with one quarter vesting on the initial grant date. A fair value of $10,800 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 159.0%; risk-free interest rate of 1.84%; an expected average life of 5 years, and a forfeiture rate of nil. A total of $4,350 has been recognized during the three and nine months ending March 31, 2009 in accordance with the established vesting terms.

(ii) On February 2, 2009 the Company granted an aggregate of 498,334 incentive stock options to directors, officers and a consultant with an exercise price of $0.20, expiring on January 6, 2014. The above noted options are subject to semi-annual vesting over a period of 18 months, with one quarter vesting on the initial grant date. A fair value of $39,867 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 160.1%; risk-free interest rate of 2.02%; an expected average life of 4.9 years, and a forfeiture rate of nil. A total of $16,058 has been recognized during the three and nine months ending March 31, 2009 in accordance with the established vesting terms.

The options outstanding as at March 31, 2009 are as follows:

	Black-Scholes Valuation	Number of Options	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
$	256,276	951,666	$0.30	1.07	April 26, 2010
	42,965	500,000	$0.15	1.61	November 10, 2010
	256,872	1,875,000	$0.15	2.83	January 26 , 2012
	144,000	1,200,000	$0.15	3.73	December 20, 2012
	10,800	200,000	$0.10	4.80	January 14, 2014
	39,867	498,334	$0.20	4.80	January 14, 2014
$	**750,780**	**5,225,000**	**$0.18**	**2.86**	

Of the 5,225,000 incentive stock options issued and outstanding, 4,401,250 are exerciseable as at March 31, 2009 (June 30, 2008 - 4,318,750).

(Expressed in Canadian Dollars)

7. 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, 2008	4,795,834	$	0.14
Warrants granted (Note 7 (i))	5,000,000		0.10
Expired	(4,795,834)		0.14
Balance, March 31, 2008	**5,000,000**	**$**	**0.10**

The warrants outstanding as at March 31, 2009 are as follows:

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
$ 132,479	5,000,000	$0.10	November 12, 2010

8. 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.

9. RELATED PARTY TRANSACTIONS

During the three and nine months ending March 31, 2009 the Company incurred a total of $10,000 and $42,500 respectively (three and nine months ended March 31, 2008 - $16,250 and $48,750) for consulting and administrative fees to a corporation controlled by an officer and director of the Company.

During the three and nine months ended March 31, 2009, $4,394 and $23,539 (three and nine months ended March 31, 2008 - $nil) in rent and office expenses were incurred on behalf of the Company by a public company with a common senior officer. Included in accounts payable as at March 31, 2009 is $4,346 (June 30, 2008 - $nil) payable to the public company with relation to these expenses.

During the three and nine months ended March 31, 2009, the Company was charged $nil and $10,500 respectively (three and nine months ended March 31, 2008 - $nil and $11,500) by a firm of chartered accountants of which one of the directors is a partner, for accounting and tax services. Included in accounts payable and accrued liabilities as at March 31, 2009 is $nil (June 30, 2008 - $10,000) in relation to these services.

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.

10. COMPARATIVE FIGURES

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

11. SUBSEQUENT EVENTS

(i) On April 14, 2009, the Company announced it had acquired by staking, 100 % interest in mineral claims totaling 850 hectares adjoining the corporation's Mary March property in the Buchans area, Newfoundland and Labrador. The new claims are located to the north and east of the property and may cover a portion of the eastward extension of the volcanic stratigraphy which hosts the high-grade base and precious metals deposits.

(ii) The Mary March adjunction hearing was concluded on January 23, 2009 and final summations are to be heard between May 25, 2009 and June 3, 2009. The Company is awaiting for the adjunction panel to render its decision on the ownership of the property.