CANSTAR RESOURCES INC.
(A Development Stage Enterprise)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2008

(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)

	September 30, 2008	June 30, 2008
ASSETS		
Current		
Cash	**$ 265,400**	$ 548,944
Short-term investments	**75,000**	187,500
Amounts receivable and prepaid expenses (Note 8)	**33,123**	18,621
	373,523	755,065
Equipment	**1,571**	1,654
Interest in mineral properties and deferred exploration expenditures (Note 5)	**1,900,406**	1,435,250
	$ 2,275,500	$ 2,191,969
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	**$ 258,494**	$ 54,278
SHAREHOLDERS' EQUITY		
Capital stock (Note 6(b))	**6,705,960**	6,694,960
Warrants (Note 6(d))	**205,240**	205,240
Contributed surplus	**1,768,094**	1,748,923
Deficit	**(6,662,288)**	(6,511,432)
	2,017,006	2,137,691
	$ 2,275,500	$ 2,191,969

Nature of Operations and Going Concern (Note 1)
Commitments (Note 9)
Subsequent Event (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 September 30, **2008**	2007
Operating expenses		
Stock-based compensation	**$ 19,171**	$ 43,790
Professional fees	**7,784**	-
Transfer agent and filing fees	**4,111**	3,063
Rent	**4,214**	5,618
Interest and bank charges	**177**	31
General and office expenses	**2,416**	2,360
Accounting	**180**	7,795
Shareholder information	**220**	(1,060)
Consulting fees	**-**	3,250
Travel	**-**	393
Amortization	**83**	49
	38,356	65,289
(Loss) before the under-noted	**(38,356)**	(65,289)
Unrealized loss on short-term investment	**(112,500)**	-
General exploration	**-**	(947)
Write-off of interest in mineral properties	**-**	(5,292)
Net (loss)	**$ (150,856)**	$ (71,528)
Net (loss) per share		
- basic and diluted (Note 7)	**$ 0.00**	$ 0.00
Weighted average number of shares	**59,740,960**	53,868,026

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 September 30, **2008**	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) for the period	**$ (150,856)**	$ (71,528)
Charges not involving cash		
Stock-based compensation	**19,171**	43,790
Amortization	**83**	49
Unrealized loss on short-term investment	**112,500**	-
	(19,102)	(27,689)
Changes in non-cash working capital items		
(Increase) in amounts receivable and prepaid expenses	**(14,502)**	(3,963)
Increase (decrease) in accounts payable and accrued liabilities	**204,216**	(32,586)
	170,612	(64,238)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	**-**	774,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in mineral properties and deferred exploration expenditures	**(454,156)**	(114,448)
(Decrease) Increase in cash	**(283,544)**	595,314
Cash, beginning of period	**548,944**	260,391
Cash, end of period	**$ 265,400**	$ 855,705
SUPPLEMENTAL INFORMATION		
Income taxes paid	**-**	-
Interest paid	**-**	-
Shares issued for property	**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 September 30, 2008	Year Ended June 30 2008
Capital Stock		
Balance at beginning of period	**$ 6,694,960**	$ 5,713,760
Shares issued for property (Note 5)	**11,000**	-
Exercise of warrants - cash	**-**	957,625
Exercise of warrants - valuation	**-**	216,675
Flow-through tax effect	**-**	(193,100)
Balance at end of period	**$ 6,705,960**	$ 6,694,960
Warrants		
Balance at beginning of period	**$ 205,240**	$ 610,911
Exercise of warrants - valuation	**-**	(216,675)
Expiration of warrants - valuation	**-**	(188,996)
Balance at end of period	**$ 205,240**	$ 205,240
Contributed Surplus		
Balance at beginning of period	**$ 1,748,923**	$ 1,349,978
Stock-based compensation	**19,171**	209,949
Warrants expired	**-**	188,996
Balance at end of period	**$ 1,768,094**	$ 1,748,923
Deficit		
Balance at beginning of period	**$ (6,511,432)**	$ (6,481,822)
Net (loss) for the period	**(150,856)**	(29,610)
Balance at end of period	**$ (6,662,288)**	$ (6,511,432)
Total shareholders' equity, end of period	**$ 2,017,006**	$ 2,137,691

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 September 30, 2008	Year Ended June 30 2008
Slate Bay Property, McDonough Township**		
Balance, beginning of period	**$ 229,679**	$ 229,679
Drilling	**149,823**	-
Geophysical	**600**	-
General exploration	**3,893**	-
Travel	**5,348**	-
	159,664	-
Balance, end of period	**$ 389,343**	$ 229,679
Mcfauld's Lake Property**		
Balance, beginning of period	**$ -**	$ -
Property acquisition costs	**-**	(64,373)
General exploration	**-**	38,915
Consultants	**2,708**	25,458
	2,708	-
Balance, end of period	**$ 2,708**	$ -
Mary March Property**		
Balance, beginning of period	**$ 459,501**	$ 351,872
Agreement costs	**903**	55,171
Drilling	**-**	2,100
General exploration	**1,615**	4,914
Consultants	**5,417**	22,750
Claim staking, maintenance fees	**69,724**	16,800
Travel	**-**	5,894
	77,659	107,629
Balance, end of period	**$ 537,160**	$ 459,501

** *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 September 30, 2008	Year Ended June 30 2008
Shrimp Lake Property**		
Balance, beginning of period	**$ 414,251**	$ 358,628
Drilling	**-**	46,928
Consultants	**-**	6,500
Assays, analysis and reports	**-**	2,195
	-	55,623
Balance, end of period	**$ 414,251**	$ 414,251
Tahoe Lake Property**		
Balance, beginning of period	**$ 331,819**	$ 67,485
Consultant	**-**	6,500
Drilling	**-**	257,390
Travel	**901**	444
	901	264,334
Balance, end of period	**$ 332,720**	$ 331,819
Conception Bay South		
Balance, beginning of period	**$ -**	$ -
Property acquisition (Note 5)	**41,000**	-
Consultants	**8,125**	-
Geophysical	**171,412**	-
Travel	**3,687**	-
	224,224	-
Balance, end of period	**$ 224,224**	$ -
Total, end of period	**$ 1,900,406**	$ 1,435,250

** *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

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 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, 2008, the Company had a deficit of $6,662,288 and working capital of $115,029. 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 months ended September 30, 2008 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 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 months ended September 30, 2008.

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 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 financial statements.

3. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of share capital, 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 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 and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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 months ended September 30, 2008. 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 Slate Bay, Mary March, Shrimp Lake, Tahoe Lake, Mcfauld's Lake 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 commodity and equity 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.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash 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 September 30, 2008. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is minimal.

4. PROPERTY AND FINANCIAL RISK FACTORS (continued)

[b] Financial Risk (continued)

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, 2008, the Company had a cash balance of $265,400 [June 30, 2008 - $548,944] to settle current liabilities of $258,494 [June 30, 2008 - $54,278] (Note 11). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is also committed to spending $176,000 in Canadian exploration expenditures. If the Company does not spend these funds in compliance with the government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill all flow-through commitments.

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 significant 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.

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 and are equal to fair market value. 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 September 30, 2008, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

4. PROPERTY AND FINANCIAL RISK FACTORS (continued)

[b] Financial Risk (continued)

Sensitivity Analysis (continued)

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a three 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 September 30, 2008, if the quoted market price of United Reef Ltd. had decreased/increased by 10% with all other variables held constant, unrealized loss for the three months ended September 30, 2008 would have been approximately $7,500 higher/lower. Similarly, as at September 30, 2008, reported shareholders' equity would have been approximately $7,500 lower/higher as a result of the 10% decrease/increase 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 September 30, 2008, the Company was not a producer of valuable minerals. As 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. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

5. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Conception Bay South

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, and valued at $11,000); 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)

6. CAPITAL STOCK, CONTRIBUTED SURPLUS, OPTIONS, AND WARRANTS

(a) Authorized:

Unlimited number of common shares

(b) Issued:

	Shares	Amount
Balance, June 30, 2008	59,726,713	$ 6,694,960
Shares issued for property (Note 5)	100,000	11,000
Balance, September 30, 2008	**59,826,713**	**$ 6,705,960**

(c) Stock Option Plan

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2008 and September 30, 2008	**5,475,000**	**$ 0.22**

The options outstanding as at September 30, 2008 are as follows:

Black-Scholes Valuation	Number of Options	Exercise Price	Weighted average remaining contractual life (years)	Expiry Date
$ 43,400	350,000	$0.15	0.32	January 26, 2009
112,724	598,334	$0.30	0.43	March 4, 2009
256,276	951,666	$0.30	1.57	April 26, 2010
42,965	500,000	$0.15	2.11	November 10, 2010
256,872	1,875,000	$0.15	3.32	January 26 , 2012
118,842	1,200,000	$0.15	4.23	December 20, 2012
$ 831,079	**5,475,000**	**$0.22**	**2.60**	

(d) Warrants

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2008 and September 30, 2008	**4,795,834**	**$ 0.14**

(Expressed in Canadian Dollars)

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

(d) Warrants (continued)

The warrants outstanding as at September 30, 2008 are as follows:

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
$ 129,686	3,985,834	$0.15	December 28, 2008
75,554	810,000	$0.12	December 28, 2008
$ 205,240	**4,795,834**	**$0.14**	

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 months ending September 30, 2008 the Company incurred a total of $19,937 (September 30, 2007 - $16,250) for consulting and administrative fees to a corporation controlled by an officer and director of the Company. As at September 30, 2008 $3,687 (June 30, 2008 - $nil) is included in accounts payable owing to this corporation.

During the three months ending September 30, 2008 the Company incurred a total of $4,214 (September 30, 2007 - $5,000) for rent to a corporation controlled by an officer and director of the Company. As at September 30, 2008 $12,279 (June 30, 2008 - $15,733) is included in accounts receivable to this corporation.

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.

9. COMMITMENTS

The Company is committed to spending $600,000, on a best efforts basis, in qualifying Canadian exploration expenditures, as a result of the the exercise of flow-through warrants. Pursuant to the terms of its flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Canadian Income Tax Act for the look back rule. The look back rule requires the Company to incur qualifying exploration expenditures in Canada ("CEE") within twelve months from the date of renunciation (which will be deemed to be December 31, 2008).

10. COMPARATIVE FIGURES

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

11. SUBSEQUENT EVENTS

a) On November 19, 2008, the Company announced the closing of a non-brokered private placement financing of $250,000 comprising the sale of up to 5,000,000 Units, sold at $0.05 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share for $0.10 for a period of 24 months (the "Warrant Term") from the closing of the transaction (the "Closing Date"), provided, however, that should the closing price at which the common shares trade equal or exceed $0.18 for 20 consecutive trading days following the date that is four months and one day after the Closing Date, Canstar may accelerate the Warrant Term to the date which is 30 days following the date a press release is issued by Canstar announcing the reduced Warrant Term. All securities issued in conjunction with the offering will be subject to a hold period, which expires four months after closing.

b) The adjudication hearing for the Mary March property dispute commenced November 24, 2008. The adjudication hearing represents what is expected to be the final step in resolving this longstanding dispute, and a decision is expected early in the new year.