

---

**CANSTAR RESOURCES INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

---

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited condensed interim financial statements of Canstar Resources Inc. (the "Company" or "Canstar") are the responsibility of management and the Board of Directors.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

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

The Board of Directors is responsible for reviewing and approving the unaudited condensed 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 condensed 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 condensed 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 condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed 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 condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

**CANSTAR RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

As at	September 30, 2019	June 30, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 65,115	\$ 246,361
Amounts receivable and prepaid expenses	18,987	19,228
<b>Total current assets</b>	<b>84,102</b>	<b>265,589</b>
<b>Equipment</b> (Note 4)	<b>2,461</b>	<b>2,590</b>
<b>Interest in exploration properties and deferred exploration expenditures</b> (Notes 3 and 7)	<b>7,903,971</b>	<b>7,782,148</b>
<b>Total assets</b>	<b>\$ 7,990,534</b>	<b>\$ 8,050,327</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 132,886	\$ 141,326
Flow-through premium (Note 6(b))	51,427	82,000
<b>Total liabilities</b>	<b>184,313</b>	<b>223,326</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 6(b))	18,950,206	18,950,206
Warrants (Note 6(d))	33,313	33,313
Share-based payments reserve (Note 6(c))	322,313	353,915
Deficit	(11,499,611)	(11,510,433)
<b>Total shareholders' equity</b>	<b>7,806,221</b>	<b>7,827,001</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 7,990,534</b>	<b>\$ 8,050,327</b>

**Nature and Continuance of Operations and Going Concern** (Note 1)  
**Commitments and Contingencies** (Notes 3 and 8)  
**Subsequent Events** (Note 9)

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_  
*"D. Peterson"*, Director

\_\_\_\_\_  
*"S. Leung"*, Director

See accompanying notes to the unaudited condensed interim consolidated financial statements.

**CANSTAR RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND**  
**COMPREHENSIVE LOSS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

	<b>Three Months Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating expenses</b>		
Share-based payment recovery (Notes 6(c) and 7)	\$ (31,602)	\$ 10,325
Interest and bank charges	109	282
Transfer agent and filing fees	6,240	19,196
Management fees (Note 7)	18,000	10,834
Professional fees (Note 7)	17,634	15,165
General and office expenses	2,252	3,944
Shareholder information	4,040	34,781
Amortization (Note 4)	129	162
Rent (Note 7)	1,505	3,759
Travel	1,444	-
<b>Total operating expenses</b>	<b>19,751</b>	<b>98,448</b>
Loss before flow-through premium	(19,751)	(98,448)
Flow-through premium (Note 8)	30,573	-
<b>Net loss and comprehensive loss for the period</b>	<b>\$ 10,822</b>	<b>\$ (98,448)</b>
<b>Net loss per share</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares</b>	<b>44,500,473</b>	<b>36,832,292</b>

*See accompanying notes to the unaudited condensed interim consolidated financial statements.*

**CANSTAR RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

	Three Months Ended September 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ 10,822	\$ (98,448)
Charges not involving cash:		
Share-based payment recovery	(31,602)	10,325
Amortization	129	162
Flow-through premium	(30,573)	-
	<b>(51,224)</b>	<b>(87,961)</b>
Changes in non-cash working capital items:		
Increase (decrease) in amounts receivable and prepaid expenses	241	(118,243)
Decrease in accounts payable and accrued liabilities	(8,440)	(130,085)
<b>Cash flows used in operating activities</b>	<b>(59,423)</b>	<b>(336,289)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Share issue costs	-	(37,671)
<b>Cash flows used in financing activities</b>	<b>-</b>	<b>(37,671)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest in exploration properties and deferred exploration expenditures	(121,823)	(254,475)
Deferred transaction costs	-	73,560
Purchase of equipment	-	(2,304)
<b>Cash flows used in investing activities</b>	<b>(121,823)</b>	<b>(183,219)</b>
<b>Change in cash and cash equivalents</b>	<b>(181,246)</b>	<b>(557,179)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>246,361</b>	<b>1,468,736</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 65,115</b>	<b>\$ 911,557</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Common shares issued for property interests	\$ -	\$ 5,926,609
Conversion of subscription receipts to common shares	\$ -	\$ 1,500,021
<b>As at</b>	<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	\$ 14,450	\$ 161,557
Cash equivalents	50,665	750,000
	<b>\$ 65,115</b>	<b>\$ 911,557</b>

See accompanying notes to the unaudited condensed interim consolidated financial statements.

**CANSTAR RESOURCES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

	Capital Stock	Warrants	Share-based Payment Reserve	Deficit	Total
<b>Balance, June 30, 2018</b>	<b>\$ 11,957,966</b>	<b>\$ 81,998</b>	<b>\$ 235,875</b>	<b>\$ (10,168,380)</b>	<b>\$ 2,107,459</b>
Share-based payments	-	-	10,325	-	10,325
Issuance of common shares in private placement	1,500,021	-	-	-	1,500,021
Cost of issue	(183,490)	-	-	-	(183,490)
Flow-through premium	(250,000)	-	-	-	(250,000)
Expiry of stock options	-	-	(5,400)	5,400	-
Common shares issued for property interest	5,926,609	-	-	-	5,926,609
Net loss for the period	-	-	-	(98,448)	(98,448)
<b>Balance, September 30, 2018</b>	<b>18,951,106</b>	<b>81,998</b>	<b>240,800</b>	<b>(10,261,428)</b>	<b>9,012,476</b>
<b>Balance, June 30, 2019</b>	<b>18,950,206</b>	<b>33,313</b>	<b>353,915</b>	<b>(11,510,433)</b>	<b>7,827,001</b>
Share-based payment recovery	-	-	(31,602)	-	(31,602)
Net loss for the period	-	-	-	10,822	10,822
<b>Balance, September 30, 2019</b>	<b>\$ 18,950,206</b>	<b>\$ 33,313</b>	<b>\$ 322,313</b>	<b>\$ (11,499,611)</b>	<b>\$ 7,806,221</b>

See accompanying notes to the unaudited condensed interim consolidated financial statements.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

---

**1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN**

Canstar Resources Inc. (the "Company" or "Canstar") was formed by amalgamation on April 5, 2005. The Company's registered and head office is located at 220 Bay Street, Suite 550, Toronto, Ontario, M5J 2W4.

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 28, 2019.

The Company 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, 2019, the Company had a deficit of \$11,499,611 (June 30, 2019 - \$11,510,433) and working capital deficiency of \$(100,211) (June 30, 2019 - working capital of \$42,263). 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. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Statement of compliance:***

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of November 28, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2019, except where noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending June 30, 2020 could result in restatement of these unaudited condensed interim financial statements.

***New standards adopted:***

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of any termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

At July 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

**(b) Uncertainty over Income Tax Treatments**

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. At July 1, 2019, the Company adopted this standard and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

**CANSTAR RESOURCES INC.  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(EXPRESSED IN CANADIAN DOLLARS)  
(UNAUDITED)  
THREE MONTHS ENDED SEPTEMBER 30, 2019**

**3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

	Buchans- Mary March Properties	Katie Project	La Poile Project	Kenora Properties	Exploits Properties	Daniel's Harbour Properties	Slate Bay Properties	Total
<b>PROPERTY ACQUISITION COSTS</b>								
Balance, June 30, 2018	\$ 65,884	\$ -	\$ -	\$ 20,000	\$ 15,000	\$ -	\$ -	\$ 100,884
Incurring	4,821,581	370,891	105,969	-	-	741,240	-	6,039,681
Balance, September 30, 2018	4,887,465	370,891	105,969	20,000	15,000	741,240	-	6,140,565
<b>DEFERRED EXPLORATION COSTS</b>								
Balance, June 30, 2018	2,089,161	-	-	-	-	-	-	2,089,161
Access	76,557	-	-	-	-	-	-	76,557
Administrative	1,185	-	-	-	-	-	-	1,185
Assaying	941	-	-	-	-	-	-	941
Field supplies	9,701	-	-	-	-	-	-	9,701
Geological consulting	29,789	-	-	-	-	-	-	29,789
Geophysics and exploration	2,800	-	-	-	-	-	-	2,800
Labour and supervision	4,096	-	-	-	-	-	4,096	8,192
Travel	12,238	-	-	-	-	-	-	12,238
Balance, September 30, 2018	2,226,468	-	-	-	-	-	4,096	2,230,564
Total, September 30, 2018	\$7,113,933	\$ 370,891	\$ 105,969	\$ 20,000	\$ 15,000	\$ 741,240	\$ 4,096	\$8,371,129

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

**THREE MONTHS ENDED SEPTEMBER 30, 2019**

**3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)**

	Buchans- Mary March Properties	Katie Project	La Poile Project	Kenora Properties	Exploits Properties	Daniel's Harbour Properties	Slate Bay Properties	Total
<b>PROPERTY ACQUISITION COSTS</b>								
Balance, June 30, 2019	\$ 4,887,465	\$ -	\$ -	\$ 20,000	\$ -	\$ 200,000	\$ -	\$ 5,107,465
Balance, September 30, 2019	4,887,465	-	-	20,000	-	200,000	-	5,107,465
<b>DEFERRED EXPLORATION COSTS</b>								
Balance, June 30, 2019	2,644,683	-	-	-	-	-	30,000	2,674,683
Access	2,065	-	-	-	-	-	1,999	4,064
Administrative	39,456	-	-	-	-	-	-	39,456
Assaying	12,634	-	-	-	-	-	-	12,634
Field supplies	9,402	-	-	-	-	-	-	9,402
Geophysics and exploration	1,000	-	-	-	-	-	-	1,000
Labour and supervision	53,611	-	-	-	-	-	-	53,611
Travel	1,656	-	-	-	-	-	-	1,656
Balance, September 30, 2019	2,764,507	-	-	-	-	-	31,999	2,796,506
Total, September 30, 2019	\$ 7,651,972	\$ -	\$ -	\$ 20,000	\$ -	\$ 200,000	\$ 31,999	\$ 7,903,971

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

---

**3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**  
**(CONTINUED)**

The Company has interests in exploration properties in the Kenora Townships in Ontario, Canada, and the Buchans area of Newfoundland, Canada. Due to disappointing exploration results and a refocus on its Mary March and recently acquired Newfoundland properties, the Kenora properties were written down for accounting purposes in 2018. During the year ended June 30, 2019, the Company wrote off the Exploits, Katie and La Poile projects as management decided not to pursue these property interests. In addition, the Company wrote down the Daniel's Harbour property and revalued the Slate Bay property to their estimated recoverable amounts during fiscal 2019.

**a) Mary March Properties**

**(i) Glencore Joint Venture**

The Company entered into an option and Joint Venture Agreement with Glencore plc ("Glencore") whereby the Company has a 50% interest in the Mary March property located at Buchans Junction in central Newfoundland. The remaining 50% interest in the property is held by Glencore. The Company has a first right of refusal on Glencore's 50% interest, should they wish to sell. Exploration of the property was held up approximately 10 years due to a title dispute that was resolved in 2012 in the Company's favour by the Newfoundland and Labrador Supreme Court.

The property consists of four Fee Simple Grants consisting of five separate land parcels and three map-staked licenses containing 77 claims.

Should the Glencore joint venture thus established proceed to production, the Company would make a one-time cash payment of \$2 million within six months of the commencement of commercial production. Canstar's share of production would be subject to a one percent (1%) net smelter return royalty ("NSR").

The Company is the operator of the Glencore joint venture and has the deciding vote in the event of a deadlock between the Company and Glencore. A diamond drilling program was completed in late 2012. The Company followed this up with a drill program in the fall of 2013. Glencore contributed \$150,000 towards the 2012 exploration costs of the joint venture, however did not contribute to subsequent years' exploration expenditures. Glencore was therefore subject to a voluntary reduction due to non-participation of these exploration programs. Canstar now holds a 56% interest in the joint venture and Glencore holds a 44% interest. Glencore did not contribute to the current program and accordingly will be subject to an additional voluntary reduction.

A fourth map-staked license was staked and added to the Mary March Property portfolio in October 2018.

The Company plans to continue exploration on this property.

**(ii) Mary March Extension Property**

The Mary March Extension Property was acquired on April 7, 2009 and is comprised of 34 claims. The property is located immediately west and north of the Mary March Property.

Canstar holds a 100% interest in the property, which has been written off for accounting purposes.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

---

**3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**  
**(CONTINUED)**

**(iii) Buchans Property**

The Buchans Property was acquired on July 30, 2018 (see Note 5) and is comprised of 1,349 staked claims.

Canstar owns 100% interest in the property through Canstar's wholly owned subsidiary, Adventus Newfoundland Corporation ("Adventus NFLD"), subject to a 2% NSR royalty. In consideration for the acquisition of Adventus NFLD, the Company issued 17,336,339 common shares valued at \$0.30.

**b) Kenora Properties**

On March 2, 2014, the Company entered into an option agreement to acquire several properties in the Kenora, Ontario area, collectively called the Kenora Gold Project. The Kenora Gold Project is situated in the Wabigoon sub-province, and located approximately 20 kilometres east of the Town of Kenora.

Canstar acquired a 100% interest in the Kenora Gold Project by making cash payments of \$18,200 and issuing 200,000 common shares (valued at \$8,000). The Kenora Gold Project is subject to a 3% NSR, subject to a buy-back right of \$1,000,000 for the first 1.5% and \$3,000,000 for the remaining 1.5%, which would reduce the NSR to 0%.

Due to disappointing exploration results and management's decision to refocus on the Mary March property during the year ended June 30, 2018, management decided to write the Kenora property down to \$20,000, its estimate of the recoverable amount.

**c) Exploits Property**

On April 5, 2018, the Company entered into an option agreement with local prospectors to purchase 90 mineral claims near Red Indian Lake in the Province of Newfoundland and Labrador.

In consideration for entering into the option agreement, the Company paid the optionees \$10,000 in cash and issued to the optionees the equivalent of \$5,000 in Canstar common shares. Assuming the completion of subsequent payments totaling \$30,000 to the optionees in cash and the equivalent of \$30,000 to be paid in common shares by the third anniversary of the entering into the option agreement, Canstar will own a 100% interest in the mineral claims subject to a 1% royalty interest retained by the optionees. The securities issued to the optionees will be subject to a four month and one day statutory hold period.

All payments and share issuances to the optionors of the Exploits property required as at September 30, 2019 have been made. Subsequent payments and share issuances required to be made to keep the option in good standing will become due on April 5, 2019 and April 5, 2020. Upon completion of these payments and share issuances, Canstar would acquire a 100% interest in the optioned property.

During the year ended June 30, 2019, the Company terminated the Exploits option agreement and accordingly the property was written off.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

---

**3. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**  
**(CONTINUED)**

**d) Slate Bay Properties**

The Slate Bay Properties are comprised of eight contiguous patented claims located approximately 10 kilometres north of the town of Red Lake, Ontario. The Company earned a 75% interest in the property pursuant to an option and joint venture participation agreement entered into with Luxor Enterprises Inc. ("Luxor") on February 4, 2002.

The Company has attempted to joint venture this property without success. Accordingly, the property was written off in fiscal 2011 although the Company still retains its interest.

During the year ended June 30, 2019, the Company entered into a definitive agreement with Angus Ventures Inc. ("Angus"), whereby it agreed to sell its 75% interest to Angus for consideration of \$30,000 and 70,000 common shares of Angus. Accordingly, the property was revalued at \$30,000. See Note 9.

**e) Daniel's Harbour Properties**

The Daniel's Harbour Properties consist of 243 claims located in coastal Western Newfoundland. The Company acquired the Daniel's Harbour Properties on July 30, 2018 from Altius Minerals Ltd. ("Altius").

In consideration for the acquisition of 100% ownership subject to a 2% NSR, the Company issued 2,419,024 common shares valued at \$0.30 per common share.

During the year ended June 30, 2019, the Company reduced the number of claims held on the property and accordingly wrote down the property to \$200,000 which is the Company's estimate of the property's recoverable amount in a fair value less costs of disposal approach.

**f) Katie Project**

The Katie Project is located in central Newfoundland and consists of 103 claims in 1 mineral license. The Company holds a 100% interest in the Katie Project subject to a 2% NSR royalty payable to Altius (see Note 5).

During the year ended June 30, 2019, the Company decided not to pursue the property, and accordingly the property was written off.

**g) La Poile Project**

The La Poile Project is located in southwestern Newfoundland and consists of 28 claims in 2 mineral licenses. The Company holds a 100% interest in the Katie Project subject to a 2% NSR royalty payable to Altius (see Note 5).

During the year ended June 30, 2019, the Company decided not to pursue the property and accordingly the property was written off.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

**4. EQUIPMENT**

<b>Cost</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2018,</b>	<b>\$ 10,141</b>
<b>Additions</b>	<b>2,304</b>
<b>Balance, June 30, 2019</b>	<b>\$ 12,445</b>
<b>Balance, September 30, 2019</b>	<b>\$ 12,445</b>
<b>Accumulated Amortization</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2018</b>	<b>\$ 9,208</b>
<b>Amortization</b>	<b>647</b>
<b>Balance, June 30, 2019</b>	<b>9,855</b>
<b>Amortization</b>	<b>129</b>
<b>Balance, September 30, 2019</b>	<b>\$ 9,984</b>
<b>Carrying Value</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2019</b>	<b>\$ 2,590</b>
<b>Balance, September 30, 2019</b>	<b>\$ 2,461</b>

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

**5. ACQUISITION OF ADVENTUS NEWFOUNDLAND CORPORATION**

During the year ended June 30, 2019, the Company purchased 100% of the issued and outstanding shares of Adventus NFLD from Adventus Zinc Corporation ("Adventus"). Adventus NFLD holds 100% ownership of the Buchans Property (Note 3(a)(iii)), the Katie Project (Note 3(f)), and La Poile Project (Note 3(g)). For accounting purposes, the acquisition of Adventus NFLD was recorded as an asset acquisition as Adventus NFLD is not considered to be a business when applying the guidance within IFRS 3.

The allocation of the purchase price is as follows:

**Purchase price allocation**

Issuance of common shares (i)	\$	5,200,902
Transaction costs		95,789
	\$	5,296,691

(i) For the purpose of determining the value of the purchase price allocation, the 17,336,339 common shares were valued at \$0.30 which is based on the trading price at the time of issue.

**6. CAPITAL STOCK, OPTIONS AND WARRANTS**

**(a) Authorized**

Unlimited number of common shares, without par value.

**(b) Issued**

44,500,473 common shares

Summary of changes in capital stock:

	<b>Shares</b>	<b>Amount</b>
<b>Balance, June 30, 2018,</b>	20,578,371	\$ 11,957,966
Issuance of common shares in private placement (i)	4,166,739	1,500,021
Cost of issue	-	(184,390)
Flow-through premium	-	(250,000)
Issuance of shares for property interest (Notes 3(a)(iii), 3(e), 3(f), 3(g))	19,755,363	5,926,609
<b>Balance, September 30, 2018</b>	<b>44,500,473</b>	<b>\$ 18,950,206</b>
<b>Balance, June 30, 2019</b>	<b>44,500,473</b>	<b>18,950,206</b>
<b>Balance, September 30, 2019</b>	<b>44,500,473</b>	<b>\$ 18,950,206</b>

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

---

**6. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)**

**(b) Issued (Continued)**

(i) On April 17, 2018, the Company completed a non-brokered private placement for aggregate gross proceeds of \$1,500,021 ("Offering"). The Offering consisted of the sale of 1,666,739 common share subscription receipts ("Common Share Receipts") at a price of \$0.30 per Common Share Receipt and 2,500,000 flow through subscription receipts ("Flow Through Receipts") at a price of \$0.40 per Flow Through Receipt (together, the "Subscription Receipts").

On July 30, 2018, upon satisfaction of the Escrow Release Conditions (as defined below), each Common Share Receipt was exchanged for one common share of Canstar. Each Flow Through Receipt was exchanged for one flow through share of Canstar within the meaning of the Income Tax Act (Canada). The gross proceeds of the Offering less offering costs were released from escrow upon the satisfaction of the following conditions (together, the "Escrow Release Conditions"): (i) the execution of the definitive share exchange agreement among the Company, Adventus, Adventus NLFD, and Altius Resources Inc.; (ii) the execution of the definitive asset purchase agreement between the Company and Altius Resources Inc.; (iii) the completion or irrevocable waiver or satisfaction of all conditions precedent to the Company's acquisition of Adventus NFLD (see Note 3(a)(iii)) and the Daniel's Harbour property (see Note 3(e)); (iv) the receipt of all required shareholder, third party (as applicable) and regulatory approvals including, without limitation, the conditional approval of the TSX Venture Exchange ("TSX-V") for the Transaction and the Offering; and (v) the Company having delivered a Release Notice confirming that the conditions set forth above have been met or waived (the "Release Notice").

In connection with the Offering, the Company paid finders a cash commission of \$52,806 equal to 6% of the aggregate gross proceeds raised by finders. A total of 150,840 broker warrants ("Broker Warrants") equal to 6% of subscription receipts raised was paid to finders. Each Broker Warrant entitles the holder to purchase one common share at a price of \$0.30 until the date which is twenty-four (24) months following the closing date of the Offering, whereupon the Broker Warrants will expire. A grant date fair value of \$33,313 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.88%; expected life of 2 years; and an expected volatility of 156% based on the Company's historical trading data. The Company also incurred cash share issuance cost of \$98,271 in connection with the Offering.

The premium paid by investors for the Flow Through Receipts was calculated as \$0.10 per Flow Through Receipt. Accordingly, \$250,000 was recorded as a flow-through premium liability. During the year ended June 30, 2019, the Company incurred eligible flow-through expenditures of \$672,600, resulting in a reduction of the flow-through liability of \$168,000. During the three months ended September 30, 2019, the Company incurred eligible flow-through expenditures of \$121,700, resulting in a reduction of the flow-through liability of \$30,573.

**(c) Stock Options**

The Company has granted options for the purchase of common shares to its directors, officers, and consultants. The aggregate number of common shares which may be issued under the stock option plan is 3,000,000. The options are non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant at the market price of the common shares, subject to all applicable regulatory requirements.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

**6. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)**

A summary of changes in stock options is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance, June 30, 2018</b>	<b>777,500</b>	<b>\$ 0.40</b>
Granted (i)	1,300,000	0.30
Expired	(20,000)	(0.50)
<b>Balance, September 30, 2018</b>	<b>2,057,500</b>	<b>\$ 0.36</b>
<b>Balance, June 30, 2019</b>	<b>2,157,500</b>	<b>\$ 0.34</b>
<b>Balance, September 30, 2019</b>	<b>2,157,500</b>	<b>\$ 0.34</b>

(i) On September 4, 2018, the Company granted 1,300,000 stock options to an officer and a consultant of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of \$0.30 for a period of 5 years. The options vest as to 1/3 on each of the first, second and third anniversaries of the grant date. A grant date fair value of \$237,316 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 2.16%; expected life of 5 years; and an expected volatility of 159% based on the Company's historical trading data. During the three month period ended September 30, 2019, as a result in changes in expectations around options that will vest (see Note 9), the Company recorded a net credit of \$34,207.

On January 15, 2019, the Company granted 100,000 stock options to a consultant of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of \$0.30 for a period of 3 years. The options vest on January 15, 2020. A grant date fair value of \$10,336 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.89%; expected life of 3 years; and an expected volatility of 152% based on the Company's historical trading data. The total value of share-based payments for the three months ended September 30, 2019 was \$2,605 (three months ended September 30, 2018 - \$nil).

As at September 30, 2019, the following stock options were outstanding:

Number of Options	Exercisable Options	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
330,000	330,000	\$0.25	0.20	December 11, 2019
387,500	387,500	\$0.55	2.26	January 3, 2022
100,000	-	\$0.30	2.30	January 15, 2022
40,000	40,000	\$0.25	3.29	January 12, 2023
1,300,000	433,333	\$0.30	3.93	September 4, 2023
<b>2,157,500</b>	<b>1,190,833</b>	<b>\$0.34</b>	<b>2.97</b>	

See Note 9 for options that expired subsequent to September 30, 2019.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

**6. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)**

**(d) Share Purchase Warrants**

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, June 30, 2018 and September 30, 2018</b>	<b>758,880</b>	<b>\$ 0.76</b>
<b>Balance, June 30, 2019 and September 30, 2019</b>	<b>150,840</b>	<b>\$ 0.30</b>

As at September 30, 2019, the following warrants were outstanding.

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
\$ 33,313	150,840	\$0.30	April 17, 2020

**7. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors, officers, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The below noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

Canstar entered into the following transactions with related parties:

The remuneration of directors and key management during the three months ended September 30, 2019 and September 30, 2018 were as follows:

	Three Months Ended September 30,	
	2019	2018
Short-term benefits	\$ 30,000	\$ 16,385
Share-based payments (recovery) (See Note 6c(i))	<b>(36,584)</b>	9,531
	<b>\$ (6,584)</b>	<b>\$ 25,916</b>

During the three months ended September 30, 2019, \$12,000 (three months ended September 30, 2018 - \$8,192) of short-term benefits was capitalized as deferred exploration expenditures and \$18,000 (three months ended September 30, 2018 - \$8,193) is included in management fees. As of September 30, 2019, the Company owed a key management personnel \$nil (June 30, 2019 - \$27,077) and the amount was included in accounts payable and accrued liabilities. See Note 9.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2019**

---

**7. RELATED PARTY TRANSACTIONS (CONTINUED)**

During the three months ended September 30, 2019, the Company incurred \$nil (three months ended September 30, 2018 - \$40,000) for professional fees, \$nil (three months ended September 30, 2018 - \$40,000) for share issue costs, charged by Peterson McVicar LLP, a law firm of which a director is a partner. As at September 30, 2019, \$32,231 was payable to this law firm (June 30, 2019 - \$32,231) and this amount was included in accounts payable and accrued liabilities.

During the three months ended September 30, 2019, the Company incurred \$1,505 (three months ended September 30, 2018 - \$3,759) for rent charged by a significant shareholder of the Company. As at September 30, 2019, \$nil was payable to this shareholder (June 30, 2019 - \$nil) and this amount was included in accounts payable and accrued liabilities.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive or non-executive) of the Company.

As at September 30, 2019, the directors of the Company together control 1,087,044 common shares or approximately 2% of the total common shares outstanding. A corporate investor controls 15,602,706 common shares, or approximately 35% of the total common shares outstanding. Another corporate investor who owns 26.6% of the corporate investor, also owns 2,419,024 common shares of Canstar. To the knowledge of directors and officers of Canstar, the remainder of the Company's outstanding common shares are widely held.

**8. COMMITMENTS AND CONTINGENCIES**

***Environmental Contingencies***

The Company's mineral exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**Flow-Through Commitment**

As at September 30, 2019, pursuant to the issuance of 2,500,000 flow-through share receipts on April 17, 2018 (see Note 6(b)), which were converted to flow-through shares of the Company in July 2018, the Company is required to incur qualifying expenditures of approximately \$206,000 by December 31, 2019. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

**9. SUBSEQUENT EVENTS**

On November 6, 2019, the Company announced the completion of the sale of its interest in the Slate Bay property to Angus, and receipt of a cash payment of \$30,000 and 70,000 common shares of Angus.

Subsequent to September 30, 2019, the Chief Executive Officer of the Company resigned and is entitled to receive a termination payment of \$30,000. In addition, 1,200,000 options exercisable at \$0.30 per share, granted to this individual, of which 433,333 had vested at September 30, 2019, expired unexercised.