CANSTAR RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2009 (UNAUDITED)

AND

THE YEAR ENDED JUNE 30, 2009 (AUDITED)

INTRODUCTION

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of the Corporation for the year ended June 30, 2009 (audited) and the September 30, 2009 unaudited financial statements. The Corporation's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Corporation reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). This MD&A is made as of November 26, 2009.

Additional information relating to the Corporation is on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Corporation's website at www.canstarresources.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future prices of base and precious metals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of inferred mineral resources; future prices of base and precious metals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in base and precious metals exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

DESCRIPTION OF THE BUSINESS

Canstar Resources Inc. (the "Corporation" or "Company") is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in Canada. The Corporation was formed upon the amalgamation, effective April 5, 2005, of Nustar Resources Inc. ("Nustar") and Candor Ventures Corp. ("Candor"). The amalgamation was approved by shareholders of Nustar and Candor on March 24, 2005 and final approval of the amalgamation by the TSX Venture Exchange was granted on April 5, 2005. In accordance with the terms of the amalgamation, shares of the Corporation were issued to shareholders of Nustar and Candor on a 1:1 basis. The first year-end of Canstar, subsequent to the effective date of the amalgamation, was June 30, 2005. The audited financial statements discussed herein are for the year ended June 30, 2009 (audited) and the three months ended September 30, 2009 (unaudited). The shares of the Corporation began trading on the TSX Venture Exchange under the symbol "ROX" on April 8, 2005. The Corporation is a reporting issuer in the provinces of Ontario, Alberta and British Columbia.

As a result of the amalgamation, the Corporation wholly-owns or has interests in all of the mineral properties formerly held by Nustar and Candor. The following table contains a brief description of the Corporation's core properties, which are the primary focus of the Corporation's exploration initiatives. Further details with respect to the core properties are also provided in this document under the section entitled "Overall Performance".

Description of Core Property	Target Mineralization	Ownership Interest
The Conception Bay South (CBS) Project is comprised of 192 claim units in seven mineral licenses located in the conception Bay South area of the Avalon Peninsula on the Island of Newfoundland. The properties cover a belt of volcanic rocks which are known to host Volcanogenic Massive Sulphide (VMS) type mineralization containing economically significant values in copper, zinc, lead, gold and silver.	Copper-lead-zinc-silver-gold	Right to acquire a 100% interest in two properties [(1)], totaling 148 and 15 claims, respectively, from two separate vendors. The Company terminated the option agreement but still retains 100%-interest in 27 additional claims
The McFauld's Lake Properties, comprised of the following properties located in the McFauld's Lake area of northwestern Ontario, contiguous with the Spider Resources/KWG Resources high-grade copper-zinc massive sulphide discoveries and in the area of Noront Resources' recent high-grade nickel-copper-PGE discovery: (i) a 32-claim unit property totaling 502 hectares ("McFauld's Lake Property 1"); and (ii) a 38-claim unit property immediately east of the 32-claim unit property ("McFauld's Lake Property 3").	Copper-zinc-silver-gold	McFauld's Lake Property 1 is 100% owned [(2)]. Pursuant to an agreement with United Reef Limited, a Corporation listed on the TSX Venture exchange, and Geocanex, a private company owned by a Director of Canstar, United Reef has vested an undivided 45% interest in both properties. [(3)] Canstar owns the remaining 55% interest. This agreement supersedes an earlier agreement with Geocanex Limited signed on September 22, 2004 and as amended on August 26, 2005. [(4)]
The Mary March Property, comprised of 18 staked claims, 2 licenses, 1 lease and 2 patented lots, totaling 1,616 hectares, located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland.	Zinc-silver-lead-copper-gold	Right to earn a 100% interest in an underlying 50% interest held by Phelps Dodge Corporation of Canada, Limited ("Phelps"), pursuant to a letter of intent entered into with Phelps and first right of refusal on the remaining 50% interest held by Xstrata plc. [(2)] [(5)]
The Slate Bay Property, comprised of 8 contiguous patented claims covering 128 hectares, located approximately 10 kilometres north of the town of Red Lake, Ontario, within the Red Lake greenstone belt.	Copper-gold-silver	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. [(6)]

Notes:

(1) The Company held a right to acquire a 100% interest in two separate properties, totaling 148 and 15 claims, respectively, by making 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 (paid); 175,000 shares on the first anniversary of the agreement; and 275,000 shares on the second anniversary of signing. Both properties were subject to net smelter royalties of 2% and 2.5%, while the Company reserved the option to buy back 1% and 1.5%, respectively, for $2,750,000. The Company terminated both option agreements before first anniversary payments were due.

(2) Interest was held by Candor prior to the effective date of the amalgamation on April 5, 2005.

(3) On April 22, 2008 Canstar and Geocanex entered into an agreement whereby United Reef, A TSX Venture-listed company could earn a 50% interest in both the McFauld's 1 and 3 properties by making a payment of 5,000,000 shares (paid), divided equally between Canstar and Geocanex, and a cash payment of $50,000 to Canstar (paid) on signing of the formal agreement. In addition, United Reef would be committed to making exploration expenditures on the property totaling $150,000 before December 31, 2008. Canstar and Geocanex individually hold 0.5% net smelter royalties on both properties. This agreement supersedes an earlier agreement between Canstar and Geocanex on the McFauld's 3 property, with Canstar owning a 50% undivided interest in the McFauld's 3 property upon vesting by United Reef. Subsequent to the period ending December 31, 2008, United Reef informed the Company that it had substantially completed its earn in commitments and Canstar and Geocanex agreed to allow United Reef to vest on a pro-rata basis at 45%. Canstar now owns the remaining 55% interest in the joint venture.

(4) Interest was held by Nustar prior to the effective date of the amalgamation on April 5, 2005. The Company has not met its expenditure commitment and the agreement was renegotiated on August 26, 2005 and amended with the following term replacing section 2a: "The Optionee shall fund exploration work on the Claims in the total amount of $250,000 during the four year period commencing on the date of execution of this agreement, with the sum of $50,000 to be spent in the first year, the sum of $100,000 to be spent in the third year and the sum of $100,000 to be spent in the fourth year". The property was written off in 2006; however, the Corporation maintains 55% ownership of the McFauld's properties pursuant to the United Reef-Canstar-Geocanex agreement (see note (3)).

(5) By virtue of an underlying agreement, Phelps may earn a 50% interest in the property from Xstrata plc by incurring expenditures of $1,500,000 over five years. Under the terms of the letter of intent, the Corporation will assume the remaining exploration expenditures of approximately $755,000 and will issue 100,000 common shares to Phelps, together with 100,000 common share purchase warrants exercisable at a price of $0.50 for a period of twenty-four months. The Corporation is also required to make a cash payment of $2,000,000 to Phelps within six months of commercial production. The Corporation's interest is also subject to a 1% NSR royalty due upon commencement of commercial production. The property is currently subject to a title dispute (see page 7).

(6) In accordance with the terms of the agreement, to earn its interest in the property, Candor, the Corporation's predecessor, issued 30,000 common shares to Luxor and paid back taxes of approximately $18,000, with the requirement to pay all property taxes during the earn-in period. The Corporation may maintain its option by issuing an additional 90,000 common shares and spending a total of $150,000 on the property (which has already been spent) over a three-year period. In February 2005, a one-year extension of the agreement to February 4, 2006 was negotiated. In consideration for such extension, the Corporation has issued an additional 90,000 common shares valued at $19,800. Canstar vested its 75% interest in November 2005 and indicated its intention to form a joint venture.

The Corporation also has three non-core properties, identified in the table below, which the Corporation has chosen to joint venture to other exploration companies.

Description of Property	Target Mineralization	Ownership Interest
The Miminiska Property, comprised of 3 contiguous claims totalling 44-claim units, located approximately 100 kilometres east of Pickle Lake, Ontario.	Gold	100% owned. (1) (2)
The Tahoe Lake property is comprised of three unpatented and unsurveyed mineral claims totaling 48 contiguous claim units covering 768 hectares approximately 170 kilometres north-northeast of Red Lake, Ontario.	Gold and base metals	100% owned. (3)
The Shrimp Lake Property is comprised of seven unpatented mineral claims totalling 91-claim units over 1,456 hectares approximately 165 kilometres north-northeast of Red Lake.	Gold and base metals	100% owned. (3)

Notes:

(1) Interest was held by Nustar prior to the effective date of the amalgamation on April 5, 2005.
(2) These claims were staked in 2002. A seven-hole drill program was undertaken in February and March 2005 to test chargeability anomalies and the proposed down plunge projection of a gold-mineralized zone known from previous drilling. No intersections of economic significance were achieved.
(3) Interest was held by Candor prior to the effective date of the amalgamation on April 5, 2005.

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

Development Stage Corporation and Exploration Risks

The Corporation is a junior resource company focused primarily on the acquisition and exploration of mineral properties located in Canada. The properties of the Corporation have no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Corporation will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Corporation will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors. The exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time of which even a combination of careful evaluation, experience and knowledge of management may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration, development and production programs of the Corporation will result in profitable commercial mining operations. The profitability of the Corporation's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Substantial expenditures are required to establish reserves which are sufficient to commercially mine the Corporation's properties and to construct, complete and install mining and processing facilities in those properties that are actually mined and developed.

No History of Profitability

The Corporation is a development stage company with no history of profitability. There can be no assurance that the operations of the Corporation will be profitable in the future. The Corporation has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Corporation may become unable to acquire or retain its mineral concessions and carry out its business plan.

Government Regulations

The Corporation's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Corporation to carry out its mining activities, the Corporation's exploitation licences must be kept current. There is no guarantee that the Corporation's exploitation licences will be extended or that new exploitation licences will be granted. In addition, such exploitation licences could be changed and there can be no assurance that any application to renew any existing licences will be approved. The Corporation may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Corporation will also have to obtain and comply with permits and licences which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Corporation will be able to comply with any of such conditions.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Corporation such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing corporations, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Corporation’s control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Corporation not receiving an adequate return on invested capital.

Mining Risks and Insurance

The Corporation is subject to risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Corporation may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator if its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse affect on the financial position of the Corporation.

Environmental Protection

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Corporation or require it to expend significant funds.

Capital Investment

The ability of the Corporation to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing hereafter. There is no assurance that adequate financing will be available to the Corporation or that the terms of such financing will be favourable. Should the Corporation not be able to obtain such financing, its properties may be lost entirely.

Conflicts of Interest

Certain of the directors and officers of the Corporation may also serve as directors and officers of other companies involved in natural gold and precious metal resource exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Corporation will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Corporation and such other companies. In addition, such directors declare, and refrain from voting on any matters in which such directors may have a conflict of interest.

OVERALL PERFORMANCE

The Corporation is currently engaged in mineral exploration in Canada. The Corporation's exploration activities are at an early stage, and it has not yet been determined whether its properties contain recoverable ore. As a result, the Corporation has no current sources of revenue other than interest earned on cash, short-term investments and money market instruments, all of which were derived from issuances of share capital. There are no known deposits of minerals on any of the mineral exploration properties of the Corporation and any activities of the Corporation thereon will constitute exploratory searches for minerals. The following is a description of the Corporation's core projects and recent or proposed exploration initiatives.

Trends

- The economic crisis that started in the financial sector has continued to worsen and we are now in the midst of a global recession. The mining industry is undergoing massive scaling down. Capital investment in mining has dramatically declined with major new projects cancelled or delayed, and producing properties are subject to shutdowns and reduced production. Credit markets have become increasingly inaccessible and many mining companies that, just one year ago, had large cash resources to invest in mining operations are now struggling to finance day-to-day operations;

- There are significant uncertainties regarding the prices of precious and base metals and other minerals and the availability of equity financing for the purposes of mineral exploration and development. The prices of precious and base metals and other minerals have fallen substantially over the past several months and financial markets have deteriorated to the point where it has become extremely difficult for companies to raise new capital.

- The Company's future performance is largely tied to the outcome of future drilling results and the overall financial markets; and

- Current financial markets are likely to be volatile in Canada for the remainder of the calendar year and potentially into 2010, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. As well, concern about global growth has led to sustained drops in the commodity markets. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing/raising funds. Companies worldwide have been negatively affected by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of base and precious metals exploration and development, particularly without excessively diluting the interest of current shareholders of the Company.

These trends may limit the Company's ability to discover and develop an economically viable mineral deposit.

The CBS Properties

The CBS project is comprised of 192 contiguous claim units covering an under-explored volcanic belt on the Island of Newfoundland's Avalon Peninsula, situated approximately 30 kilometres from the Capital City of St. John's.

During September 2008 a VTEM airborne electromagnetic and magnetic survey, comprising 1,181 line kilometers covering a 25 kilometre strike length of the volcanic belt was flown in the project area.

Between November 25 and December 13, 2008, a diamond drilling program was completed on the property testing airborne and geological targets. The program comprised 12 drill holes totaling 1196m. Seven holes were drilled to test the strike and depth extension of the historic Pastureland base and precious metal showing. Highlights include a 26m zone of thin, intermittent, copper-lead-zinc sulphide mineralized bands in a pervasively altered mafic volcanic horizon. A 14 metre interval within this zone returned assay results of 1% zinc; 0.6% lead; 0.2% copper and 8 g/t silver, including 2.2 metres grading 2.6% zinc, 1.7% lead, 0.2% copper, 26 g/t silver. The last five holes tested selected VTEM airborne anomalies along the Pastureland horizon and intersected thick sequences of altered volcanics interlayered with altered metasedimentary rocks. No significant assays were returned from these holes. $391,291 in expenditures was written down on the property during the year ended June 30, 2009.

Prior to the required first anniversary payments the option agreements were terminated and the properties returned to the owners. Canstar still retains a 100%-interest in 27 claims staked by the Company.

The McFauld's Lake Properties

The Corporation has a 55% interest in a single claim block totaling 70 claim units (502 ha) in the McFauld's Lake area of northwestern Ontario, approximately 540 kilometres north-northeast of Thunder Bay, Ontario. The property is contiguous to the high-grade copper-zinc (minor silver and gold) massive sulphide discoveries by Spider Resources/KWG Resources, and proximal to Noront Resources high-grade nickel-copper-PGE discovery.

The Company contracted an airborne geophysical survey in December 2007 covering the entire property.

On April 22, 2008 the Company entered into an option agreement with Geocanex and United Reef, whereby United Reef became the operator of the McFauld's 1 and 3 properties.

A three-hole diamond drilling program was completed on the property by United Reef during July 2008. Barren granite was intersected in all holes. After substantial completion of their earn-in commitment on the McFauld's Project, United Reef was allowed to vest a 45% undivided interest in the property. The project is now under a joint-venture agreement, with Canstar maintaining operatorship and a 55% undivided interest in the property.

The Mary March Property

The Corporation has the right to earn a 100% interest in an underlying interest in the property held by Phelps Dodge Corporation of Canada Limited ("Phelps"), pursuant to a letter of intent entered into with Phelps. By virtue of an underlying agreement, Phelps may earn a 50% interest in the property from Falconbridge Limited by incurring expenditures of $1,500,000 over five years. Under the terms of the letter of intent, the Corporation will assume the remaining exploration expenditures of approximately $755,000 and will issue 100,000 common shares to Phelps, together with 100,000 common share purchase warrants exercisable at a price of $0.50 for a period of twenty-four months. The Corporation is also required to make a cash payment of $2,000,000 to Phelps within six months of commercial production. The Corporation's interest is also subject to a 1% NSR royalty due upon commencement of commercial production. The remaining 50% interest in the property is held by Xstrata plc, on which the Corporation maintains a right of first refusal.

The Mary March Property is comprised of 18 staked claims, 2 licenses, 1 lease and 2 patented lots totaling 1,616 hectares and is located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland. High grade Cu-Pb-Zn-Ag-Au massive sulphides of economic significance were discovered on the Mary March Property by Phelps in 1999, but the core discovery areas of the property had been dormant since August 2000. A TDEM survey completed was completed by Candor, the Corporation's predecessor, on a non-core portion of the property during the first quarter of 2004 and four holes totaling 925.4 metres were drilled to test these targets during the three months ended July 31, 2004. In February 2006, an infiniTEM survey was completed over the eastern portion of the property. No significant anomalies were identified.

Title to the core discovery areas of the Mary March Property is currently being contested. In September and October 2000, Vinland Resources Limited, a privately held Newfoundland company filed applications with the Mineral Claims Recorder for the Government of Newfoundland and Labrador (the "Mineral Claims Recorder") seeking Map Staking Licenses over the core Mary March discovery areas. On the basis of evidence demonstrating that the lands in question were not open for staking, the applications were rejected by the Mineral Claims Recorder. On December 20, 2000, the party in question filed a grievance with the Mineral Rights Adjudication Board (the "Board"), asking that the Mineral Claims Recorder's decision be overturned. In a ruling handed down December 17, 2003, the Board ruled against the Province and titleholders. On January 8, 2004, the Province filed an appeal on behalf of the Mineral Claims Recorder before the Supreme Court of Newfoundland and Labrador, Trial Division. The Supreme Court hearing on the matter commenced on January 23, 2006 and concluded on January 27, 2006. On July 26, 2006, the Supreme Court of Newfoundland and Labrador set aside the decision of the Mineral Rights Adjudication Board and referred the matter back to a re-hearing.

Following an appeal by Vinland Resources of this ruling, The Mineral Claims Recorder, in conjunction with Canstar-Phelps Dodge and Xstrata filed a cross appeal to overturn the decision by Newfoundland and Labrador

Supreme Court. The cross-appeal asked that the dispute be finally settled during the appeal, as the matter rests on points of law which are best decided by the courts.

The appeal and cross appeal hearing were completed on November 9th[h], 2007 and a decision was handed down on February 18th, 2008 dismissing Vinland's appeal and Canstar-Xstrata-Phelps' cross appeal. The decision upheld the Supreme Court of Newfoundland's ruling overturning the Mineral Right's Board decision, favouring Vinland, and called for a re-hearing. The Supreme Court ruling favours Canstar, as does the Appeal Courts decision. The second adjudication hearing ended on January 25th, 2009 and final summations were completed on May 29, 2009. On October 23rd, 2009 the Adjudication Board handed down a unanimous decision recognizing the current title holder, Phelps Dodge Canada, as the owner of the Mary March property. This positive decision in favour of Phelps Dodge, and therefore Canstar, was expected to signify the end of this long dispute, however, on November 20, 2009, Vinland filed a Notice of Appeal with the Newfoundland and Labrador Supreme Court (Trial Division) to the October 23, 2009 decision of the Mineral Rights Adjudication Board. It should be noted that the matter has already been considered by the Court of Appeal and the re-hearing by the Board followed the direction of that Court. A comprehensive drilling program had been planned to commence on the property pending receipt of necessary permits and equity financing. Management is currently evaluating all options.

The Slate Bay Property

The Slate Bay property is comprised of 8 contiguous, patented claims covering 128 hectares and located about 10 kilometres north of the town of Red Lake, Ontario, within the productive Red Lake greenstone belt. In November 2005, the Corporation met all of the expenditure requirements to earn its 75% interest in the property and advised Luxor that it wished to establish a joint venture to further explore and develop the property. Under the terms of the agreement, the Corporation will act as manager of the joint venture.

The Corporation has completed detailed ground magnetic and IP surveys over the property and an initial 5-hole drill program conducted in 2001 tested a number of IP anomalies. The first hole intersected a 69.33 metre interval of Cu-Au-Ag mineralized breccia. Additional IP surveying in 2003 identified the faulted extension of the chargeability anomaly related to the mineralized zone and extended its total length to 1,000 metres. On September 20, 2005, a program of follow-up drilling consisting of four holes totaling 641 metres intersected a large copper-gold-silver mineralized skarn system, which is believed to have potential for continuity both laterally and to depth, with grades running to a high of 7.2 g/t gold, 5.81% copper and 183 g/t silver over narrow intervals within considerably longer sections of lower grade material. In September 2008 the Company completed a further six holes on the property testing the skarn system at depth and along strike. The mineralized zone was intersected at an additional 50 metres depth and 100m along strike to the northeast of previous drilling. Analytical results confirm that the mineralization extends to depth and along strike, and is similar to previous results. $214,971 in expenditures was written down on the property during the year ended June 30, 2009.

RESULTS OF OPERATIONS

Three months ended September 30, 2009 Compared to September 30, 2008

During the three-month period ended September 30, 2009, the Company had a net loss of $51,369 compared to a net loss of $150,856 at September 30, 2008. The lower net loss was mainly due to an unrealized loss of $112,500 in 2008 and a lower realized loss of $25,000 in 2009 on short-term investments. In 2009, stock-based compensation is $12,483 lower ($6,688 vs $19,171) than the 2008 comparable period.

As at September 30, 2009, the interest in mineral properties and deferred exploration expenditures were $872,026 compared to $853,809 on September 30, 2008. There were no significant funds spent on exploration in the first quarter of fiscal 2010. The increase of $18,217 is due mainly to property maintenance costs.

SUMMARY OF QUARTERLY RESULTS (1)

The following table sets out selected quarterly results of the Corporation for the eight quarters prior to the effective date of this report. The information contained herein is drawn from the audited annual financial statements and unaudited interim financial statements of the Corporation.

Year	2009	2009	2009	2008
Quarter	September 30	June	March 31	December 31
Revenue	$nil	$nil	$nil	$nil
Working Capital	(59,875)	3,457	21,902	87,719
Interest in Mineral Properties and Deferred Exploration Expenditures	872,026	853,809	882,555	1,440,308
Expenses	26,369	57,685	101,408	46,993
Net (Loss) Income	(51,369)	(16,212)	(693,560)	(744,304)
Net (Loss) (per share) (1)	(0.00)	(0.01)	(0.01)	(0.01)

Year	2008	2008	2008	2007
Quarter	September 30	June 30	March 31	December 31
Revenue	$nil	$nil	$nil	$nil
Working Capital	115,029	700,787	580,084	618,218
Interest in Mineral Properties and Deferred Exploration Expenditures	1,900,406	1,435,250	1,428,990	1,434,100
Expenses	38,356	82,418	96,818	143,027
Net (Loss) Income	(150,856)	(88,659)	96,286	(143,027)
Net (Loss) (per share) (1)	0.00	0.00	0.00	(0.00)

Notes:

(1) Net loss per share on a fully diluted basis is the same as net loss per share on an undiluted basis, as all factors which were considered in the calculation are anti-dilutive.

LIQUIDITY

As at September 30, 2009, the Company had a working capital deficiency of $59,875 compared to working capital of $3,457 as at June 30, 2009. Working capital was lower at September 30, 2009 compared to June 30, 2008 by $63,332 mainly due to the Company financing its operating loss of $51,369 mainly from working capital and incurring $18,217 on the mineral properties. The Company has no revenue from operations and is dependent on financings for working capital. There were no financing activities during the quarter.

The Company's administrative costs are expected to remain at the current level during the remainder of the year, while exploration costs would increase if planned exploration programs are implemented.

WORKING CAPITAL RESOURCES

The Company does not currently have adequate funds to carry out all of its planned exploration activities or finance operations in fiscal 2010. Additional financings will be required.

Most of the Company's requirements for capital to maintain its ownership level in its properties, as well as pay for exploration expenditures and administrative expenses have been met through the completion of private placements and the exercise of stock options. Typically, these monies have come from institutional and high net worth investors and the amounts raised have been a function of the level of market interest in the junior resource industry as well as the general level of interest in the equity and mineral commodity markets. The Corporation will have to rely on further equity financings in order to maintain an adequate liquidity base with which to support its general operations and exploration and development mandate.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer other mining companies the opportunity to acquire interests in any of its properties in return for funding by such companies of all or part of the exploration and development of such properties. For the funding of any property acquisitions or exploration conducted by the Company, the Company depends on the issue of shares from treasury to investors. Such financing will depend, in turn, on various factors, such as a positive mineral exploration climate, positive stock market conditions, the Company's track record and the experience of management. If such financing is unavailable for any reason, the Company may become unable to retain its mineral interests and carry out its business plan.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Three months Ended September 30, 2009

During the three months ended September 30, 2009, the Company incurred a total of $nil (three months ended September 30, 2008 - $16,250) for consulting and administrative fees charged by a corporation controlled by a director of the Company. $nil (three months ended September 30, 2008 - $16,250) of this amount was capitalized in interest in mineral properties and deferred exploration expenditures. During the three months ended September 30, 2009, the Company incurred a total of $nil (three months ended September 30, 2008 - $4,214) for rent and operating expenses charged by a corporation controlled by a director of the Company. Included in accounts payable at September 30, 2009 is $4,345 (June 30, 2009 - $4,345) owing to this corporation. This amount is non-interest bearing, unsecured, with no fixed terms of repayment.

During the three months ended September 30, 2009, the Company incurred $2,625 (three months ended September 30, 2008 - $nil), for accounting and tax services rendered by a firm of chartered accountants of which one of the directors is a partner. Included in accounts payable and accrued liabilities at September 30, 2009 is $12,625 (June 30, 2009 - $10,000) accrued for accounting services. This amount is non-interest bearing, unsecured, with no fixed terms of repayment.

During the three months ended September 30, 2009, the Company incurred $1,500 (three months ended September 30, 2008 - $nil), for rent from Geocanex Limited. The Chairman and director of Canstar is the President of Geocanex Limited.

The above transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties and does not exceed the arm's length equivalent value for these services. Amounts owing to or from related parties are subject to normal trade payment terms.

During the three months ended September 30, 2009, the Company sold 2,500,000 common shares of United Reef Limited to the Chairman and director of Canstar for an aggregate amount of $50,000. The shares were sold at the quoted market price at the time of the sale.

PROPOSED TRANSACTIONS

There are no proposed acquisitions or dispositions being contemplated by the Corporation as at the date of this report.

SUBSEQUENT EVENTS

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

On November 20, 2009, Vinland filed a Notice of Appeal with the Newfoundland and Labrador Supreme Court (Trial Division) to the October 23, 2009 decision of the Mineral Rights Adjudication Board.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the financial statements include the Corporation's estimate of the recoverable value of its mineral properties and related deferred exploration expenditures, amounts owing to flow-through investors for income tax reassessments as well as the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Corporation's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock price volatility. The timing for exercise of options is out of the Corporation's control and will depend on a variety of factors, including the market value of the Corporation's shares and financial objectives of the stock-based instrument holders. The Corporation used historical data to determine volatility in accordance with the Black-Scholes option pricing model. However, the future volatility is uncertain and the model has its limitations.

The Corporation's recoverability of its recorded value of its mineral properties and associated deferred exploration expenses is based on current market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Corporation operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Corporation and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

Amounts owing to flow-through investors are dependent on the number of investors that make claims and their respective income tax rates.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

New Standards and Accounting Policy Changes

International Financial Reporting Standards ("IFRS") Implementation Plan

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required in 2011 for public companies in Canada (IFRS will replace Canadian GAAP for public companies). The official changeover date will apply for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended September 30, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of International Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	In progress, expected to be completed by December 31, 2009
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout fiscal 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout fiscal 2010

Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q4 (June 30, 2010) – Q1 (July 31, 2010)
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 (April 30, 2010) – Q2 (September 30, 2010)
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2010

Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"), results in withdrawal of CICA 3450, Research and Developmental Costs, and amendments to Accounting Guideline 11, Enterprises in the Development Stage and CICA 1000, Financial Statement Concepts. The standard intends to reduce the differences with IFRS in the accounting for intangible assets and results. Under current Canadian standards, more items are recognized as assets than under IFRS. The objectives of CICA 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition, and to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The new standard takes effect for fiscal years beginning on or after October 1, 2008, with early adoption encouraged. Canstar is evaluating the effects of adopting this standard.

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 IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS 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.

FINANCIAL INSTRUMENTS

Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements, and carrying forward 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.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Company has included the required disclosures in Note 11 of the financial statements.

CAPITAL DISCLOSURES

Section 1535 on capital disclosures requires the disclosure of information about an entity's objectives, policies and processes for managing capital. This new standard became effective for the Company on July 1, 2008. The Company has included the required disclosures in Note 3 of the financial statements.

GENERAL STANDARDS OF FINANCIAL STATEMENT PRESENTATION

In June 2007, the CICA amended Handbook Section 1400, "General Standards for Financial Statement Presentation". This standard became effective for interim and annual financial statements for the Company's reporting periods beginning on July 1, 2008. The adoption of this standard did not have an impact on the financial statements.

MINING EXPLORATION COSTS

On March 27, 2009, the AcSB issued EIC-174 "Mining Exploration Costs". In this EIC the Committee provided additional guidance for an enterprise that has initially capitalized exploration costs and has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009. The Company has adopted EIC-174 in its financial statements.

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 12, 2009. The Company is continually evaluating its counterparties and their credit risks.

FINANCIAL INSTRUMENTS

Fair Value

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

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

Foreign Exchange Risk

The Company currently is not subject to foreign exchange risk in the resource exploration business.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals.

DISCLOSURE CONTROLS

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. They are assisted in this responsibility by the Chairperson of the Audit Committee who serves as an independent director of the Corporation. All three individuals sit on the Corporation's Disclosure Policy Committee ("DPC"). The Disclosure Policy requires all staff to keep the DPC fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. Access to such material information by the DPC is facilitated by the small size of the Company's senior management and the location of all senior management staff in two corporate offices.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as of September 30, 2009, have concluded that the Corporation's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely information.

OUTSTANDING SHARE DATA

The authorized share capital consists of an unlimited number of common shares. As of November 26, 2009, an aggregate of 64,826,713 common shares were issued and outstanding.

APPROVAL

The Board of Directors of Canstar has approved the disclosure contained in the Management Discussion and Analysis. A copy of this report will be provided to anyone who requests it.

OTHER MATTERS

Additional information relating to the Company can be found on SEDAR at www.sedar.com and the Company's website at www.canstarresources.com.