
CANSTAR RESOURCES INC.
(A Development Stage Enterprise)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED
SEPTEMBER 30, 2007

(UNAUDITED)

Responsibility for Interim Consolidated Financial Statements

The accompanying interim consolidated financial statements for Canstar Resources Inc. (the "Company" or "Canstar") have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the June 30, 2007 audited consolidated financial statements. Only changes in accounting information have been disclosed in these interim consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

Auditor Involvement

The independent auditor of Canstar Resources Inc. has not performed a review of the unaudited interim consolidated financial statements for the three months ended September 30, 2007 and September 30, 2006.

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

	September 30, 2007	June 30, 2007
ASSETS		
Current		
Cash (Notes 6(a) and 6(b))	\$ 855,705	\$ 260,391
Short-term investments	4,500	4,500
Amounts receivable and prepaid expenses	15,645	11,682
	875,850	276,573
Equipment	929	978
Interest in mineral properties and deferred exploration expenditures	1,122,112	1,007,664
	\$ 1,998,891	\$ 1,285,215
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 59,802	\$ 92,387
SHAREHOLDERS' EQUITY		
Capital stock (Note 3(b))	7,172,486	6,171,595
Warrants (Note 3(d))	195,024	610,911
Contributed surplus	1,124,929	892,143
Deficit	(6,553,350)	(6,481,822)
	1,939,089	1,192,828
	\$ 1,998,891	\$ 1,285,215

Nature of Operations and Going Concern (Note 1)

Commitments (Note 6)

Subsequent Events (Note 7)

APPROVED ON BEHALF OF THE BOARD:

 "W. Deluce" , Director

 "John E. Hurley" , Director

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

	Three Months Ended September 30,	
	2007	2006
Operating Expenses		
Stock-based compensation	\$ 43,790	\$ 17,951
Professional fees	-	2,012
Transfer agent and filing fees	3,063	3,629
Accounting	7,795	4,330
Shareholder information (recovery)	(1,060)	-
Interest and bank charges	31	27
General and office expenses	7,978	1,149
Consulting fees	3,250	150
Travel	393	-
Amortization	49	76
	65,289	29,324
(Loss) before the under-noted	(65,289)	(29,324)
Interest income	-	2
General exploration	(947)	(6,908)
Write-off of interest in mineral properties	(5,292)	-
Net (loss) and other comprehensive (loss)	(71,528)	(36,230)
Net (loss) per share		
- basic and diluted (Note 4)	\$ 0.00	\$ 0.00
Weighted average number of shares	53,868,026	48,139,232

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

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

	Three Months Ended September 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) for the period	\$ (71,528)	\$ (36,230)
Charges not involving cash		
Stock-based compensation	43,790	17,951
Amortization	49	76
	(27,689)	(18,203)
Changes in non-cash working capital items		
(Increase) Decrease in amounts receivable and prepaid expenses	(3,963)	11,065
(Decrease) Increase in accounts payable and accrued liabilities	(32,586)	10,879
	(64,238)	3,741
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	774,000	22,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in mineral properties and deferred exploration expenditures	(114,448)	(11,820)
Increase in cash	595,314	14,721
Cash, beginning of period	260,391	390,577
Cash, end of period	\$ 855,705	\$ 405,298

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

	Three Months Ended September 30,	
	2007	2006
Capital Stock		
Balance at beginning of period	\$ 6,171,595	\$ 5,584,508
Exercise of warrants	774,000	22,800
Fair market value of warrants exercised	226,891	6,017
Balance at end of period	\$ 7,172,486	\$ 5,613,325
Warrants		
Balance at beginning of period	\$ 610,911	\$ 816,239
Fair market value of warrants exercised	(226,891)	(6,017)
Warrants expired	(188,996)	-
Balance at end of period	\$ 195,024	\$ 810,222
Contributed Surplus		
Balance at beginning of period	\$ 892,143	\$ 647,062
Stock-based compensation	43,790	17,951
Warrants expired	188,996	-
Balance at end of period	\$ 1,124,929	\$ 665,013
Deficit		
Balance at beginning of period	\$ (6,481,822)	\$ (5,554,851)
Net (Loss) for the period	(71,528)	(36,230)
Balance at end of period	\$ (6,553,350)	\$ (5,591,081)
Total shareholders' equity, end of period	\$ 1,939,089	\$ 1,497,479

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

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

	Three Months Ended September 30,	
	2007	2006
<u>Slate Bay Property, McDonough Township**</u>		
Balance, beginning and end of period	\$ 229,679	\$ 229,179
<u>Miminiska Property, Pickle Lake**</u>		
Balance, beginning and end of period	\$ -	\$ 539,748
<u>Mary March Property**</u> (Note 7(b))		
Balance, beginning of period	\$ 351,872	\$ 315,474
Agreement costs	2,387	-
Drilling	2,100	-
Geological	6,500	-
General and administrative	-	1,305
Supplies and equipment	-	2,100
Claim Staking, Maintenance fees	13,800	-
Travel	-	3,032
	24,787	6,437
Balance, end of period	\$ 376,659	\$ 321,911
<u>Shrimp Lake**</u>		
Balance, beginning of period	\$ 358,628	\$ 46,963
Drilling	45,630	-
Geological	3,250	1,727
General exploration	1,198	-
	50,078	1,727
Balance, end of period	\$ 408,706	\$ 48,690

***For a description of these properties, refer to Note 4 of the audited consolidated financial statements for the year ended June 30, 2007.*

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

	Three Months Ended September 30,	
	2007	2006
<u>Tahoe Lake**</u>		
Balance, beginning of period	\$ 67,485	\$ 34,987
Geological	3,250	1,727
General exploration	3,595	-
Drilling	32,294	-
Travel	444	-
	39,583	1,727
Balance, end of period	\$ 107,068	\$ 36,714
<u>Sunday Lake Property**</u>		
Balance, beginning of period	\$ -	\$ -
Geological	-	1,929
Assays	5,292	-
Write off of mineral property expenditures	(5,292)	-
	-	1,929
Balance, end of period	\$ -	\$ 1,929
Total, end of period	\$ 1,122,112	\$ 1,178,171

***For a description of these properties, refer to Note 4 of the audited consolidated financial statements for the year ended June 30, 2007.*

Canstar Resources Inc.
(A Development Stage Enterprise)
Notes to Interim Consolidated Financial Statements
Three Months Ended September 30, 2007
(Expressed in Canadian Dollars)
(Prepared by Management)
(Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The Company is in the development stage and is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the carrying values of mineral properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing necessary to complete development of the properties, and the future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

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

As at September 30, 2007, the Company had a deficit of \$(6,553,350) and working capital of \$816,048. These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended September 30, 2007 may not necessarily be indicative of the results that may be expected for the year ending June 30, 2008.

The consolidated balance sheet at June 30, 2007 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for complete consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual consolidated financial statements for the year ended June 30, 2007. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended June 30, 2007.

Canstar Resources Inc.
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Notes to Interim Consolidated Financial Statements
Three Months Ended September 30, 2007
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2. ACCOUNTING POLICIES (Continued)

Financial Instruments

Financial Instruments, Comprehensive Income (Loss), and Hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Corporation has adopted these new standards effective July 1, 2007.

(a) Financial Instruments - Recognition and Measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(b) Comprehensive Income (Loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

(d) Impact Upon Adoption of Sections 1530, 3855, and 3865

The Corporation has evaluated the impact of sections 1530, 3855 and 3865 on its financial statements and determined that no adjustments are currently required.

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2. ACCOUNTING POLICIES (Continued)

Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments- Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

Accounting Changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual financial statements for the Corporation's reporting period beginning on July 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Corporation is currently assessing the impact of these new accounting standards on its financial statements.

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

(a) Authorized:
 Unlimited number of common shares

(b) Issued:

	Shares	Amount
Balance, June 30, 2007	53,302,547	\$ 6,171,595
Warrants exercised	5,160,000	774,000
Warrants exercised - valuation	-	226,891
Balance, September 30, 2007	58,462,547	\$ 7,172,486

(c) Stock Option Plan

	Number of Options	Weighted Average Exercise Price
Balance, beginning and end of period	5,575,000	\$ 0.23

The options outstanding as at September 30, 2007 are as follows:

	Black-Scholes Valuation	Number of Options	Exercise Price	Expiry Date
\$ -	-	800,000	\$0.15	December 2, 2007
123,936	123,936	500,000	\$0.50	April 11, 2008
33,756	33,756	350,000	\$0.15	January 26, 2009
112,724	112,724	598,334	\$0.30	March 4, 2009
256,276	256,276	951,666	\$0.30	April 26, 2010
42,965	42,965	500,000	\$0.15	November 10, 2010
199,791	199,791	1,875,000	\$0.15	January 26, 2012
\$ 769,448	769,448	5,575,000	\$0.23	

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

(d) Warrants

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2007	14,282,500	\$ 0.16
Warrants exercised	(5,160,000)	0.15
Warrants expired	(3,062,500)	0.20
Balance, September 30, 2007	6,060,000	\$ 0.15

The warrants outstanding as at September 30, 2007 are as follows:

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
\$ 100,811	5,050,000	\$0.15	December 28, 2008
94,213	1,010,000	\$0.12	December 28, 2008
\$ 195,024	6,060,000	\$0.15	

4. BASIC AND DILUTED (LOSS) INCOME PER SHARE

Basic (loss) income per share is computed by dividing the (loss) income for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted (loss) income per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for stock options and warrants.

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5. RELATED PARTY TRANSACTIONS

During the period ending September 30, 2007 the Company incurred a total of \$16,250 (September 30, 2006 - \$Nil) for consulting and administrative fees to a corporation controlled by an officer and director of the Company. As at September 30, 2007 \$nil (June 30, 2007 - \$5,742) is included in accounts payable owing to this corporation.

At September 30, 2007 \$7,563 (June 30, 2007 - \$nil) was included in accounts payable and accrued liabilities payable to the CEO, President and director of the Company for out-of-pocket expenses incurred on behalf of the Company.

As at September 30, 2007, the Company owed \$nil (June 30, 2007 - \$9,530) to a corporation controlled by an officer and director of the Company for rent and operating expenses and \$5,000 (June 30, 2007 - \$5,000) to a firm of chartered accountants of which one of the directors is a partner, for accounting services.

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

6. COMMITMENTS

- a) As at September 30, 2007 the Company is committed to incur prior to December 31, 2007, on a best efforts basis, \$99,465 in qualifying Canadian exploration expenditures pursuant to a private placement for which flow-through proceeds had been renounced to shareholders during the 2007 calendar year.
- b) The Company is also committed to spending \$774,000, on a best efforts basis, in qualifying Canadian exploration expenditures, as a result of the the exercise of flow-through warrants. Pursuant to the terms of its flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Canadian Income Tax Act for the look back rule. The look back rule requires the Company to incur qualifying exploration expenditures in Canada ("CEE") within twelve months from the date of renunciation (which will be deemed to be December 31, 2007).

Canstar Resources Inc.
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Notes to Interim Consolidated Financial Statements
Three Months Ended September 30, 2007
(Expressed in Canadian Dollars)
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7. SUBSEQUENT EVENTS

- a) Subsequent to period end, 1,264,166 warrants were exercised for aggregate gross proceeds of \$183,625. Of the proceeds received, \$159,625 pertained to funds received upon exercise of flow-through warrants. Accordingly, pursuant to the terms of its flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Canadian Income Tax Act for the look back rule. The look back rule requires the Company to incur qualifying exploration expenditures in Canada ("CEE") within twelve months from the date of renunciation (which will be deemed to be December 31, 2007).

- b) Vinland Resources Limited ("Vinland") has appealed the ruling of the Newfoundland and Labrador Supreme Court Trial Division regarding the Mary March Property in the Buchans area of Newfoundland. Canstar and Phelps Dodge Corp. of Canada subsequently filed a cross-appeal asking that ownership of the property in question be decided upon by the Appaeal Panel, thus eliminating the need for a second Adjudication Board hearing. The timing for the hearing of the appeal and cross-appeal was set for October 16 and 17, and was adjourned until November 9, 2007, at which time the hearing was completed. The Appeal Judges reserved, and the Company is currently waiting for their decision on the appeal and cross appeal. The Canstar-Phelps Dodge Corporation of Canada joint venture continues to hold its interest in the subject claims over which Vinland has sought Map Staking Licenses. The Corporation's legal advisors believe that the merits of the case strongly favour Canstar and that the appeal will be determined in favour of the Canstar-Phelps Dodge Corporation of Canada joint venture. No further work will be done on the property until the appeal is determined.