

**NOTICE TO SHAREHOLDERS
FOR THE THREE AND SIX
MONTHS ENDED
DECEMBER 31, 2006**

**CANSTAR RESOURCES INC.
(A Development Stage Enterprise)**

Responsibility for Consolidated Financial Statements

The accompanying 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, 2006 audited consolidated financial statements. Only changes in accounting information have been disclosed in these 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 consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

Auditor involvement

The independent auditor of Canstar Resources Inc. has not performed a review of the unaudited consolidated financial statements for the three and six months ended December 31, 2006 and December 31, 2005.

Canstar Resources Inc.
(A Development Stage Enterprise)
Consolidated Balance Sheets
(Prepared by Management - Unaudited)

| | December 31, 2006 | June 30, 2006 |
|--|----------------------|------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 701,322 | \$ 390,577 |
| Short-term investments | 4,500 | 4,500 |
| Amounts receivable and prepaid expenses | 37,462 | 27,469 |
| | 743,284 | 422,546 |
| Equipment | 1,100 | 1,222 |
| Interest in mineral properties and deferred exploration expenditures (Note 3) | 1,502,300 | 1,166,351 |
| | \$ 2,246,684 | \$ 1,590,119 |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | \$ 299,605 | \$ 97,161 |
| SHAREHOLDERS' EQUITY | | |
| Capital stock (Note 4(b)) | 5,905,125 | 5,584,508 |
| Warrants (Note 4(e)) | 1,051,323 | 816,239 |
| Contributed surplus (Note 4(d)) | 681,030 | 647,062 |
| Deficit | (5,690,399) | (5,554,851) |
| | 1,947,079 | 1,492,958 |
| | \$ 2,246,684 | \$ 1,590,119 |

Going concern (Note 1)

Commitment (Note 9)

APPROVED ON BEHALF OF THE BOARD:

"Harry J. Hodge", Director

"John E. Hurley", Director

Canstar Resources Inc.
(A Development Stage Enterprise)
Consolidated Statements of Operations and Deficit
(Prepared by Management - Unaudited)

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|----------------|----------------------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| Expenses | | | | |
| Stock-based compensation (Note 4(d)) | \$ 16,017 | \$ 60,612 | \$ 33,968 | \$ 144,429 |
| Consulting fees | 1,639 | 2,480 | 1,789 | 2,880 |
| Flow-through interest penalty | 13,463 | - | 13,463 | - |
| Professional fees | 19,206 | 32,859 | 21,218 | 57,662 |
| Salaries and benefits | - | 41,034 | - | 66,303 |
| Transfer agent and filing fees | 20,811 | 17,309 | 24,440 | 21,624 |
| Accounting | 11,930 | 3,080 | 16,260 | 12,430 |
| General and office expenses | 5,158 | 23,405 | 6,307 | 38,923 |
| Shareholders communications | 10,971 | 11,545 | 10,971 | 11,545 |
| Amortization | 46 | 77 | 122 | 153 |
| Interest and bank charges | 77 | 97 | 104 | 192 |
| Travel | - | 733 | - | 3,472 |
| | 99,318 | 193,231 | 128,642 | 359,613 |
| Loss before the under-noted | (99,318) | (193,231) | (128,642) | (359,613) |
| Interest income | - | - | 2 | - |
| Other income | - | 577 | - | 577 |
| General exploration | - | (19,314) | (6,908) | (29,189) |
| Write-off of mineral property and deferred exploration expenditures | - | (1,177,705) | - | (1,177,705) |
| Net loss for the period | (99,318) | (1,389,673) | (135,548) | (1,565,930) |
| Deficit, beginning of period | (5,591,081) | (3,948,105) | (5,554,851) | (3,771,848) |
| Deficit, end of period | \$ (5,690,399) | \$ (5,337,778) | \$ (5,690,399) | \$ (5,337,778) |
| Net loss per share | | | | |
| - basic and diluted (Note 5) | \$ 0.00 | \$ 0.03 | \$ 0.00 | \$ 0.04 |
| Weighted average number of shares | 48,368,574 | 45,094,568 | 48,254,684 | 42,789,773 |

See accompanying notes to the consolidated financial statements

Canstar Resources Inc.
(A Development Stage Enterprise)
Consolidated Statements of Cash Flows
(Prepared by Management - Unaudited)

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|---|------------------------------------|----------------|----------------------------------|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| Cash provided by (used in) | | | | |
| Operations | | | | |
| Net loss for the period | \$ (99,318) | \$ (1,389,673) | \$ (135,548) | \$ (1,565,930) |
| Items not involving cash | | | | |
| Amortization | 46 | 77 | 122 | 153 |
| Stock-based compensation (Note 4(d)) | 16,017 | 60,612 | 33,968 | 144,429 |
| Write-off of mineral property and deferred exploration expenditures | - | 1,177,705 | - | 1,177,705 |
| | (83,255) | (151,279) | (101,458) | (243,643) |
| Changes in non-cash working capital items | | | | |
| Amounts receivable and prepaid expenses | (21,057) | 29,057 | (9,992) | 56,422 |
| Accounts payable and accrued liabilities | 191,565 | 58,900 | 202,444 | (238,188) |
| | 87,253 | (63,322) | 90,994 | (425,409) |
| Investing | | | | |
| Interest in mineral properties and deferred exploration expenditures | (324,129) | (104,039) | (335,949) | (214,680) |
| Financing | | | | |
| Exercise of warrants | - | - | 22,800 | - |
| Issuance of shares and warrants for cash, net of costs | 532,900 | 32,907 | 532,900 | 432,607 |
| | 532,900 | 32,907 | 555,700 | 432,607 |
| Change in cash | 296,024 | (134,454) | 310,745 | (207,482) |
| Cash, beginning of period | 405,298 | 239,364 | 390,577 | 312,392 |
| Cash, end of period | \$ 701,322 | \$ 104,910 | \$ 701,322 | \$ 104,910 |

See accompanying notes to the consolidated financial statements

Canstar Resources Inc.
(A Development Stage Enterprise)
Consolidated Statements of Interest In Mineral Properties And Deferred
Exploration Expenditures
(Prepared by Management - Unaudited)

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|------------|----------------------------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| <u>Slate Bay Property, McDonough Township (1)</u> | | | | |
| Balance, beginning of period | \$ 229,179 | \$ 177,550 | \$ 229,179 | \$ 144,041 |
| Property acquisition costs | - | - | - | 1,999 |
| Salaries and wages | - | - | - | 2,812 |
| Drilling | - | 46,503 | - | 73,049 |
| Geophysical | 500 | - | 500 | 500 |
| Geological | - | 120 | - | 320 |
| General exploration | - | 15 | - | 1,467 |
| Assays, analysis and report | - | 1,852 | - | 1,852 |
| Total expenditures during the period | 500 | 48,490 | 500 | 81,999 |
| Balance, end of period | \$ 229,679 | \$ 226,040 | \$ 229,679 | \$ 226,040 |
| <u>Miminiska Property, Pickle Lake (1)</u> | | | | |
| Balance, beginning of period | \$ 539,748 | \$ 533,607 | \$ 539,748 | \$ 527,748 |
| Salaries and wages | - | - | - | 5,625 |
| Geological | - | - | - | 228 |
| Drilling | - | 516 | - | 516 |
| General exploration | - | - | - | 6 |
| Total expenditures during the period | - | 516 | - | 6,375 |
| Balance, end of period | \$ 539,748 | \$ 534,123 | \$ 539,748 | \$ 534,123 |
| <u>Black River Property (1)</u> | | | | |
| Balance, beginning of period | \$ - | \$ 37,109 | \$ - | \$ 29,561 |
| Property acquisition costs | - | - | - | 380 |
| Salaries and wages | - | - | - | 938 |
| Geophysical | - | - | - | 6,150 |
| Geological | - | - | - | 80 |
| Total expenditures during the period | - | - | - | 7,548 |
| Balance, end of period | \$ - | \$ 37,109 | \$ - | \$ 37,109 |

(1) For a description of these properties, refer to Note 5 of the audited consolidated financial statements for the year ended June 30, 2006.

Canstar Resources Inc.
(A Development Stage Enterprise)
Consolidated Statements of Interest In Mineral Properties And Deferred
Exploration Expenditures
(Prepared by Management - Unaudited)

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|--------------|----------------------------------|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| <u>Mary March Property (1)(Note 3(1))</u> | | | | |
| Balance, beginning of period | \$ 321,911 | \$ 200,080 | \$ 315,474 | \$ 195,196 |
| Agreement costs | 10,354 | - | 10,354 | - |
| Drilling | 2,100 | 2,100 | 2,100 | 3,071 |
| Geological | - | 70 | - | 158 |
| General exploration | - | - | - | 1,800 |
| General and administrative | - | - | 1,305 | 225 |
| Supplies and equipment | - | - | 2,100 | 1,800 |
| Travel | - | - | 3,032 | - |
| Total expenditures during the period | 12,454 | 2,170 | 18,891 | 7,054 |
| Balance, end of period | \$ 334,365 | \$ 202,250 | \$ 334,365 | \$ 202,250 |
| <u>McFauld's Lake (1)</u> | | | | |
| Balance, beginning of period | \$ - | \$ 160,659 | \$ - | \$ 123,159 |
| Property acquisition costs | - | - | - | 37,500 |
| Total expenditures during the period | - | - | - | 37,500 |
| Balance, end of period | \$ - | \$ 160,659 | \$ - | \$ 160,659 |
| <u>Seal River (1)</u> | | | | |
| Balance, beginning of period | \$ - | \$ 1,185,160 | \$ - | \$ 1,127,260 |
| Salaries and wages | - | - | - | 5,625 |
| Geophysical | - | - | - | 40,620 |
| Geological | - | - | - | 514 |
| General exploration (recovery) | - | (7,849) | - | (5,534) |
| Transportation (recovery) | - | - | - | (6,471) |
| Advance | - | - | - | 15,297 |
| Drilling | - | 394 | - | 394 |
| Write-off of mineral property and deferred exploration expenditures | - | (1,177,705) | - | (1,177,705) |
| Total expenditures during the period | - | (1,185,160) | - | (1,127,260) |
| Balance, end of period | \$ - | \$ - | \$ - | \$ - |

(1) For a description of these properties, refer to Note 5 of the audited consolidated financial statements for the year ended June 30, 2006.

Canstar Resources Inc.
(A Development Stage Enterprise)
Consolidated Statements of Interest In Mineral Properties And Deferred
Exploration Expenditures
(Prepared by Management - Unaudited)

| | Three Months Ended December 31, | | Six Months Ended December 31, | |
|--|------------------------------------|---------------------|----------------------------------|---------------------|
| | 2006 | 2005 | 2006 | 2005 |
| <u>Shrimp Lake (1)</u> | | | | |
| Balance, beginning of period | \$ 48,690 | \$ 13,465 | \$ 46,963 | \$ 12,995 |
| Drilling | 221,500 | - | 221,500 | - |
| Salaries and wages | - | - | - | 470 |
| Geological | 770 | - | 2,497 | - |
| Geophysical | 47,306 | 35,100 | 47,306 | 35,100 |
| General exploration | - | 16 | - | 16 |
| Total expenditures during the period | 269,576 | 35,116 | 271,303 | 35,586 |
| Balance, end of period | \$ 318,266 | \$ 48,581 | \$ 318,266 | \$ 48,581 |
| <u>Tahoe Lake (1)</u> | | | | |
| Balance, beginning of period | \$ 36,714 | \$ 10,443 | \$ 34,987 | \$ 9,973 |
| Salaries and wages | - | - | - | 470 |
| Geological | - | - | 1,727 | - |
| Geophysical | 26,438 | 25,200 | 26,438 | 25,200 |
| Total expenditures during the period | 26,438 | 25,200 | 28,165 | 25,670 |
| Balance, end of period | \$ 63,152 | \$ 35,643 | \$ 63,152 | \$ 35,643 |
| <u>Sunday Lake Property (Note 3(2))</u> | | | | |
| Balance, beginning of period | \$ 1,929 | \$ - | \$ - | \$ - |
| Geological | - | - | 1,929 | - |
| Geophysical | 15,161 | - | 15,161 | - |
| Total expenditures during the period | 15,161 | - | 17,090 | - |
| Balance, end of period | \$ 17,090 | \$ - | \$ 17,090 | \$ - |
| TOTAL | \$ 1,502,300 | \$ 1,244,405 | \$ 1,502,300 | \$ 1,244,405 |

(1) For a description of these properties, refer to Note 5 of the audited consolidated financial statements for the year ended June 30, 2006.

Canstar Resources Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements
Three and Six Months Ended December 31, 2006
(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 December 31, 2006, the Company had a deficit of \$5,690,399 and working capital of \$443,679. 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. SUMMARY OF SIGNIFICANT 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 and six months ended December 31, 2006 may not necessarily be indicative of the results that may be expected for the year ending June 30, 2007.

The consolidated balance sheet at June 30, 2006 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, 2006. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended June 30, 2006.

Canstar Resources Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements
Three and Six Months Ended December 31, 2006
(Prepared by Management - Unaudited)

3. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

(1) Vinland Resources Limited ("Vinland") appealed the ruling of the Newfoundland and Labrador Supreme Court, Trial Division, regarding the Mary March Property in the Buchans area of Newfoundland. Canstar's legal counsel has advised that a resolution to this dispute by the courts is anticipated in early 2007. The Joint Venture continues to hold its interest in the subject claims over which Vinland has sought Map Staking Licenses. No further work will be done on the property until the outcome of the appeal is determined.

(2) In October 2006, the Company signed a Letter of Intent to acquire 100% interest in the Sunday Lake mineral property from The Sunday Lake Syndicate. The property is located approximately 30 Kilometers north of Thunder Bay in Northwestern Ontario. The Sunday Lake property comprises two mineral claims totalling approximately 360 acres.

The agreement gives Canstar the right to earn 100% interest over 3 years by paying \$150,000 and issuing 450,000 shares of Canstar, 50,000 of which will be issued on signing a formal agreement. The Syndicate retains 2% Net Smelter Royalty (NSR) interest. Canstar has right of first refusal to buy back 1% for \$1 million. The Syndicate would receive \$1 million on the commencement of commercial production. The agreement is subject to approval by the TSX-Venture Exchange.

A director of Canstar holds a minority interest in the Sunday Lake Syndicate.

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

(a) Authorized:

Unlimited number of common shares

(b) Issued:

| | Shares | Amount |
|--|-------------------|---------------------|
| Balance, June 30, 2006 | 48,012,547 | \$ 5,584,508 |
| Warrants exercised | 190,000 | 22,800 |
| Warrants exercised - valuation | - | 6,017 |
| Common shares issued - private placement (i) | 5,050,000 | 606,000 |
| Warrants valuation (i) | - | (155,400) |
| Broker warrant valuation (i) | - | (85,700) |
| Cost of issue - cash (i) | - | (73,100) |
| Balance, December 31, 2006 | 53,252,547 | \$ 5,905,125 |

(i) The Company completed a financing with Canaccord Capital Corporation raising \$606,000 through the sale of 5,050,000 units of Canstar at \$0.12 per unit on a private placement basis. Each unit consists of one common share and one warrant, which will be exercisable into one share at \$0.15 per share for 24 months. Of the total units, 4,200,000 were comprised of Flow Through common shares and 850,000 units were comprised of non-Flow Through common shares.

The fair value of each warrant was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 4.20% and an expected average life of 2 years. The value assigned was \$155,400.

On closing, the Company paid \$60,600 in commission and \$12,500 in fees and expenses to Canaccord Capital Corporation and issued 1,010,000 broker warrants, each exercisable into one common share at \$0.12 for 24 months.

Canstar Resources Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements
Three and Six Months Ended December 31, 2006
(Prepared by Management - Unaudited)

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

(i) (Continued) The fair value of each broker warrant was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 3.60% and an expected average life of 2 years. The value assigned was \$85,700.

\$55,200 of the total issue costs were allocated to the warrants.

All securities are subject to a four-month hold period.

(c) Stock Option Plan

| | Number of Options | Weighted Average Exercise Price |
|----------------------------|-------------------------|--|
| Balance, June 30, 2006 | 4,200,000 | \$ 0.27 |
| Stock options cancelled | (850,000) | 0.23 |
| Balance, December 31, 2006 | 3,350,000 | \$ 0.28 |

The options outstanding as at December 31, 2006 are as follows:

| | Black-Scholes Valuation | Number of Options | Exercise Price | Expiry Date |
|-------------------|----------------------------|----------------------|-------------------|-------------------|
| | \$ 123,936 | 500,000 | \$0.50 | April 11, 2008 |
| | 112,724 | 598,334 | \$0.30 | March 4, 2009 |
| | - | 700,000 | \$0.15 | August 23, 2009 |
| | 234,920 | 1,051,666 | \$0.30 | April 26, 2010 |
| | 42,965 | 500,000 | \$0.15 | November 10, 2010 |
| Cancelled options | 35,035 | - | - | |
| | \$ 549,580 | 3,350,000 | | |

(d) Contributed Surplus

The following is a continuity of contributed surplus as at December 31, 2006:

| | Contributed Surplus |
|----------------------------|------------------------|
| Balance, June 30, 2006 | \$ 647,062 |
| Vesting of stock options | 33,968 |
| Balance, December 31, 2006 | \$ 681,030 |

Canstar Resources Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements
Three and Six Months Ended December 31, 2006
(Prepared by Management - Unaudited)

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

(e) Warrants

A summary of changes in warrants is as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|--------------------------------|--------------------------|--|
| Balance, June 30, 2006 | 12,987,250 | \$ 0.33 |
| Warrants exercised | (190,000) | 0.12 |
| Warrants (Note 4(b)(i)) | 5,050,000 | 0.15 |
| Broker warrants (Note 4(b)(i)) | 1,010,000 | 0.12 |
| Warrants expired | (904,750) | 0.70 |
| Balance, December 31, 2006 | 17,952,500 | \$ 0.26 |

The warrants outstanding as at December 31, 2006 are as follows:

| Black-Scholes Valuation | Number of Warrants | Exercise Price | Expiry Date |
|----------------------------|-----------------------|-------------------|--------------------|
| \$ 396,865 | 3,335,000 | \$0.70 | April 7, 2007 |
| 60,970 | 335,000 | \$0.30 | April 7, 2007 |
| 163,392 | 5,160,000 | \$0.15 | September 20, 2007 |
| 188,996 | 3,062,500 | \$0.20 | August 2, 2007 |
| 155,400 | 5,050,000 | \$0.15 | December 28, 2008 |
| 85,700 | 1,010,000 | \$0.12 | December 28, 2008 |
| \$ 1,051,323 | 17,952,500 | | |

5. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is computed by dividing the loss 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 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.

Canstar Resources Inc.
(A Development Stage Enterprise)
Notes to Consolidated Financial Statements
Three and Six Months Ended December 31, 2006
(Prepared by Management - Unaudited)

6. INCOME TAXES

The estimated taxable income for the period is \$nil. Based upon the level of historical taxable income, it cannot be reasonably determined if the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities. Consequently, the future recovery or loss arising from differences in tax values and accounting values have been reduced by an equivalent estimated taxable temporary difference valuation allowance. This estimated taxable temporary difference valuation allowance will be adjusted in the period that it can be determined that it is more likely than not that some or all of the future tax assets or future tax liabilities will be realized.

For further information about the Company's losses for tax purposes, refer to the audited June 30, 2006 consolidated financial statements. The benefits for these losses and the estimated loss for the period are not recognized in these consolidated financial statements.

7. RELATED PARTY TRANSACTIONS

During the six months ended December 31, 2005, Canstar issued 250,000 shares valued at \$37,500 under a property option agreement to Geocanex Limited. The Chairman of Canstar is the President of Geocanex Limited. In addition, Geocanex Limited was paid for out-of-pocket expenses it incurred on behalf of Canstar.

As at December 31, 2006, the Company owed \$5,000 (2005 - \$1,712) 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.

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the June 30, 2006 audited consolidated financial statements.

9. COMMITMENT

The Company is committed to spending \$504,000 on eligible exploration costs in Canada under the Canada Revenue Agency flow-through program before December 31, 2007.

10. SUBSEQUENT EVENT

Subsequent to December 31, 2006, Canstar granted an aggregate of 1,875,000 incentive stock options to directors, officers and a consultant of the Company at a price of \$0.15 per share and exercisable for a period of five years, expiring on January 26, 2012. A further 350,000 incentive stock options were granted to a consultant of the Company at a price of \$0.15 per share and exercisable for a period of two years, expiring on January 26, 2009.