

**NOTICE TO SHAREHOLDERS  
FOR THE THREE AND NINE  
MONTHS ENDED  
MARCH 31, 2007**

**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 nine months ended March 31, 2007 and March 31, 2006.

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

	March 31, 2007	June 30, 2006
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 422,429	\$ 390,577
Short-term investments	4,500	4,500
Amounts receivable and prepaid expenses	13,215	27,469
	440,144	422,546
<b>Equipment</b>	1,039	1,222
<b>Interest in mineral properties and deferred exploration expenditures (Note 3)</b>	1,600,446	1,166,351
	\$ 2,041,629	\$ 1,590,119
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 134,174	\$ 97,161
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 4(b))	5,731,185	5,584,508
Warrants (Note 4(e))	1,051,323	816,239
Contributed surplus (Note 4(d))	817,991	647,062
Deficit	(5,693,044)	(5,554,851)
	1,907,455	1,492,958
	\$ 2,041,629	\$ 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 March 31,		Nine Months Ended March 31,	
	2007	2006	2007	2006
<b>Expenses</b>				
Stock-based compensation (Note 4(d))	\$ 136,961	\$ 61,216	\$ 170,929	\$ 205,645
Consulting fees	882	-	2,671	2,880
Flow-through interest penalty	-	-	13,463	-
Professional fees	15,700	98,041	36,918	168,133
Salaries and benefits (recovery)	-	(11,997)	-	54,306
Transfer agent and filing fees	8,132	8,394	32,572	30,018
Accounting	9,801	-	26,061	-
General and office expenses	6,095	10,344	12,402	49,267
Shareholders communications	6,384	(22)	17,355	11,523
Amortization	61	76	183	229
Interest and bank charges	69	1,202	173	1,394
Travel	-	-	-	3,472
	184,085	167,254	312,727	526,867
Loss before the under-noted	(184,085)	(167,254)	(312,727)	(526,867)
Interest income	-	-	2	-
Other income	-	456	-	1,033
General exploration	-	(196)	(6,908)	(29,385)
Write-off of mineral property and deferred exploration expenditures	-	(5,625)	-	(1,183,330)
<b>Net loss for the period before the following</b>	(184,085)	(172,619)	(319,633)	(1,738,549)
Future income tax recovery (Note 4(b)(ii))	181,440	222,750	181,440	222,750
<b>Net (loss) income for the period</b>	(2,645)	50,131	(138,193)	(1,515,799)
<b>Deficit, beginning of period</b>	(5,690,399)	(5,337,778)	(5,554,851)	(3,771,848)
<b>Deficit, end of period</b>	\$ (5,693,044)	\$ (5,287,647)	\$ (5,693,044)	\$ (5,287,647)
<b>Net loss per share</b>				
- basic and diluted (Note 5)	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.03)
<b>Weighted average number of shares</b>	53,273,917	46,926,074	49,903,835	44,144,796

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 March 31,		Nine Months Ended March 31,	
	2007	2006	2007	2006
<b>Cash provided by (used in)</b>				
<b>Operations</b>				
<b>Net (loss) income for the period</b>	\$ (2,645)	\$ 50,131	\$ (138,193)	\$ (1,515,799)
Items not involving cash				
Amortization	61	76	183	229
Future income tax recovery (Note 4(b)(ii))	(181,440)	(222,750)	(181,440)	(222,750)
Stock-based compensation (Note 4(d))	136,961	61,216	170,929	205,645
Write-off of mineral property and deferred exploration expenditures	-	5,625	-	1,183,330
	(47,063)	(105,702)	(148,521)	(349,345)
Changes in non-cash working capital items				
Amounts receivable and prepaid expenses	24,246	74,334	14,254	130,756
Accounts payable and accrued liabilities	(165,430)	(30,595)	37,014	(268,783)
	(188,247)	(61,963)	(97,253)	(487,372)
<b>Investing</b>				
Interest in mineral properties and deferred exploration expenditures	(90,646)	(17,610)	(426,595)	(232,290)
<b>Financing</b>				
Exercise of warrants	-	-	22,800	-
Issuance of shares and warrants for cash, net of costs	-	435,221	532,900	867,828
	-	435,221	555,700	867,828
<b>Change in cash</b>	(278,893)	355,648	31,852	148,166
<b>Cash, beginning of period</b>	701,322	104,910	390,577	312,392
<b>Cash, end of period</b>	\$ 422,429	\$ 460,558	\$ 422,429	\$ 460,558

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 March 31,		Nine Months Ended March 31,	
	2007	2006	2007	2006
<b><u>Slate Bay Property, McDonough Township (1)</u></b>				
Balance, beginning of period	\$ 229,679	\$ 226,038	\$ 229,179	\$ 144,039
Property acquisition costs	-	-	-	1,999
Salaries and wages	-	2,813	-	5,625
Drilling	-	-	-	73,049
Geophysical	-	-	500	500
Geological	-	-	-	320
General exploration	-	27	-	1,494
Assays, analysis and report	-	-	-	1,852
Consulting	-	300	-	300
Total expenditures during the period	-	3,140	500	85,139
Balance, end of period	\$ 229,679	\$ 229,178	\$ 229,679	\$ 229,178
<b><u>Miminiska Property, Pickle Lake (1)</u></b>				
Balance, beginning of period	\$ 539,748	\$ 534,123	\$ 539,748	\$ 527,748
Salaries and wages	-	5,625	-	11,250
Geological	-	-	-	228
Drilling	-	-	-	516
General exploration	-	-	-	6
Total expenditures during the period	-	5,625	-	12,000
Balance, end of period	\$ 539,748	\$ 539,748	\$ 539,748	\$ 539,748
<b><u>Black River Property (1)</u></b>				
Balance, beginning of period	\$ -	\$ 37,109	\$ -	\$ 29,561
Property acquisition costs	-	-	-	380
Salaries and wages	-	937	-	1,875
Geophysical	-	-	-	6,150
Geological	-	-	-	80
Total expenditures during the period	-	937	-	8,485
Balance, end of period	\$ -	\$ 38,046	\$ -	\$ 38,046

(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 March 31,		Nine Months Ended March 31,	
	2007	2006	2007	2006
<b><u>Mary March Property (1)(Note 3(1))</u></b>				
Balance, beginning of period	\$ 334,365	\$ 202,250	\$ 315,474	\$ 195,196
Agreement costs	26	-	10,380	-
Drilling	2,800	-	4,900	3,071
Geological	-	1,400	-	1,558
General exploration	-	-	-	1,800
General and administrative	-	-	1,305	225
Supplies and equipment	-	2,100	2,100	3,900
General exploration	165	-	165	-
Option costs	3,000	-	3,000	-
Travel	-	1,052	3,032	1,052
Total expenditures during the period	5,991	4,552	24,882	11,606
Balance, end of period	\$ 340,356	\$ 206,802	\$ 340,356	\$ 206,802
<b><u>McFauld's Lake (1)</u></b>				
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
<b><u>Seal River (1)</u></b>				
Balance, beginning of period	\$ -	\$ -	\$ -	\$ 1,127,260
Salaries and wages	-	5,625	-	11,250
Geophysical	-	-	-	40,620
Geological	-	-	-	514
General exploration (recovery)	-	-	-	(5,534)
Transportation (recovery)	-	-	-	(6,471)
Advance	-	-	-	15,297
Drilling	-	-	-	394
Write-off of mineral property and deferred exploration expenditures	-	(5,625)	-	(1,183,330)
Total expenditures during the period	-	-	-	(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.

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 March 31,		Nine Months Ended March 31,	
	2007	2006	2007	2006
<b><u>Shrimp Lake (1)</u></b>				
Balance, beginning of period	\$ 318,266	\$ 48,579	\$ 46,963	\$ 12,994
Drilling	-	-	221,500	-
Salaries and wages	-	466	-	936
Geological	-	-	2,497	-
Geophysical	-	(2,145)	47,306	32,955
General exploration	-	61	-	76
Total expenditures during the period	-	(1,618)	271,303	33,967
Balance, end of period	\$ 318,266	\$ 46,961	\$ 318,266	\$ 46,961
<b><u>Tahoe Lake (1)</u></b>				
Balance, beginning of period	\$ 63,152	\$ 35,645	\$ 34,987	\$ 9,974
Salaries and wages	-	467	-	937
Geological	-	-	1,727	-
Geophysical	-	(1,156)	26,438	24,045
General exploration	-	40	-	40
Total expenditures during the period	-	(649)	28,165	25,022
Balance, end of period	\$ 63,152	\$ 34,996	\$ 63,152	\$ 34,996
<b><u>Sunday Lake Property (Note 3(2))</u></b>				
Balance, beginning of period	\$ 17,090	\$ -	\$ -	\$ -
Geological	-	-	1,929	-
Property option costs	7,500	-	7,500	-
Consultants	12,633	-	12,633	-
Drilling	71,713	-	71,713	-
Geophysical	309	-	15,470	-
Total expenditures during the period	92,155	-	109,245	-
Balance, end of period	\$ 109,245	\$ -	\$ 109,245	\$ -
<b>TOTAL</b>	<b>\$ 1,600,446</b>	<b>\$ 1,256,390</b>	<b>\$ 1,600,446</b>	<b>\$ 1,256,390</b>

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

See accompanying notes to the consolidated financial statements

**Canstar Resources Inc.**  
**(A Development Stage Enterprise)**  
**Notes to Consolidated Financial Statements**  
**Three and Nine Months Ended March 31, 2007**  
**(Prepared by Management - Unaudited)**

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**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 March 31, 2007, the Company had a deficit of \$5,693,044 and working capital of \$305,970. 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 nine months ended March 31, 2007 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.**  
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**Three and Nine Months Ended March 31, 2007**  
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**3. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

(1) Following a ruling by the Newfoundland and Labrador Supreme Court in July 2006, Vinland Resources Limited ("Vinland") filed a notice of appeal. The joint-venture partners, Phelps Dodge and Canstar, responded with a cross appeal asking that Vinland's claim be dismissed without a rehearing. 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) On October 3, 2006, the Company signed a letter agreement (the "Agreement") to acquire 100% interest in the Sunday Lake mineral property from the Sunday Lake Syndicate. The Sunday Lake property comprises two mineral claims totalling approximately 360 acres.

In order to earn a 100% interest, the Company must pay the Optionor \$150,000 and issue 450,000 common shares to the Optionor over a three year period (50,000 common shares issued valued at \$7,500). The Company's interest would be subject to a 2% Net Smelter Royalty, half of which could be bought out at any time for \$1,000,000. The Optionor would also receive \$1,000,000 on the commencement of commercial production.

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)
Shares issued for property (Note 3(2))	50,000	7,500
Cost of issue - cash (i)	-	(73,100)
Renunciation of flow-through expenditures (ii)	-	(181,440)
<b>Balance, March 31, 2007</b>	<b>53,302,547</b>	<b>\$ 5,731,185</b>

(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 Nine Months Ended March 31, 2007**  
**(Prepared by Management - Unaudited)**

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**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.

(ii) On March 6, 2007, the Company renounced the flow-through offering that occurred in Note 4(b)(i). Pursuant to the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. As a result, the Company was required to recognize a foregone tax benefit of \$181,440 at the time of renouncement.

(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
Stock options granted (i)	2,225,000	0.15
Balance, March 31, 2007	5,575,000	\$ 0.23

(i) During the period, the Company 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. The options vest over 18 months as to one-quarter immediately, one-quarter on July 26, 2007, one-quarter on January 26, 2008 and one-quarter on July 26, 2008. For the nine months ended March 31, 2007, the estimated impact on earnings is \$120,944.

The fair value of the 1,875,000 stock options was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 150.2%; risk-free interest rate of 4.11% and an expected average life of 5 years. The value assigned was \$256,875.

The fair value of the 350,000 stock options was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 188.20%; risk-free interest rate of 4.13% and an expected average life of 2 years. The value assigned was \$43,400.

**Canstar Resources Inc.**  
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**Notes to Consolidated Financial Statements**  
**Three and Nine Months Ended March 31, 2007**  
**(Prepared by Management - Unaudited)**

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

(c) Stock Option Plan (continued)

The options outstanding as at March 31, 2007 are as follows:

	Black-Scholes Valuation	Number of Options	Exercise Price	Expiry Date
	\$ 123,936	500,000	\$0.50	April 11, 2008
	17,481	350,000	\$0.15	January 26, 2009
	112,724	598,334	\$0.30	March 4, 2009
	-	700,000	\$0.15	August 23, 2009
	250,937	1,051,666	\$0.30	April 26, 2010
	42,965	500,000	\$0.15	November 10, 2010
	103,463	1,875,000	\$0.15	January 26, 2012
Cancelled options	35,035	-	-	
	<b>\$ 686,541</b>	<b>5,575,000</b>		

(d) Contributed Surplus

The following is a continuity of contributed surplus as at March 31, 2007:

	Contributed Surplus
Balance, June 30, 2006	\$ 647,062
Vesting of stock options	170,929
<b>Balance, March 31, 2007</b>	<b>\$ 817,991</b>

(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
<b>Balance, March 31, 2007</b>	<b>17,952,500</b>	<b>0.26</b>

**Canstar Resources Inc.**  
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**Notes to Consolidated Financial Statements**  
**Three and Nine Months Ended March 31, 2007**  
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**4. CAPITAL STOCK, CONTRIBUTED SURPLUS, OPTIONS, AND WARRANTS (Continued)**

(e) Warrants (Continued)

The warrants outstanding as at March 31, 2007 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) 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.

**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.

**Canstar Resources Inc.**  
**(A Development Stage Enterprise)**  
**Notes to Consolidated Financial Statements**  
**Three and Nine Months Ended March 31, 2007**  
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**7. RELATED PARTY TRANSACTIONS**

For the nine months ended March 31, 2006, 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.

For the nine months ended March 31, 2007, the Company paid consulting fees of \$12,633 (2006 - \$nil) and reimbursed a director and a company controlled by the director for out of pocket expenses that occurred on behalf of the Company.

As at March 31, 2007, the Company owed \$21,942 (2006 - \$nil) 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**

Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for the look-back rule. The look-back rule requires the Company to incur qualifying exploration expenditures in Canada ("CEE") within 12 months from the effective date of renunciation (December 31, 2006). As at March 31, 2007, the Company is committed to incur \$415,000 in CEE by December 31, 2007 arising from the flow-through offering.