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**CANSTAR RESOURCES INC.**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

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

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

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

Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence in that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

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

As at	September 30, 2021	June 30, 2021
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 428,344	\$ 279,445
Amounts receivable and prepaid expenses	194,928	78,142
Advances receivable	42,023	32,023
Marketable securities (Note 3)	3,104,348	4,000,957
Investments (Note 4)	59,500	66,500
<b>Total current assets</b>	<b>3,829,143</b>	<b>4,457,067</b>
<b>Golden Baie security deposit</b> (Note 5)	<b>265,450</b>	<b>-</b>
<b>Equipment</b> (Note 6)	<b>2,432</b>	<b>2,535</b>
<b>Interest in exploration properties and deferred exploration expenditures</b> (Notes 5 and 8)	<b>11,616,608</b>	<b>10,566,235</b>
<b>Total assets</b>	<b>\$ 15,713,633</b>	<b>\$ 15,025,837</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Notes 8 and 9)	\$ 454,684	\$ 293,680
<b>Total liabilities</b>	<b>454,684</b>	<b>293,680</b>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 7(b))	25,628,569	24,839,707
Warrants (Note 7(d))	1,592,699	1,767,822
Share-based payment reserve (Note 7(c))	1,222,517	1,031,699
Deficit	(13,184,836)	(12,907,071)
<b>Total shareholders' equity</b>	<b>15,258,949</b>	<b>14,732,157</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 15,713,633</b>	<b>\$ 15,025,837</b>

**Nature and Continuance of Operations** (Note 1)  
**Commitments and Contingencies** (Notes 5 and 9)  
**Subsequent Events** (Note 10)

APPROVED ON BEHALF OF THE BOARD:

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*"D. Peterson"*, Director

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*"S. Leung"*, Director

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

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

	Three Months Ended September 30,	
	2021	2020
<b>Operating expenses</b>		
Share-based payment expense (Notes 7(c) and 8)	\$ 190,818	\$ 6,270
Interest and bank charges	12,766	191
Transfer agent and filing fees	5,905	5,569
Management fees (Note 8)	33,053	1,451
Professional fees (Note 8)	(256)	42,330
General and office expenses	28,531	2,792
Shareholder information	3,455	3,707
Depreciation (Note 6)	103	104
Rent (Note 8)	1,200	6,510
<b>Total operating expenses</b>	<b>275,575</b>	<b>68,924</b>
Loss before items below:	(275,575)	(68,924)
Fair value adjustment on marketable securities	4,320	-
Interest income	165	-
Realised gain on marketable securities	325	-
Fair value adjustment on investments (Note 4)	(7,000)	60,900
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (277,765)</b>	<b>\$ (8,024)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares - basic and diluted</b>	<b>88,266,808</b>	<b>49,438,254</b>

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

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

	Three Months Ended September 30,	
	2021	2020
<b>CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (277,765)	\$ (8,024)
Charges not involving cash:		
Share-based payment expense	190,818	6,270
Fair value adjustment on marketable securities	(4,320)	-
Depreciation	103	104
Fair value adjustment on investments	7,000	(60,900)
Realised gain on sale of investments	(325)	-
	<b>(84,489)</b>	<b>(62,550)</b>
Changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(116,786)	(8,706)
Advances receivable	(10,000)	-
Accounts payable and accrued liabilities	161,004	122,642
<b>Cash flows (used in) from operating activities</b>	<b>(50,271)</b>	<b>51,386</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placement	-	500,002
Share issue costs	-	(31,020)
Proceeds from exercise of warrants	613,739	-
<b>Cash flows from financing activities</b>	<b>613,739</b>	<b>468,982</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Interest in exploration properties and deferred exploration expenditures	(1,315,823)	(94,507)
Proceeds from sale of marketable securities	901,419	-
Interest income	(165)	-
<b>Cash flows used in investing activities</b>	<b>(414,569)</b>	<b>(94,507)</b>
<b>Change in cash and cash equivalents</b>	<b>148,899</b>	<b>425,861</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>279,445</b>	<b>95,648</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 428,344</b>	<b>\$ 521,509</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	\$ 397,413	\$ 510,844
Cash equivalents	30,931	10,665
	<b>\$ 428,344</b>	<b>\$ 521,509</b>

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

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

	Capital Stock	Warrants	Share-based Payment Reserve	Deficit	Total
<b>Balance, June 30, 2020</b>	<b>\$ 19,155,206</b>	<b>\$ -</b>	<b>\$ 201,790</b>	<b>\$(11,500,203)</b>	<b>\$ 7,856,793</b>
Share-based payment expense	-	-	6,270	-	6,270
Private placement	500,002	-	-	-	500,002
Cost of issue	(31,020)	-	-	-	(31,020)
Issuance of warrants	(203,546)	203,546	-	-	-
Net loss for the period	-	-	-	(8,024)	(8,024)
<b>Balance, September 30, 2020</b>	<b>\$ 19,420,642</b>	<b>\$ 203,546</b>	<b>\$ 208,060</b>	<b>\$(11,508,227)</b>	<b>\$ 8,324,021</b>
<b>Balance, June 30, 2021</b>	<b>\$ 24,839,707</b>	<b>\$ 1,767,822</b>	<b>\$ 1,031,699</b>	<b>\$(12,907,071)</b>	<b>\$ 14,732,157</b>
Share-based payment expense	-	-	190,818	-	190,818
Exercise of warrants	788,862	(175,123)	-	-	613,739
Net loss for the period	-	-	-	(277,765)	(277,765)
<b>Balance, September 30, 2021</b>	<b>\$ 25,628,569</b>	<b>\$ 1,592,699</b>	<b>\$ 1,222,517</b>	<b>\$(13,184,836)</b>	<b>\$ 15,258,949</b>

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

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2021**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

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

The unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 26, 2021.

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

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

As at September 30, 2021, the Company had a deficit of \$13,184,836 (June 30, 2021 - \$12,907,071) and working capital of \$3,374,459 (June 30, 2021 - \$4,163,387). The Company's ability to continue operations and fund its future exploration property expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management believes that working capital at September 30, 2021 is sufficient to support planned operations for at least the next 12 months.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Statement of compliance:***

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

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of November 26, 2021, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended June 30, 2021. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending June 30, 2022 could result in restatement of these unaudited condensed interim consolidated financial statements.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**  
**THREE MONTHS ENDED SEPTEMBER 30, 2021**

**3. MARKETABLE SECURITIES**

The Company's marketable securities include GICs and other exchange traded funds that invest primarily in high interest deposit accounts with Canadian banks.

During the three months ended September 30, 2021, the Company recognized a realized gain of \$325 (three months ended September 30, 2020 - \$nil). During the three months ended September 30, 2021, the Company also earned interest of \$165 (three months ended September 30, 2020 - \$nil) from investment activity.

Marketable securities have been designated as fair value through profit or loss and are recorded at fair value, with changes recognized in the unaudited condensed interim consolidated statements of operations and comprehensive loss.

Marketable securities are composed of:

	<b>As at September 30, 2021</b>	<b>As at June 30, 2021</b>
GICs	\$ 749,880	\$ 1,249,880
Exchange traded funds	2,354,468	2,751,077
<b>Marketable securities</b>	<b>\$ 3,104,348</b>	<b>\$ 4,000,957</b>

**4. INVESTMENTS**

<b>As at September 30, 2021</b>	<b>Number of Common Shares</b>	<b>Cost</b>	<b>Market Value Adjustment</b>	<b>Fair Value</b>
Angus Gold Inc. ("Angus") (Note 5(c))	70,000	\$ 14,000	\$ 45,500	\$ 59,500

<b>As at June 30, 2021</b>	<b>Number of Common Shares</b>	<b>Cost</b>	<b>Market Value Adjustment</b>	<b>Fair Value</b>
Angus (Note 5(c))	70,000	\$ 14,000	\$ 52,500	\$ 66,500

The investment in shares of Angus is classified as Level 1 within the Fair Value Hierarchy. There were no transfers in or out of Levels 2 or 3 during the period ended September 30, 2021.



**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**THREE MONTHS ENDED SEPTEMBER 30, 2021**

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

	<b>Buchans- Mary March Properties</b>	<b>Daniel's Harbour Properties</b>	<b>Golden Baie Property</b>	<b>Total</b>
<b>PROPERTY ACQUISITION COSTS</b>				
Balance, June 30, 2020 and September 30, 2020	\$4,887,465	\$ 200,000	\$ -	\$5,087,465
<b>DEFERRED EXPLORATION COSTS</b>				
Balance, June 30, 2020	2,722,710	200	-	2,722,910
Equipment, rentals, camp, and general	3,804	-	34,208	38,012
Assaying	5,062	-	-	5,062
Drilling	-	-	275	275
Field supplies	1,536	-	-	1,536
Geological consulting	19,000	-	9,590	28,590
Labour and supervision	20,431	-	-	20,431
Travel	601	-	-	601
Balance, September 30, 2020	2,773,144	200	44,073	2,817,417
<b>Total, September 30, 2020</b>	<b>\$7,660,609</b>	<b>\$ 200,200</b>	<b>\$ 44,073</b>	<b>\$7,904,882</b>

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
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**THREE MONTHS ENDED SEPTEMBER 30, 2021**

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

	<b>Buchans- Mary March Properties</b>	<b>Golden Baie Property</b>	<b>Total</b>
<b>PROPERTY ACQUISITION COSTS</b>			
Balance, June 30, 2021 and September 30, 2021	\$4,887,465	\$1,740,000	\$6,627,465
<b>DEFERRED EXPLORATION COSTS</b>			
Balance, June 30, 2021	2,774,707	1,164,063	3,938,770
Equipment, rentals, camp, and general Access	694	123,948	124,642
Assaying	-	900	900
Drilling	86	18,271	18,357
Field supplies	87,750	534,925	622,675
Geological consulting	-	11,378	11,378
Labour and supervision	-	45,653	45,653
Travel	26,405	161,854	188,259
	-	38,509	38,509
Balance, September 30, 2021	2,889,642	2,099,501	4,989,143
Total, September 30, 2021	\$7,777,107	\$3,839,501	\$11,616,608

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**THREE MONTHS ENDED SEPTEMBER 30, 2021**

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

**a) Mary March Properties**

**(i) Glencore Joint Venture**

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

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

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

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

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

The Company plans to continue exploration on this property.

**(ii) Mary March Extension Property**

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

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

**(iii) Buchans Property**

The Buchans Property was acquired on July 30, 2018.

Canstar owns a 100% interest in the property, subject to a 2% NSR royalty.

**CANSTAR RESOURCES INC.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
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**5. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**  
**(CONTINUED)**

**b) Kenora Properties**

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

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

Due to disappointing exploration results and management's decision to refocus on the Mary March property during the year ended June 30, 2018, management decided to write the Kenora property down to \$20,000, its estimate of the recoverable amount. During the year ended June 30, 2020, the property was sold for \$20,000 to a third party. The Company retains a 1.5% NSR interest on the Kenora property.

**c) Slate Bay Properties**

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

During the year ended June 30, 2020, the Company entered into a definitive agreement with Angus, whereby it agreed to sell its 75% interest to Angus for consideration of \$30,000 and 70,000 common shares of Angus (valued on initial recognition at \$14,000). Accordingly, a gain on the sale of mineral properties was recorded during the year ended June 30, 2020. The sale closed during the year ended June 30, 2020. As at September 30, 2021, the value of the investment in shares of Angus is \$59,500.

**d) Daniel's Harbour Properties**

The Daniel's Harbour Properties are located in coastal Western Newfoundland. The Company acquired the Daniel's Harbour Properties on July 30, 2018 from Altius Minerals Ltd.

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

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

An impairment of \$200,200 was recorded during the year ended June 30, 2021 as management had no exploration plans for the property.

**e) Golden Baie Property**

The Golden Baie Property is comprised of 57 mineral exploration licenses covering an area of 62,175 hectares located in south-central Newfoundland. On August 26, 2020, the Company signed a binding letter agreement with Altius Resources Inc. ("Altius"), a wholly owned subsidiary of Altius Minerals Corporation, and other arm's length parties for the option to acquire a 100% interest in mineral claims.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**  
**(CONTINUED)**

**e) Golden Baie Property (continued)**

On November 18, 2020, the Company closed an option agreement with Altius. Under the Option agreement, the Company can earn a 100% undivided interest in the Golden Baie claim over a four year period for the following considerations:

- Issuance of 4,000,000 common shares (issued and valued at \$1,120,000) of the Company to Altius upon receipt of TSX Venture Exchange's approval. These were issued in November 2020;
- Aggregate cash payment of \$50,000 (paid) and issuance of an aggregate of 2,000,000 common shares (issued and valued at \$560,000) to the Optionors upon signing of the definitive agreements (the "Definitive Agreements"). This payment and the shares were issued in November 2020;
- Issuance of 2,000,000 common shares to Altius on the first anniversary of the signing of the Definitive Agreements;
- Payment of an aggregate cash payment of \$50,000 and issuance of an aggregate of 1,000,000 common shares to the Optionors on the first anniversary of the Definitive Agreements; See Note 10.
- Issuance of 2,500,000 common shares to Altius on the second anniversary of the Definitive Agreements;
- Payment of an aggregate cash payment of \$50,000 and issuance of an aggregate of the lesser of \$250,000 worth of common shares or 1,000,000 common shares to the Optionors on the second anniversary of the Definitive Agreements; and
- Payment of an aggregate cash payment of \$100,000 and issuance of an aggregate of the lesser of \$250,000 worth of common shares or 1,000,000 common shares to the Optionors on the third anniversary of the Definitive Agreements.

As further consideration for the option, Canstar is required to commit to fund exploration expenditures of a minimum of \$1,250,000 over a four-year period. The minimum expenditure commitment for the first year will be \$500,000. In addition, the Optionors will be entitled to an aggregate milestone payment of \$1,000,000 by the Company to the Optionors upon the Golden Baie Project claims achieving National Instrument 43-101 defined measured and indicated mineral resources of at least one million contained gold ounces.

The Optionors will transfer title to the Little River Claims to Canstar subject to the Optionors retaining a 2.0% NSR from all commercial production on the Golden Baie Project (the "Royalty"). Altius shall maintain the right to purchase from the Optionors 1% of the NSR for the total sum of \$1,500,000. Altius will also have a first right of refusal on the purchase of the remaining 1% NSR.

On November 25, 2020, the Company announced that it has entered into an option agreement with Altius and other arm's length parties (collectively, the "Optionors") to acquire a 100% interest in 41 mineral claims contiguous with the Golden Baie Project, subject to a 1.5% NSR. In consideration for the acquisition of the option, Canstar shall, among other things: (i) issue an aggregate number of common shares, payable in installments, as is equal to \$75,000 divided by the greater of \$0.225 and the 5-day volume weighted average price per share; and (ii) pay an aggregate of \$75,000 in cash, payable in installments, over a three-year period. Altius has the right to purchase at any time, from the Optionors, one third of the NSR (namely, a 0.5% NSR) for the total sum of \$1,000,000. In addition, Altius has the right of first refusal on any sale by the Optionors of the remaining two thirds of the NSR.

So long as Altius owns 9.9% of the Company's shares outstanding it shall have the right to participate in 19.9% of any equity financing during the term of the option.

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**5. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)**

**e) Golden Baie Property (continued)**

During the period ended September 30, 2021, the Company put up a security bond to keep certain Golden Baie claims in good standing. Once the required expenditures have been achieved, the bond will be returned to the Company.

**6. EQUIPMENT**

<b>Cost</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2021 and September 30, 2021</b>	<b>\$ 13,477</b>
<b>Accumulated Depreciation</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2021</b>	<b>\$ 10,942</b>
Depreciation	103
<b>Balance, September 30, 2021</b>	<b>\$ 11,045</b>
<b>Carrying Value</b>	<b>Office and field equipment</b>
<b>Balance, June 30, 2021</b>	<b>\$ 2,535</b>
<b>Balance, September 30, 2021</b>	<b>\$ 2,432</b>

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

**(a) Authorized**

Unlimited number of common shares, without par value.

**(b) Issued**

89,316,008 common shares

Summary of changes in capital stock:

	<b>Shares</b>	<b>Amount</b>
<b>Balance, June 30, 2020</b>	<b>48,700,473</b>	<b>\$ 19,155,206</b>
Private placement (i)	4,761,920	500,002
Cost of issue	-	(31,020)
Warrant valuation (i)	-	(203,546)
<b>Balance, September 30, 2020</b>	<b>53,462,393</b>	<b>\$ 19,420,642</b>

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

**(b) Issued (Continued)**

	Shares	Amount
<b>Balance, June 30, 2021</b>	<b>86,393,450</b>	<b>\$ 24,839,707</b>
Exercise of warrants (ii)	2,922,558	788,862
<b>Balance, September 30, 2021</b>	<b>89,316,008</b>	<b>\$ 25,628,569</b>

i) On September 15, 2020, the Company completed a private placement consisting of the sale of 4,761,920 units ("Part & Parcel Unit") at \$0.105 per Part & Parcel Unit for gross proceeds of \$500,002. Each Part & Parcel Unit was comprised of one common share in the capital of the Company and one common share purchase warrant ("Warrant") at an exercise price of \$0.21 per Warrant for two years from the date of issuance. In connection with the private placement, directors and officers of the Company, acquired a total of 2,870,050 Part & Parcel Units for aggregate proceeds of approximately \$301,355. A fair value of \$203,546 was estimated using the Black-Scholes pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 0.26%; expected life of 2 years; and an expected volatility of 171% based on the Company's historical trading data. All securities issued are subject to the applicable statutory hold period of four months and one day from the closing.

(ii) During the period ended September 30, 2021, 2,922,558 warrants were exercised at a price of \$0.21 per warrant for gross proceeds of \$613,739, and \$175,123 was reclassified from warrant reserves for a fair value amount of \$788,862.

**(c) Stock Options**

A summary of changes in stock options is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance, June 30, 2020 and September 30, 2020</b>	<b>747,500</b>	<b>\$ 0.38</b>
<b>Balance, June 30, 2021 and September 30, 2021</b>	<b>6,407,500</b>	<b>\$ 0.29</b>

The total value of share-based payments expense for the three months ended September 30, 2021 was \$190,818 (three months ended September 30, 2020 - \$6,270) relating to the vesting of previously granted stock options.

As at September 30, 2021, the following stock options were outstanding:

Number of Options	Exercisable Options	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
357,500	357,500	\$0.55	0.01	January 3, 2022
100,000	100,000	\$0.30	0.00	January 15, 2022
150,000	100,000	\$0.10	0.05	October 19, 2023
3,800,000	1,266,667	\$0.28	2.40	October 14, 2025
1,200,000	400,000	\$0.28	0.82	February 8, 2026
800,000	200,000	\$0.28	0.57	April 26, 2026
<b>6,407,500</b>	<b>2,424,167</b>	<b>\$0.29</b>	<b>3.85</b>	

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

**(d) Share Purchase Warrants**

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, June 30, 2020</b>	-	\$ -
Issued ((Note 7(b)(i)))	4,761,920	0.21
<b>Balance, September 30, 2020</b>	<b>4,761,920</b>	<b>\$ 0.21</b>
<b>Balance, June 30, 2021</b>	<b>27,110,013</b>	<b>\$ 0.23</b>
Exercised	(2,922,558)	0.21
<b>Balance, September 30, 2021</b>	<b>24,187,455</b>	<b>\$ 0.23</b>

As at September 30, 2021, the following warrants were outstanding.

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
\$ 158,896	3,912,630	\$0.21	September 15, 2022
458,193	6,950,542	\$0.21	October 1, 2022
10,477	90,000	\$0.1575 <sup>(1)</sup>	October 1, 2022
20,508	76,388	\$0.35	December 30, 2022
944,625	13,157,895	\$0.25	May 21, 2023
<b>\$ 1,592,699</b>	<b>24,187,455</b>	<b>\$0.23</b>	

<sup>(1)</sup> Each warrant is comprised of one common share and one common share purchase warrant exercisable at \$0.21 until October 1, 2022.

**8. RELATED PARTY TRANSACTIONS**

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



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

Canstar entered into the following transactions with related parties:

The remuneration of directors and key management during the periods ended September 30, 2021 and September 30, 2020 were as follows:

	<b>Three Months Ended September 30,</b>	
	<b>2021</b>	<b>2020</b>
Short-term benefits	\$ 22,500	\$ -
Share-based payment	148,856	-
	<b>\$ 171,356</b>	<b>\$ -</b>

During the three months ended September 30, 2021, \$22,500 (three months ended September 30, 2020 - \$nil) was paid to directors and key management and included in management fees. Included in accounts payable as at September 30, 2021, is \$8,475 owing to a corporation controlled by an officer, who is also a director of the Company (June 30, 2021 - \$8,475).

During the three months ended September 30, 2021, the Company incurred \$240 (three months ended September 30, 2020 - \$25,573) for professional fees and \$nil, (three months ended September 30, 2020 - \$11,662) for share issue costs, charged by Peterson McVicar LLP, a law firm of which a director is a partner. As at September 30, 2021, \$5,415 was payable to this law firm (June 30, 2021 - \$3,045) and this amount was included in accounts payable and accrued liabilities.

During the three months ended September 30, 2021, the Company incurred \$1,200 (three months ended September 30, 2020 - \$6,510) for rent charged by a significant shareholder of the Company.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive or non-executive) of the Company. Amounts payable to related parties are unsecured, non-interest bearing and due on demand. See Note 7(b)(i).

As at September 30, 2021, the directors and officers of the Company together control 8,593,460 common shares or approximately 10% of the total common shares outstanding (June 30, 2021 - 19,901,160 common shares or approximately 23% of the total common shares outstanding).

One investor, namely 2176423 Ontario Ltd., controls 27,863,339 common shares, or approximately 31% of the total common shares outstanding as at September 30, 2021 (June 30, 2021 - 10,527,000 common shares, or approximately 12% of the total common shares outstanding).

Two other corporate investors, namely Adventus Mining Corporation and Altius Resources Inc., control nil and 7,669,024 common shares respectively as at September 30, 2021, or approximately nil and 9% of the common shares outstanding (June 30, 2021 - 17,336,339 and 7,669,024 common shares respectively, or approximately 20% and 9% of the total common shares outstanding).

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**9. COMMITMENTS AND CONTINGENCIES**

***Environmental Contingencies***

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

***COVID-19***

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition in future periods. The Company is closely monitoring the business environment as a result to ensure minimal disruption to business operations.

***Flow-Through Commitment***

Pursuant to the terms of the flow-through share agreements, the Company needs to comply with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) by incurring qualified exploration expenditures before December 31, of the year following the year in which the agreement is entered into. The Company indemnifies the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments. The Company determined that it did not meet its flow-through expenditure commitment by December 31, 2019, and accordingly, a provision for interest and penalties on the shortfall has been recorded in the unaudited condensed interim consolidated financial statements. Included in account payable and accrued liabilities as at September 30, 2021 is \$48,000 (June 30, 2021 - \$48,000) relating to this provision, with an offsetting expense netted against the flow-through premium recovery reported in the unaudited condensed interim consolidated statement of operations and comprehensive loss. The Company is committed to incur flow-through eligible expenditures of \$1,286,370 by December 31, 2022, of which approximately \$1,286,370 has been incurred to September 30, 2021. The commitment to complete these expenditures by the dates noted above is based on a change by the Government of Canada, which extends the deadline to complete the necessary spending requirements from the issuance of flow-through shares raised in 2020 by one year.

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**10. SUBSEQUENT EVENTS**

(i) Pursuant to the Golden Baie Property agreement (see Note 5(e)), the Company paid \$50,000 and issued 1,000,000 common shares to the optionors in October 2021.

(ii) On November 15, 2021 the Company announced its intention to complete a non-brokered private placement financing for total gross proceeds of up to \$6.0 million, consisting of up to 11,112,000 flow-through units ("FT Units") of the Company at a price of \$0.315 per FT Unit and up to 6,411,000 FT Units at a price of \$0.39 per FT Unit. The Company reserves the right to increase the size of the offering, subject to the approval of the TSX Venture Exchange. Each FT Unit shall be comprised of one common share of the Company that will qualify as a "flow-through share" (within the meaning of subsection 66(15) of the Income Tax Act (Canada)) (a "FT Share") and one half of one common share purchase warrant. Each warrant shall entitle the holder to purchase one common share of the Company at an exercise price of \$0.42 for a period of 24 months following the closing of the offering.