CANSTAR RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditor's Report

To the Shareholders of Canstar Resources Inc.:

Opinion

We have audited the consolidated financial statements of Canstar Resources Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2020 and June 30, 2019, and the consolidated statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2020 and June 30, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that as at June 30, 2020, the Company had a deficit of $11,500,203 and working capital of $44,346. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

MNP LLP

Mississauga, Ontario
October 23, 2020

Chartered Professional Accountants

Licensed Public Accountants

MNP LLP

CANSTAR RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

As at		June 30, 2020		June 30, 2019
ASSETS				
Current				
Cash and cash equivalents	**$**	**95,648**	$	246,361
Amounts receivable and prepaid expenses		**15,786**		19,228
Investments (Note 4)		**42,000**		-
Total current assets		**153,434**		265,589
Equipment (Note 6)		**2,072**		2,590
Interest in exploration properties and deferred exploration expenditures (Notes 5 and 11)		**7,810,375**		7,782,148
Total assets	**$**	**7,965,881**	$	8,050,327
LIABILITIES				
Current				
Accounts payable and accrued liabilities (Note 11)	**$**	**109,088**	$	141,326
Flow-through premium (Note 8(b))		**-**		82,000
Total liabilities		**109,088**		223,326
SHAREHOLDERS' EQUITY				
Capital stock (Note 8(b))		**19,155,206**		18,950,206
Warrants (Note 8(d))		**-**		33,313
Share-based payments reserve (Note 8(c))		**201,790**		353,915
Deficit		**(11,500,203)**		(11,510,433)
Total shareholders' equity		**7,856,793**		7,827,001
Total liabilities and shareholders' equity	**$**	**7,965,881**	$	8,050,327

Nature and Continuance of Operations and Going Concern (Note 1)
Commitments and Contingencies (Notes 5 and 14)
Subsequent Event (Note 15)

APPROVED ON BEHALF OF THE BOARD:

"D. Peterson", Director

"S. Leung", Director

See accompanying notes to the consolidated financial statements.

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

	Year Ended June 30, 2020	Year Ended June 30, 2019
Operating expenses		
Share-based payment expense (recovery) (Notes 8(c) and 11)	**$ (24,657)**	$ 123,440
Interest, bank charges and penalties (Note 8(b))	**6,190**	1,084
Transfer agent and filing fees	**37,566**	50,229
Management fees (Note 11)	**49,064**	67,036
Professional fees (Note 11)	**110,539**	50,678
General and office expenses	**18,721**	28,731
Shareholder information	**23,628**	55,952
Amortization (Note 6)	**518**	647
Rent (Note 11)	**1,505**	13,934
Travel	**1,478**	6,151
Total operating expenses	**224,552**	397,882
Loss before items below:	**(224,552)**	(397,882)
Interest income	**-**	3,665
Reversal of (impairment) of interest in mineral properties (note 5)	**12,001**	(1,169,921)
Fair value adjustment on investment (Note 4)	**28,000**	-
Flow-through premium (Note 14)	**34,000**	168,000
Net loss and comprehensive loss for the year	**$ (150,551)**	$ (1,396,138)
Net loss per share - basic and diluted	**$ (0.00)**	$ (0.03)
Weighted average number of shares	**46,076,911**	42,534,273

See accompanying notes to the consolidated financial statements.

CANSTAR RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	Year Ended June 30, 2020	Year Ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	**$ (150,551)**	$ (1,396,138)
Charges not involving cash:		
Share-based payment (recovery) expense	**(24,657)**	123,440
Amortization	**518**	647
Flow-through premium	**(34,000)**	(168,000)
Unrealized gain on investment	**(28,000)**	-
Impairment (reversal of impairment) on interest in mineral properties	**(12,001)**	1,169,921
	(248,691)	(270,130)
Changes in non-cash working capital items:		
Decrease (increase) in amounts receivable and prepaid expenses	**3,442**	(2,560)
(Decrease) in accounts payable and accrued liabilities	**(85,238)**	(146,955)
Cash flows used in operating activities	**(330,487)**	(419,645)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	**210,000**	-
Share issue costs	**-**	(38,571)
Cash flows from (used) in financing activities	**210,000**	(38,571)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in exploration properties and deferred exploration expenditures	**(80,226)**	(835,415)
Deferred transaction costs	**-**	73,560
Purchase of equipment	**-**	(2,304)
Sale of mineral properties	**50,000**	-
Cash flows used in investing activities	**(30,226)**	(764,159)
Change in cash and cash equivalents	**(150,713)**	(1,222,375)
Cash and cash equivalents, beginning of year	**246,361**	1,468,736
Cash and cash equivalents, end of year	**$ 95,648**	$ 246,361
SUPPLEMENTAL INFORMATION		
Common shares issued for property interests	**$ -**	$ 5,926,609
Common shares received for property interests	**$ 14,000**	$ -
Conversion of subscription receipts to common shares	**$ -**	$ 1,500,021
Accrued share issue costs	**$ 5,000**	$ -

As at	**June 30, 2020**	**June 30, 2019**
CASH AND CASH EQUIVALENTS		
Cash	**$ 84,983**	$ 115,696
Cash equivalents	**10,665**	130,665
	$ 95,648	$ 246,361

See accompanying notes to the consolidated financial statements.

CANSTAR RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Capital Stock	Warrants	Share-based Payment Reserve	Deficit	Total
Balance, June 30, 2018	**$ 11,957,966**	**$ 81,998**	**$ 235,875**	**$ (10,168,380)**	**$ 2,107,459**
Share-based payments	-	-	123,440	-	123,440
Issuance of common shares in private placement	1,500,021	-	-	-	1,500,021
Cost of issue	(184,390)	-	-	-	(184,390)
Flow-through premium	(250,000)	-	-	-	(250,000)
Expiry of stock options	-	-	(5,400)	5,400	-
Expiry of warrants	-	(48,685)	-	48,685	-
Common shares issued for property interest	5,926,609	-	-	-	5,926,609
Net loss for the year	-	-	-	(1,396,138)	(1,396,138)
Balance, June 30, 2019	**18,950,206**	**33,313**	**353,915**	**(11,510,433)**	**7,827,001**
Balance, June 30, 2019	**18,950,206**	**33,313**	**353,915**	**(11,510,433)**	**7,827,001**
Share-based payment recovery	-	-	(24,657)	-	(24,657)
Private placement net of issue costs	205,000	-	-	-	205,000
Expiry of stock options	-	-	(127,468)	127,468	-
Expiry of warrants	-	(33,313)	-	33,313	-
Net loss for the year	-	-	-	(150,551)	(150,551)
Balance, June 30, 2020	**$ 19,155,206**	**$ -**	**$ 201,790**	**$ (11,500,203)**	**$ 7,856,793**

See accompanying notes to the consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

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 consolidated financial statements were approved by the Board of Directors on October 21, 2020.

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 June 30, 2020, the Company had a deficit of $11,500,203 (June 30, 2019 - $11,510,433) and working capital of $44,346 (June 30, 2019 - $42,263). 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 (see Note 15). These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance:

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements have been prepared in compliance with IFRS and in accordance with the accounting policies described in Note 3, Summary of Significant Accounting Policies. The policies set out below have been consistently applied to all the periods presented, unless otherwise noted.

Basis of measurement:

These consolidated financial statements have been prepared on the historical cost basis except for those financial instruments carried at fair value. In addition, these consolidated financial statements are prepared using the accrual basis of accounting except for cash flow information.

Basis of preparation:

These consolidated financial statements have been prepared on the basis of a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. These consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern; such adjustments could be material.

2. BASIS OF PREPARATION (continued)

Basis of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Adventus Newfoundland Corporation, which was acquired by the Company on July 30, 2018 (see Note 7).

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The consolidated financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the consolidated financial statements for the years ended June 30, 2020 and 2019.

Functional and presentation currency:

The Company's presentation and functional currency is the Canadian dollar. The Company does not have any foreign operations. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at period end exchange rates are recognized in the statements of operations.

Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and investments with original maturities of ninety days or less, and deposits held in trust. During the year ended June 30, 2020, the Company earned $nil (2019 - $3,665) interest from its cash equivalents and short-term investments.

Investments:

The Company has elected to irrevocably designate its investments as fair value, either through profit or loss ("FVTPL"). Gains and losses in respect of these investments are recognized in net income or loss, as a net change in unrealized gain or loss on investments, in the consolidated statements of loss and comprehensive loss.

Income taxes:

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income. Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years. Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in the statements of operations or in equity depending on the item to which the adjustment relates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Loss per share:

Loss per share is based on the weighted average number of common shares of the Company outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive. In the Company’s case, diluted loss per share is the same as basic loss per share for the years ended June 30, 2020 and 2019 as the Company's stock options and warrants were anti-dilutive.

Flow-through shares:

The Company finances a portion of its exploration and evaluation activities through the issuance of flow-through shares. Under the terms of the flow-through common share issues, the tax attributes of the related expenditures are renounced to investors. On the date of issuance of the flow-through shares, the premium relating to the proceeds received in excess of the fair value of the Company’s common shares is allocated to liabilities. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized in the statements of operations. The Company has indemnified the subscribers for any tax related amounts that become payable to the subscribers as a result of the Company not meeting its expenditure commitments.

Financial instruments:

Recognition

The Company recognizes a financial asset or financial liability on the statement of financial position when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value, and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-off occurs when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

Classification and Measurement

The Company determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the following measurement categories:

- those to be measured subsequently at fair value, either through profit or loss (“FVTPL”) or through other comprehensive income (“FVTOCI”); and
- those to be measured subsequently at amortized cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued):

Classification and Measurement (continued)

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

- amortized cost;
- FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives); or,
- FVTOCI, when the change in fair value is attributable to changes in the Company's credit risk.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability classified as subsequently measured at amortized cost are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company's financial asset consists of cash, cash equivalents and investments, which are classified and measured at FVTPL, with realized and unrealized gains or losses related to changes in fair value reported in net loss, and amounts receivable, which is classified as subsequently measured at amortized cost.

The Company's financial liabilities consist of accounts payable and accrued liabilities, which are classified and measured at amortized cost using the effective interest method. Interest expense is reported in net loss.

Impairment

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

Fair Value Hierarchy

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments:

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity settled share-based transactions are set out in the stock option note.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in the statement of operations such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Interests in exploration properties and deferred exploration expenditures:

Once a licence to explore an area has been secured, expenditures on exploration and evaluation activities are capitalized to exploration properties and deferred exploration expenditures. Exploration expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Purchased exploration and evaluation assets are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. Capitalized exploration and evaluation costs are considered to be intangible assets. These assets are not depreciated as they are not currently available for use.

The Company qualifies for the Junior Exploration Assistance program of the Department of Natural Resources of the Government of Newfoundland and Labrador. Recoverable amounts are offset against deferred exploration costs incurred when the Company has complied with the terms and conditions of the program and the recovery is reasonably assured.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress.

Mineral reserves and capitalized mine development expenditures are, upon commencement of production, depreciated using a unit of production method or are written off if the property is abandoned.

An impairment review of exploration and evaluation assets is performed, either individually or at the cash-generating unit level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial year in which this is determined. Exploration properties and deferred exploration expenditures are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions below is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in exploration properties and deferred exploration expenditures (continued)

- Proceeds received from the sale of mineral property interests are reflected as a reduction of capitalized costs.

Equipment:

Equipment is measured at cost less accumulated depreciation and accumulated impairment losses. The cost of equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated decommissioning and restoration costs associated with the asset. Equipment is depreciated on a diminishing balance basis at 20% per year.

Provisions:

General

Provisions are recognized when (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statements of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, dismantling operating facilities, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the exploration or production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related exploration and evaluation asset to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the statement of operations.

The Company does not currently have any such significant legal or constructive obligations and therefore no decommissioning liabilities have been recorded as at June 30, 2020 and 2019.

Critical judgments and estimation uncertainties:

The preparation of consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical judgments and estimation uncertainties (continued):

Assets' carrying values and impairment charges

In determining whether any impairment losses have been incurred, management assesses the higher of the asset's fair value less costs to sell and its value in use for non-financial assets. These determinations and their individual assumptions require that management make a decision based on the best available information at the end of each reporting period.

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets.

Capitalization of deferred exploration costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical judgments and estimation uncertainties (continued):

Going concern

These consolidated financial statements have been prepared in accordance with IFRS on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business within the foreseeable future. Management uses judgment in determining assumptions for cash flow projections, such as anticipated financing, anticipated sales and future commitments to assess the Company's ability to continue as a going concern. A critical judgment is that the Company continues to raise funds going forward and satisfy their obligations as they become due. See note 14.

New standards adopted:

(a) Leases and right-of-use assets

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), replacing IAS 17 - Leases. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its statement of financial position, providing the reader with greater transparency of an entity's lease obligations.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by the incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of any termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Company is contractually required to dismantle, remove or restore the leased asset.

(EXPRESSED IN CANADIAN DOLLARS)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards adopted (continued)

(a) Leases and right-of-use assets (continued)

Lease liabilities, on initial measurement, increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if this is judged to be shorter than the lease term.

When the Company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

At July 1, 2019, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

(b) Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. At July 1, 2019, the Company adopted this standard and there was no material impact on the Company's consolidated financial statements.

(c) Future accounting standards

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for the Company’ accounting periods commencing on or after July 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following has not yet been adopted and is being evaluated to determine their impact on the Company.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

4. INVESTMENTS

On April 25, 2019, the Company entered into a definitive agreement with Angus Gold Inc. (formerly Angus Ventures Inc.) (“Angus”), whereby it agreed to sell its 75% interest in the Slate Bay Property to Angus for consideration of $30,000 and 70,000 shares in the common stock of Angus.

As at June 30, 2020	Number	Cost	Market Value Adjustment	Fair Value
Angus Ventures Inc. (Note 5(d))	70,000	$ 14,000	$ 28,000	$ 42,000

(EXPRESSED IN CANADIAN DOLLARS)

5. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	Buchans-Mary March Properties	Katie Project	La Poile Project	Kenora Properties	Exploits Properties	Daniel's Harbour Properties	Slate Bay Properties	Total
PROPERTY ACQUISITION COSTS								
Balance, June 30, 2018	$ 65,884	$ -	$ -	$ 20,000	$ 15,000	$ -	$ -	$ 100,884
Incurred	4,821,581	370,891	105,969	-	-	741,240	-	6,039,681
Impairment during the year	-	(370,891)	(105,969)	-	(15,000)	(541,240)	-	(1,033,100)
Balance, June 30, 2019	4,887,465	-	-	20,000	-	200,000	-	5,107,465
DEFERRED EXPLORATION COSTS								
Balance, June 30, 2018	2,089,161	-	-	-	-	-	-	2,089,161
Access	35,801	-	-	-	-	17	5,209	41,027
Administrative	19,310	-	-	-	26	864	-	20,200
Assaying	17,302	-	-	-	682	941	-	18,925
Drilling	181,038	-	-	-	-	-	-	181,038
Field supplies	42,884	-	-	-	6,196	7,664	-	56,744
Geological consulting	80,479	-	-	-	962	29,585	-	111,026
Geophysics and exploration	31,280	-	-	-	-	96,517	-	127,797
Labour and supervision	129,034	-	-	-	-	11,596	-	140,630
Travel	18,394	-	-	-	262	6,300	-	24,956
(Impairment) reversal of impairment during the year	-	-	-	-	(8,128)	(153,484)	24,791	(136,821)
Balance, June 30, 2019	2,644,683	-	-	-	-	-	30,000	2,674,683
Total, June 30, 2019	$7,532,148	$ -	$ -	$ 20,000	$ -	$ 200,000	$ 30,000	$7,782,148

(EXPRESSED IN CANADIAN DOLLARS)

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

	Buchans-Mary March Properties	Kenora Properties	Daniel's Harbour Properties	Slate Bay Properties	Total
PROPERTY ACQUISITION COSTS					
Balance, June 30, 2019	$4,887,465	$ 20,000	$ 200,000	$ -	$5,107,465
Sold during the year	-	(20,000)	-	-	(20,000)
Balance, June 30, 2020	4,887,465	-	200,000	-	5,087,465
DEFERRED EXPLORATION COSTS					
Balance, June 30, 2019	2,644,683	-	-	30,000	2,674,683
Access (i)	(44,060)	-	-	1,999	(42,061)
Administrative (i)	(21,385)	-	-	-	(21,385)
Assaying	22,207	-	-	-	22,207
Field supplies	9,551	-	-	-	9,551
Geological consulting	3,800	-	200	-	4,000
Geophysics and exploration	1,000	-	-	-	1,000
Labour and supervision	104,070	-	-	-	104,070
Travel	2,844	-	-	-	2,844
Sold during the year	-	-	-	(31,999)	(31,999)
Balance, June 30, 2020	2,722,710	-	200	-	2,722,910
Total, June 30, 2020	$7,610,175	$ -	$ 200,200	$ -	$7,810,375

(i) During the year ended June 30, 2020, the Company received a grant of approximately $74,000 from the Government of Newfoundland with respect to the Buchans-Mary March Properties which has been netted against access and administrative expenses.

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

The Company has interests in exploration properties in the Buchans area of Newfoundland, Canada. Due to disappointing exploration results and a refocus on its Mary March and recently acquired Newfoundland properties, the Kenora properties were written down for accounting purposes in 2018. During the year ended June 30, 2019, the Company wrote off the Exploits, Katie and La Poile projects as management decided not to pursue these property interests. In addition, the Company wrote down the Daniel's Harbour property and revalued the Slate Bay property to their estimated recoverable amounts during fiscal 2019. The Slate Bay and Kenora properties were sold during the year ended June 30, 2020.

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 contribute to the current program and accordingly will be subject to an additional voluntary reduction.

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.

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

a) Mary March Properties (continued)

(iii) Buchans Property

The Buchans Property was acquired on July 30, 2018 (see Note 7).

Canstar owns 100% interest in the property through Canstar's wholly owned subsidiary, Adventus Newfoundland Corporation ("Adventus NFLD"), subject to a 2% NSR royalty. In consideration for the acquisition of Adventus NFLD, the Company issued 17,336,339 common shares valued at $0.30.

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 period ended June 30, 2020, the property was sold for $20,000 to a third party. The Company retains a 1.5% net smelter return royalty interest on the Kenora property.

c) Exploits Property

On April 5, 2018, the Company entered into an option agreement with local prospectors to purchase 90 mineral claims near Red Indian Lake in the Province of Newfoundland and Labrador.

In consideration for entering into the option agreement, the Company paid the optionees $10,000 in cash and issued to the optionees the equivalent of $5,000 in Canstar common shares. Assuming the completion of subsequent payments totaling $30,000 to the optionees in cash and the equivalent of $30,000 to be paid in common shares by the third anniversary of the entering into the option agreement, Canstar would own a 100% interest in the mineral claims subject to a 1% royalty interest retained by the optionees.

During the year ended June 30, 2019, the Company terminated the Exploits option agreement and accordingly the property was written off.

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. ("Luxor") on February 4, 2002.

During the year ended June 30, 2019, 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, an impairment reversal was recorded during the year ended June 30, 2019. The sale closed during the year ended June 30, 2020. As at June 30, 2020, the value of the investment in shares of Angus is $42,000.

(EXPRESSED IN CANADIAN DOLLARS)

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

d) Daniel's Harbour Properties

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

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.

e) Katie Project

The Katie Project is located in central Newfoundland and consists of 103 claims in 1 mineral license. The Company holds a 100% interest in the Katie Project subject to a 2% NSR royalty payable to Altius (see Note 7).

During the year ended June 30, 2019, the Company decided not to pursue the property, and accordingly the property was written off.

f) La Poile Project

The La Poile Project is located in southwestern Newfoundland and consists of 28 claims in 2 mineral licenses. The Company holds a 100% interest in the Katie Project subject to a 2% NSR royalty payable to Altius (see Note 7).

During the year ended June 30, 2019, the Company decided not to pursue the property and accordingly the property was written off.

6. EQUIPMENT

Cost		**Office and field equipment**
Balance, June 30, 2018,	**$**	**10,141**
Additions		2,304
Balance, June 30, 2019	**$**	**12,445**
Balance, June 30, 2020	**$**	**12,445**

Accumulated Amortization		**Office and field equipment**
Balance, June 30, 2018	**$**	**9,208**
Amortization		647
Balance, June 30, 2019		**9,855**
Amortization		518
Balance, June 30, 2020	**$**	**10,373**

(EXPRESSED IN CANADIAN DOLLARS)

6. EQUIPMENT (continued)

Carrying Value		Office and field equipment
Balance, June 30, 2019	**$**	**2,590**
Balance, June 30, 2020	**$**	**2,072**

7. ACQUISITION OF ADVENTUS NEWFOUNDLAND CORPORATION

During the year ended June 30, 2019, the Company purchased 100% of the issued and outstanding shares of Adventus NFLD from Adventus Zinc Corporation ("Adventus"). Adventus NFLD holds 100% ownership of the Buchans Property (Note 5(a)(iii)), the Katie Project (Note 5(f)), and La Poile Project (Note 5(g)). For accounting purposes, the acquisition of Adventus NFLD was recorded as an asset acquisition as Adventus NFLD is not considered to be a business when applying the guidance within IFRS 3.

The allocation of the purchase price is as follows:

Purchase price allocation		
Issuance of common shares (i)	$	5,200,902
Transaction costs		95,789
	$	5,296,691

(i) For the purpose of determining the value of the purchase price allocation, the 17,336,339 common shares were valued at $0.30 which is based on the trading price at the time of issue.

8. CAPITAL STOCK, OPTIONS AND WARRANTS

(a) Authorized

Unlimited number of common shares, without par value.

(b) Issued

48,700,473 common shares

Summary of changes in capital stock:

	Shares		Amount
Balance, June 30, 2018	20,578,371	$	11,957,966
Issuance of common shares in private placement (i)	4,166,739		1,500,021
Cost of issue	-		(184,390)
Flow-through premium	-		(250,000)
Issuance of shares for property interest (Notes 5(a)(iii), 5(e), 5(f), 5(g))	19,755,363		5,926,609
Balance, June 30, 2019	**44,500,473**		**18,950,206**
Private placement, net of issue costs (ii)	4,200,000		205,000
Balance, June 30, 2020	**48,700,473**	**$**	**19,155,206**

8. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(b) Issued (Continued)

(i) On April 17, 2018, the Company completed a non-brokered private placement for aggregate gross proceeds of $1,500,021 ("Offering"). The Offering consisted of the sale of 1,666,739 common share subscription receipts ("Common Share Receipts") at a price of $0.30 per Common Share Receipt and 2,500,000 flow through subscription receipts ("Flow Through Receipts") at a price of $0.40 per Flow Through Receipt (together, the "Subscription Receipts").

On July 30, 2018, upon satisfaction of the Escrow Release Conditions (as defined below), each Common Share Receipt was exchanged for one common share of Canstar. Each Flow Through Receipt was exchanged for one flow through share of Canstar within the meaning of the Income Tax Act (Canada). The gross proceeds of the Offering less offering costs were released from escrow upon the satisfaction of the following conditions (together, the "Escrow Release Conditions"): (i) the execution of the definitive share exchange agreement among the Company, Adventus, Adventus NLFD, and Altius Resources Inc.; (ii) the execution of the definitive asset purchase agreement between the Company and Altius Resources Inc.; (iii) the completion or irrevocable waiver or satisfaction of all conditions precedent to the Company's acquisition of Adventus NFLD (see Note 5(a)(iii)) and the Daniel's Harbour property (see Note 5(e)); (iv) the receipt of all required shareholder, third party (as applicable) and regulatory approvals including, without limitation, the conditional approval of the TSX Venture Exchange ("TSX-V") for the Transaction and the Offering; and (v) the Company having delivered a Release Notice confirming that the conditions set forth above have been met or waived (the "Release Notice").

In connection with the Offering, the Company paid finders a cash commission of $52,806 equal to 6% of the aggregate gross proceeds raised by finders. A total of 150,840 broker warrants (“Broker Warrants”) equal to 6% of subscription receipts raised was paid to finders. Each Broker Warrant entitles the holder to purchase one common share at a price of $0.30 until the date which is twenty-four (24) months following the closing date of the Offering, whereupon the Broker Warrants will expire. A grant date fair value of $33,313 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.88%; expected life of 2 years; and an expected volatility of 156% based on the Company’s historical trading data. The Company also incurred cash share issuance cost of $98,271 in connection with the Offering.

The premium paid by investors for the Flow Through Receipts was calculated as $0.10 per Flow Through Receipt. Accordingly, $250,000 was recorded as a flow-through premium liability. As of December 31, 2019 the Company had not incurred the minimum qualifying expenditure requirements; the remaining flow-through liability of $7,443 has been recorded as a reduction of the flow-through liability in the comprehensive statement of loss. In addition, as a result of the qualifying expenditure shortfall the Company recorded a Part XII.6 penalty of $5,739 in the statement of operations.

(ii) On February 14, 2020, the Company completed a private placement consisting of the sale of 4,200,000 common shares at $0.05 per share for gross proceeds of $210,000. In connection with the private placement, certain directors, officers and other related persons acquired a total of 3,500,000 common shares.

(EXPRESSED IN CANADIAN DOLLARS)

8. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(c) Stock Options

The Company has granted options for the purchase of common shares to its directors, officers, and consultants. The aggregate number of common shares which may be issued under the stock option plan is 3,000,000. The options are non-assignable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the Board of Directors of the Company at the time of grant at the market price of the common shares, subject to all applicable regulatory requirements.
A summary of changes in stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2018	**777,500**	**$ 0.40**
Granted (i)(ii)	1,400,000	0.30
Expired	(20,000)	(0.50)
Balance, June 30, 2019	**2,157,500**	**$ 0.34**
Granted (iii)	150,000	0.10
Cancelled	(1,200,000)	0.30
Expired	(360,000)	0.28
Balance, June 30, 2020	**747,500**	**$ 0.38**

(i) On September 4, 2018, the Company granted 1,300,000 stock options to an officer and employee of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $0.30 for a period of 5 years. The options vest as to 1/3 on each of the first, second and third anniversaries of the grant date. A grant date fair value of $237,316 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 2.16%; expected life of 5 years; and an expected volatility of 159% based on the Company's historical trading data. During the year ended June 30, 2020, as a result in changes in expectations around options that will vest, the Company recorded a net credit of $32,930 (2019 - expense of $118,738).

(ii) On January 15, 2019, the Company granted 100,000 stock options to a consultant of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $0.30 for a period of 3 years. The options vested on January 15, 2020. A grant date fair value of $10,336 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 1.89%; expected life of 3 years; and an expected volatility of 152% based on the Company's historical trading data. The total value of share-based payments for the year ended June 30, 2020 was $6,473 (2019 - $4,701).

(iii) On April 22, 2020, the Company granted 150,000 stock options to a consultant of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $0.10 for a period of 3.5 years. The options shall vest as to one-third upon the date of grant, one-third on October 19, 2020, and one-third on October 19, 2021. A grant date fair value of $3,540 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of 0.35%; expected life of 3 years; and an expected volatility of 165% based on the Company's historical trading data. The total value of share-based payments for the year ended June 30, 2020 was $1,800 (2019 - $nil).

(EXPRESSED IN CANADIAN DOLLARS)

8. CAPITAL STOCK, OPTIONS AND WARRANTS (CONTINUED)

(c) Stock Options (continued)

As at June 30, 2020, 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	1.51	January 3, 2022
100,000	100,000	$0.30	1.55	January 15, 2022
40,000	40,000	$0.25	2.54	January 12, 2023
100,000	100,000	$0.30	0.50	December 31, 2020
150,000	50,000	$0.10	3.30	October 19, 2023
747,500	**647,500**	**$0.38**	**1.80**	

(d) Share Purchase Warrants

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2018	**758,880**	**$ 0.76**
Exercised	(608,040)	(0.88)
Balance, June 30, 2019	**150,840**	**$ 0.30**
Expired	(150,840)	(0.30)
Balance, June 30, 2020	**-**	**$ -**

As at June 30, 2020, there were nil warrants outstanding.

9. FINANCIAL INSTRUMENTS

Fair Value

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the end of the reporting period based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

9. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2019.

		Level 1		Level 2		Level 3		Total
Investments	**$**	**-**	$	-	$	-	$	-
Cash and cash equivalents		-		246,361		-		246,361
	$	-	**$**	**246,361**	$	-	**$**	**246,361**

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2020.

		Level 1		Level 2		Level 3		Total
Investments	$	42,000	$	-	$	-	$	42,000
Cash and cash equivalents		-		95,648		-		95,648
	$	42,000	**$**	**95,648**	$	-	**$**	**137,648**

There were no transfers between Level 2 and Level 3 during the years ended June 30, 2020 and 2019.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies and procedures from the previous year.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables included in amounts receivable and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in amounts receivable consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2020, the Company had a cash and cash equivalents balance of $95,648 (2019 - $246,361) to settle current liabilities of $109,088 (2019 - $223,326). The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is continuing to pursue various financing initiatives in order to provide sufficient cash flow to finance operations as well as funding its exploration expenditures. The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Interest rate risk

The Company has cash and cash equivalents balances subject to interest. Management does not believe the Company is exposed to significant interest rate risk.

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is not exposed to foreign exchange risk.

9. FINANCIAL INSTRUMENTS (continued)

Financial risk factors (continued)

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is definied as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

(i) Cash and cash equivalents are invested with a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank. Sensitivity to a plus or minus 1% change in rates, based on the balance of cash and cash equivalents at June 30, 2020, would affect the net loss by plus or minus $950 during a twelve-month period.

(ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) As a result of the 70,000 shares held in Angus, a 10% fluctuation in fair value of the shares in Angus would result in an change in fair value of $4,200.

10. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

There were no changes in the Company's approach to capital management approach during the years ended June 30, 2020 and 2019.

11. 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.

(EXPRESSED IN CANADIAN DOLLARS)

11. RELATED PARTY TRANSACTIONS (CONTINUED)

Canstar entered into the following transactions with related parties:

The remuneration of directors and key management during the years ended June 30, 2020 and June 30, 2019 were as follows:

	Year Ended June 30, 2020	Year Ended June 30, 2019
Short-term benefits	**$ 68,831**	$ 106,385
Share-based payments (recovery) (See Note 8c(i))	**(36,584)**	109,605
	$ 32,247	$ 215,990

During the year ended June 30, 2020, $24,000 (2019 - $61,575) of short-term benefits was capitalized as deferred exploration expenditures and $44,831 (2019 - $44,810) is included in management fees. As of June 30, 2020, the Company owed a key management personnel $nil (June 30, 2019 - $27,077) and the amount was included in accounts payable and accrued liabilities.

During the year ended June 30, 2020, the Company incurred $38,354 (2019 - $40,000) for professional fees, $5,000 (2019 - $40,000) for share issue costs, charged by Peterson McVicar LLP, a law firm of which a director is a partner. As at June 30, 2020, $5,000 was payable to this law firm (June 30, 2019 - $32,231) and this amount was included in accounts payable and accrued liabilities.

During the year ended June 30, 2020, the Company incurred $1,505 (2019 - $13,934) for rent charged by a significant shareholder of the Company. As at June 30, 2020, $1,704 was payable to this shareholder (June 30, 2019 - $nil) and this amount was included in accounts payable and accrued liabilities.

During the year ended June 30, 2020, the Company capitalized $Nil (2019 - $108,826) as deferred exploration expenditures for geological consulting 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.

As at June 30, 2020, the directors of the Company together control 4,587,044 common shares or approximately 9.42% of the total common shares outstanding. Two corporate investors control 17,336,339 and 3,669,024 common shares respectively, or approximately 35.6% and 7.5% of the total common shares outstanding (Note 15).

(EXPRESSED IN CANADIAN DOLLARS)

12. INCOME TAXES

a) The reconciliation of the income tax recovery, calculated using the combined Canadian federal and provincial statutory income tax rate of 28% (2019 – 28%) is as follows:

	2020	2019
Loss before income taxes	**$ (150,551)**	$ (1,396,138)
Expected income tax (recovery)	**(42,500)**	(394,410)
Adjustments to benefit resulting from:		
Non-deductible expenses and other	**(31,000)**	(54,520)
Flow-through renunciation	**47,000**	190,370
Changes in unrecognized tax benefits	**26,500**	258,560
Income tax (recovery)	**$ -**	$ -

b) Deferred tax assets have not been recognized in respect to the following deductible temporary differences:

	2020	2019
Non-capital losses	**$ 937,000**	$ 905,800
Capital loss carry-forwards	**172,000**	172,060
Exploration properties	**7,976,000**	7,429,760
Share issue costs	**126,000**	174,740
Investment tax credits and other	**96,000**	129,330
	$ 9,307,000	$ 8,811,690

c) The tax losses expire from 2026 to 2040. The other temporary differences do not expire under current regulation. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

d) The Company has Canadian development and exploration expenditure pools for tax purposes of approximately $10,489,000 at June 30, 2020 (2019 - $10,392,000) that may, in certain situations be applied to reduce taxable income in subsequent years.

13. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2020 was based on the net loss attributable to common shareholders of $150,551 (year ended June 30, 2019 - $1,396,138) and the weighted average number of common shares outstanding of 46,076,911 (year ended June 30, 2019 - 42,534,273). Diluted loss per share did not include the effect of 747,500 options and nil warrants outstanding (June 30, 2019 - 2,157,500 options and 150,840 warrants outstanding) as they are anti-dilutive.

14. 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 consolidated financial statements. Included in account payable and accrued liabilities as at June 30, 2020 is $48,000 relating to this provision, with an offsetting expense netted against the flow-through premium recovery reported in the Statement of Operations and Comprehensive Loss.

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company completed a non-brokered private placement for gross proceeds of up to $2,000,000 (the "Offering"). The Company completed the Offering in two tranches. The first tranche consisted of the sale of 4,761,920 units ("Part & Parcel Units") at a price of $0.105 per Part & Parcel Unit, for gross proceeds of $500,002. Each Part & Parcel Unit is comprised of one common share and one warrant ("Part & Parcel Warrant"). Each Part & Parcel Warrant entitles the holder to purchase one additional common share at a price of $0.21 for a period of two years. The second tranche consisted of the sale of up to 9,523,810 units ("Regular Units") at a price of $0.1575 per Regular Unit for gross proceeds of $1,500,000. Each unit is comprised of one common share and one warrant ("Regular Warrant"). Each Regular Warrant entitles the holder to purchase one common share at a price of $0.21 for a period of two years.

15. SUBSEQUENT EVENTS (CONTINUED)

Directors and officers of the Company subscribed for a total of 2,870,050 Part & Parcel Units and nil Regular Units for aggregate gross proceeds of $301,355 and Altius acquired 385,700 for gross proceeds of $60,748.

Subsequent to June 30, 2020, the Company entered into definitive agreements with Altius Resources Inc., 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 located in southern Newfoundland (the "Option"), to be called the Golden Baie Project. The Company can acquire this interest over a four year period for aggregate cash payments of $250,000, aggregate share issuance of 11,500,000 common shares of the Company and $500,000 worth of common shares or 2,000,000 common shares of the Company. In addition, the Company is required to fund exploration expenditures of $1,250,000 over a four-year period, of which $500,000 must be spent in the first year. The optionors will be entitled to an aggregate milestone payment of $1,000,000 by the Company upon the Golden Baie Project claims achieving NI 43-101 defined measured and indicated mineral resources of at least 1,000,000 contained gold ounces.

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.

On October 14, 2020, the Company granted 3,800,000 stock options to directors, officers, consultants and employees of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of $0.28 for a period of 5 years. The options vest as to 1/3 on each of the first, second and third anniversaries of the grant date.