
CANSTAR RESOURCES INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

(EXPRESSED IN CANADIAN DOLLARS)

Independent Auditors' Report

To the Shareholders of Canstar Resources Inc.:

We have audited the accompanying financial statements of Canstar Resources Inc., which comprise the statements of financial position as at June 30, 2018 and 2017, and the statements of operations and comprehensive loss, changes in equity, cash flows, and interest in exploration properties and deferred exploration expenditures for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canstar Resources Inc. as at June 30, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Canstar Resources Inc.'s ability to continue as a going concern.

Mississauga, Ontario

October 18, 2018

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

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

As at	June 30, 2018	June 30, 2017
ASSETS		
Current		
Cash and cash equivalents (Note 7)	\$ 1,468,736	\$ 718,075
Amounts receivable and prepaid expenses	16,668	31,465
Deferred issue costs (Notes 7 and 11)	145,819	-
Total current assets	1,631,223	749,540
Deferred transaction costs (Notes 11 and 15)	73,560	-
Equipment (Note 5)	933	1,166
Interest in exploration properties and deferred exploration expenditures (Notes 4 and 11)	2,190,045	2,968,894
Total assets	\$ 3,895,761	\$ 3,719,600
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	\$ 288,281	\$ 153,584
Subscription receipts (Note 7)	1,500,021	-
Total liabilities	1,788,302	153,584
SHAREHOLDERS' EQUITY		
Capital stock (Note 6(b))	11,957,966	11,948,816
Warrants (Note 6(d))	81,998	318,852
Share-based payments reserve (Note 6(c))	235,875	354,700
Deficit	(10,168,380)	(9,056,352)
Total shareholders' equity	2,107,459	3,566,016
Total liabilities and shareholders' equity	\$ 3,895,761	\$ 3,719,600

Nature and Continuance of Operations and Going Concern (Note 1)
Commitments and Contingencies (Notes 4 and 14)
Subsequent Events and Proposed Transactions (Note 15)

APPROVED ON BEHALF OF THE BOARD:

"D. Peterson", Director

"S. Leung", Director

See accompanying notes to the financial statements.

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

	Year Ended June 30,	
	2018	2017
Operating expenses		
Share-based payments (Notes 6(c) and 11)	\$ 9,400	\$ 212,850
Interest and bank charges	1,258	1,625
Transfer agent and filing fees	70,974	55,629
Management fees (Note 11)	198	55,683
Professional fees (Note 11)	83,743	111,930
General and office expenses	14,722	10,951
Shareholder information	33,790	4,665
Amortization (Note 5)	233	291
Rent (Note 11)	8,683	20,838
Travel	112	2,842
Total operating expenses	223,113	477,304
Loss before the undernoted	(223,113)	(477,304)
Interest income	1,472	2,029
Write down of interest in mineral properties (Note 4)	(1,287,129)	-
Net loss and comprehensive loss for the year	\$ (1,508,770)	\$ (475,275)
Net loss per share - basic and diluted (Note 13)	\$ (0.07)	\$ (0.02)
Weighted average number of shares	20,561,540	20,318,871

See accompanying notes to the financial statements.

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

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,508,770)	\$ (475,275)
Charges not involving cash:		
Share-based payments	9,400	212,850
Amortization	233	291
Write down of interest in mineral properties	1,287,129	-
	(212,008)	(262,134)
Changes in non-cash working capital items:		
Decrease in amounts receivable and prepaid expenses	14,797	7,726
(Decrease) increase in accounts payable and accrued liabilities	134,697	11,132
Cash flows used in operating activities	(62,514)	(243,276)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	2,500	-
Issuance of shares for cash	-	1,080,230
Proceeds from share subscriptions received, net of issue costs	1,387,515	-
Repurchased shares	-	(28,508)
Share issue costs	-	(56,740)
Cash flows from financing activities	1,390,015	994,982
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest in exploration properties and deferred exploration expenditures - net	(503,280)	(348,529)
Deferred transaction cost	(73,560)	-
Proceeds from sales of short-term investments	-	100,000
Cash flows used in investing activities	(576,840)	(248,529)
Change in cash and cash equivalents	750,661	503,177
Cash and cash equivalents, beginning of year	718,075	214,898
Cash and cash equivalents, end of year	\$ 1,468,736	\$ 718,075
SUPPLEMENTAL INFORMATION		
Grant date fair value of finder's warrants	\$ 33,313	\$ 14,082
Common shares issued for property interest	5,000	-
Change in accrued exploration property and deferred exploration expenditures	-	47,139
As at	2018	June 30, 2017
CASH AND CASH EQUIVALENTS		
Cash	\$ 41,158	\$ 556,744
Cash equivalents	-	161,331
Deposits held in trust (Note 7)	1,427,578	-
	\$ 1,468,736	\$ 718,075

See accompanying notes to the financial statements.

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

	Capital Stock	Warrants	Share-based Payment Reserve	Deficit	Total
Balance, June 30, 2016	\$ 11,122,125	\$ 150,561	\$ 547,455	\$ (8,986,682)	\$ 2,833,459
Share-based payments	-	-	212,850	-	212,850
Issuance of units in private placement	864,225	179,570	-	-	1,043,795
Share issue costs	(58,663)	(12,159)	-	-	(70,822)
Finders' warrants	-	14,082	-	-	14,082
Exercise of warrants	49,637	(13,202)	-	-	36,435
Expiry of options	-	-	(405,605)	405,605	-
Cancellation of shares	(28,508)	-	-	-	(28,508)
Net loss for the year	-	-	-	(475,275)	(475,275)
Balance, June 30, 2017	11,948,816	318,852	354,700	(9,056,352)	3,566,016
Share-based payments	-	-	9,400	-	9,400
Exercise of stock options	4,150	-	(1,650)	-	2,500
Finder's warrants	-	33,313	-	-	33,313
Expiry of stock options	-	-	(126,575)	126,575	-
Expiry of warrants	-	(270,167)	-	270,167	-
Common shares issued for property interest	5,000	-	-	-	5,000
Net loss for the year	-	-	-	(1,508,770)	(1,508,770)
Balance, June 30, 2018	\$ 11,957,966	\$ 81,998	\$ 235,875	\$ (10,168,380)	\$ 2,107,459

See accompanying notes to the financial statements.

CANSTAR RESOURCES INC.
STATEMENTS OF INTEREST IN EXPLORATION PROPERTIES AND DEFERRED
EXPLORATION EXPENDITURES
(EXPRESSED IN CANADIAN DOLLARS)

	Mary March Properties	Kenora Properties	Exploits Properties	Slate Bay Properties	Total
PROPERTY ACQUISITION COSTS					
Balance, June 30, 2016 and June 30, 2017	\$ 65,884	\$ 26,200	\$ -	\$ -	\$ 92,084
DEFERRED EXPLORATION COSTS					
Balance, June 30, 2016	1,987,090	494,052	-	-	2,481,142
Access	294	11,241	-	-	11,535
Assaying	-	41,038	-	-	41,038
Drilling	-	64,181	-	-	64,181
Field supplies	70	40,090	-	-	40,160
Geological consulting	-	96,405	-	-	96,405
Geophysics and exploration	6,300	-	-	-	6,300
Geophysics surveys	-	5,893	-	-	5,893
Labour and supervision	-	82,906	-	-	82,906
Travel	-	47,250	-	-	47,250
Balance, June 30, 2017	1,993,754	883,056	-	-	2,876,810
Total, June 30, 2017	\$2,059,638	\$ 909,256	\$ -	\$ -	\$2,968,894
PROPERTY ACQUISITION COSTS					
Balance, June 30, 2017	\$ 65,884	\$ 26,200	\$ -	\$ -	\$ 92,084
Incurred	-	-	15,000	-	15,000
Written down during the year	-	(6,200)	-	-	(6,200)
Balance, June 30, 2018	65,884	20,000	15,000	-	100,884
DEFERRED EXPLORATION COSTS					
Balance, June 30, 2017	1,993,754	883,056	-	-	2,876,810
Access	40,935	3,576	-	16,059	60,570
Administrative	-	78	-	-	78
Assaying	291	40,165	-	-	40,456
Drilling	-	208,758	-	-	208,758
Field supplies	-	36,098	-	-	36,098
Geological consulting	41,597	29,700	-	-	71,297
Geophysics and exploration	10,500	-	-	-	10,500
Labour and supervision	-	33,333	-	-	33,333
Travel	2,084	30,106	-	-	32,190
Written down during the year	-	(1,264,870)	-	(16,059)	(1,280,929)
Balance, June 30, 2018	2,089,161	-	-	-	2,089,161
Total, June 30, 2018	\$2,155,045	\$ 20,000	\$ 15,000	\$ -	\$2,190,045

See accompanying notes to the financial statements.

CANSTAR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
YEAR ENDED JUNE 30, 2018

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 56 Temperance Street, Suite 1000, Toronto, Ontario M5H 3V5.

The financial statements were approved by the Board of Directors on October 18, 2018.

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, 2018, the Company had a deficit of \$10,168,380 (2017 - \$9,056,352) and working capital deficiency of \$157,079 (2017 - working capital surplus of \$595,956). 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 cast significant doubt upon the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Statement of compliance:

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

Basis of preparation:

These 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 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.

CANSTAR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
YEAR ENDED JUNE 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the years ended June 30, 2018 and 2017.

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, 2018, the Company earned \$1,472 (2017 - \$2,029) interest from its cash equivalents and short-term investments. See Note 7.

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 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.

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 periods presented as there were no potentially dilutive securities during the years ended June 30, 2018 and 2017.

CANSTAR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
YEAR ENDED JUNE 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are measured at fair value through profit or loss ("FVTPL"). These instruments are measured at fair value with subsequent changes in fair value recognized in the statements of operations. The Company's cash and cash equivalents and short-term investments are classified as FVTPL.

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are recognized in the statements of operations. The Company's amounts receivable are classified as loans and receivables. The estimated fair values of these financial instruments approximate their carrying values because of the limited terms of these instruments.

Financial liabilities that are not measured at fair value through profit or loss are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are recognized in the statements of operations. The Company has classified accounts payable and accrued liabilities and subscription receipts as other financial liabilities. Due to their short-term natures, the fair values of these financial instruments approximate their carrying values.

The Company classifies its fair value measurements 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: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) 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) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At June 30, 2018, the Company's financial instruments that were carried at fair value consisted of cash and cash equivalents of \$1,468,736 (2017 - \$718,075) that was classified as Level 1 within the fair value hierarchy.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been negatively impacted. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment and the loss is recognized in the statements of operations.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in the statements of operations.

CANSTAR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
YEAR ENDED JUNE 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets:

The carrying value of equipment is assessed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Company evaluating its non-financial assets on a geographical or licence basis.

If the carrying amount of the asset or CGU exceeds its recoverable amount, the asset or CGU is impaired and an impairment loss is charged to the statement of operations so as to reduce the carrying amount to its recoverable amount.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of operations.

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.

CANSTAR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
YEAR ENDED JUNE 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CANSTAR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
YEAR ENDED JUNE 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018 and 2017.

Critical judgments and estimation uncertainties:

The preparation of 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 financial statements and related notes to the 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:

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.

CANSTAR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
YEAR ENDED JUNE 30, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical judgments and estimation uncertainties (continued):

Assets' carrying values and impairment charges (continued)

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New IFRS standards not yet adopted:

The Company has not yet adopted certain new IFRS standards, amendments and interpretations to existing standards, which have been published but are only effective for its annual periods beginning on or after July 1, 2018. The Company is current evaluating the potential impacts of these new standards.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 3. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 - Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

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4. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The Company has interests in exploration properties in the Kenora Townships in Ontario, Canada, and the Buchans area of Newfoundland, Canada. Due to disappointing exploration results and a refocus on its Mary March and recently acquired Newfoundland properties (Note 15), the Kenora properties were written down for accounting purposes in 2018.

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 covering 1,486.88 Ha and three map-staked licenses containing 77 claims and covering 1,925 Ha (Note 15).

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.

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 and is comprised of 34 claims. 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.

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 has decided to write the Kenora property down to \$20,000, its estimate of the recoverable amount.

CANSTAR RESOURCES INC.
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4. INTEREST IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)

c) Exploits Property

On April 5, 2018, the Company entered into an option agreement with local prospectors to purchase 11 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 will own a 100% interest in the mineral claims subject to a 1% royalty interest retained by the optionees. The securities issued to the optionees will be subject to a four month and one day statutory hold period.

All payments and share issuances to the optionors of the Exploits property required as at June 30, 2018 have been made. Subsequent payments and share issuances required to be made to keep the option in good standing will become due on April 5, 2019 and April 5, 2020. Upon completion of these payments and share issuances, Canstar will acquire a 100% interest in the optioned property.

d) 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.

The Company has attempted to joint venture this property without success. Accordingly, the property was written off in fiscal 2011 although the Company still retains its interest.

5. EQUIPMENT

Cost	Office and field equipment
Balance, June 30, 2016, June 30, 2017 and June 30, 2018	\$ 10,141
Accumulated Amortization	Office and field equipment
Balance, June 30, 2016	\$ 8,684
Amortization	291
Balance, June 30, 2017	8,975
Amortization	233
Balance, June 30, 2018	\$ 9,208
Carrying Value	Office and field equipment
Balance, June 30, 2017	\$ 1,166
Balance, June 30, 2018	\$ 933

CANSTAR RESOURCES INC.
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6. CAPITAL STOCK, OPTIONS AND WARRANTS

(a) Authorized

Unlimited number of common shares, without par value.

In August 2018, the Company affected a 5 to 1 stock consolidation (Note 15), which has been full retrospectively applied in these financial statements.

(b) Issued

20,578,371 common shares

Summary of changes in capital stock:

	Shares	Amount
Balance, June 30, 2016,	18,439,983	\$ 11,122,125
Issuance of common shares in private placement (i)	2,087,590	1,043,795
Cost of issue	-	(58,663)
Exercise of warrants	73,712	49,637
Warrant valuation (i)	-	(179,570)
Adjustment on cancellation of shares (ii)	(49,580)	(28,508)
Balance, June 30, 2017	20,551,705	11,948,816
Exercise of stock options (c)	10,000	4,150
Issuance of shares for property interest (Note 4(c))	16,666	5,000
Balance, June 30, 2018	20,578,371	\$ 11,957,966

(i) On August 2, 2016, the Company completed a non-brokered private placement financing of 2,087,590 units at \$0.50 per unit for gross proceeds of \$1,043,795. Each unit consisted of one common share and one-half of one common share purchase warrant.

Each warrant entitled the holder to purchase one common share of the Company until December 31, 2017 at a price of \$0.75. The grant date fair value of the warrants was estimated to be \$179,570. The fair value of the warrants on the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 127%, risk-free interest rate of 0.55%, and expected life of 1.4 years.

Issue cost of \$70,822 were paid including 53,000 finders warrants issued, valued at \$14,082, of which \$12,159 was allocated to warrants. Each finders warrant was exercisable at \$0.50 into one common share and one-half of one common share purchase warrant and had the same terms as the private placement.

(ii) As a result of the consolidation of the Company's common shares in January 2017, 49,580 common shares were cancelled. Shareholders received cash consideration equal to \$0.60 per common share for the shares that were cancelled. Accordingly, the Company paid \$28,508 in relation to the cash consideration.

CANSTAR RESOURCES INC.
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6. 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, 2016	1,125,000	\$ 0.60
Granted (i)	495,000	0.55
Expired	(495,000)	(0.80)
Balance, June 30, 2017	1,125,000	\$ 0.40
Granted (ii)	40,000	0.20
Exercised	(10,000)	(0.25)
Expired	(377,500)	(0.45)
Balance, June 30, 2018	777,500	\$ 0.40

(i) On January 3, 2017, the Company granted 495,000 stock options to certain directors, officers and consultants of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of \$0.55 for a period of 5 years. A grant date fair value of \$212,850 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 1.14%; expected life of 5 years; and an expected volatility of 108% based on the Company's historical trading data.

(ii) On January 12, 2018, the Company granted 40,000 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 \$0.25 for a period of 5 years. The options vested immediately. A grant date fair value of \$9,400 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 1.97%; expected life of 5 years; and an expected volatility of 166% based on the Company's historical trading data.

The total value of share-based payments for the year ended June 30, 2018 was \$9,400, (year ended June 30, 2017 - \$212,850).

As at June 30, 2018, the following stock options were outstanding:

Number of Options	Exercisable Options	Exercise Price	Weighted Average Remaining Contractual Life (years)	Expiry Date
20,000	20,000	\$0.50	0.05	July 17, 2018
330,000	330,000	\$0.25	1.45	December 11, 2019
387,500	387,500	\$0.55	3.52	January 3, 2022
40,000	40,000	\$0.25	4.54	January 12, 2023
777,500	777,500	\$0.40	2.60	

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6. 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
Balance, June 30, 2016	1,870,952	\$ 0.50
Issued	1,129,451	0.75
Exercised	(73,712)	(0.50)
Balance, June 30, 2017	2,926,691	0.75
Issued (Note 7)	150,840	0.60
Expired	(2,318,651)	(0.80)
Balance, June 30, 2018	758,880	\$ 0.76

As at June 30, 2018, the following warrants were outstanding.

Black-Scholes Valuation	Number of Warrants	Exercise Price	Expiry Date
\$ 48,685	608,040	\$0.875	May 2, 2019 ⁽¹⁾
33,313	150,840	\$0.30	April 17, 2020
\$ 81,998	758,880	\$0.760	

⁽¹⁾ The Company applied to the TSX-V to extend by one year the term of the 608,040 common share purchase warrants ("2016 Warrants") issued pursuant to a private placement of its units completed on May 2, 2016. When originally issued, the 2016 Warrants were exercisable into Canstar common shares at \$0.875 per common share until May 2, 2018, subject to the option of the Company to accelerate the expiry of the 2016 Warrants upon giving a thirty days' written notice in the event of the trading price of the common shares on the TSX-V equalling or exceeding for 20 consecutive trading days \$1.25 (the "Acceleration Option"). TSX-V has consented to the extension of the expiry date of the 2016 Warrants, and the 2016 Warrants are exercisable into Canstar common shares at \$0.875 per common share until May 2, 2019, subject to the Acceleration Option.

7. SUBSCRIPTION RECEIPTS

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").

As at June 30, 2018, the Company had \$1,427,578 (2017 - \$Nil) in deposits held in trust in respect to subscription receipts.

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7. SUBSCRIPTION RECEIPTS (CONTINUED)

Upon satisfaction of the Escrow Release Conditions (as defined below), each Common Share Receipt shall be exchangeable for one common share of Canstar. Each Flow Through Receipt shall be exchangeable for one flow through share of Canstar within the meaning of the Income Tax Act (Canada). As at June 30, 2018, the gross proceeds of the Offering less offering costs ("Escrowed Funds") were in escrow pending delivery of the Release Notice (as defined below) by the Company to Capital Transfer Agency ULC ("Escrow Agent"). The Escrowed Funds shall be released from escrow by the Escrow Agent to the Company 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 Newfoundland Corporation, 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 Transaction (as defined in Note 15); (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 to the Escrow Agent confirming that the conditions set forth above have been met or waived (the "Release Notice"). The Escrow Release Conditions were satisfied subsequent to June 30, 2018 (see Note 15).

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 incurred costs of \$145,819 related to the Offering which have been reflected as deferred issue costs on the statement of financial position as at June 30, 2018.

8. 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. 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, 2018 and 2017.

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10. 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 and prepaid expenses 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 and prepaid expenses 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, 2018, the Company had a cash and cash equivalents balance of \$1,468,736 (2017 - \$718,075) to settle current liabilities of \$1,788,302 (2017 - \$153,584). 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. The Escrow Release Conditions for the subscription receipts were met subsequent to June 30, 2018, and accordingly, liabilities of \$1,500,021 net of issue costs of \$145,819 were reclassified to equity.

Interest rate risk

The Company has cash, cash equivalents and short-term investment 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.

Price risk

The Company is exposed to price risk with respect to commodity prices. 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, cash equivalents and short-term investments 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, 2018, would affect the net loss by plus or minus \$14,700 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.

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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.

Canstar entered into the following transactions with related parties:

During the year ended June 30, 2018, the Company accrued \$8,683 (year ended June 30, 2017 - \$20,838) for rent charged by a corporation of which the Chairman of the Board and the president are directors of the Company.

The remuneration of directors and key management during the year ended June 30, 2018 and June 30, 2017 was as follows:

	Year Ended June 30,	
	2018	2017
Short-term benefits (i)	\$ 33,538	\$ 135,923
Share-based payments	-	193,500
	\$ 33,538	\$ 329,423

(i) During the year ended June 30, 2018, \$33,333 (year ended June 30, 2017 - \$78,406) of short-term benefits was capitalized as deferred exploration expenditures and \$205 (year ended June 30, 2017 - \$57,517) is included in management fees.

During the year ended June 30, 2018, the Company accrued \$90,000 (year ended June 30, 2017 - \$27,038) for professional fees charged by Peterson McVicar LLP (formerly Peterson & Company LLP), a law firm of which a director is a partner. Of this amount, \$40,000 has been included in deferred share issue costs (June 30, 2017 - \$8,508 included in share issue costs) and \$50,000 has been included in deferred transaction costs.

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, 2018, the directors of the Company together control 1,271,570 common shares or approximately 5% of the total common shares outstanding. To the knowledge of directors and officers of Canstar, the remainder of the Company's outstanding common shares are widely held.

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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% (2017 – 28%) is as follows:

	2018	2017
Loss before income taxes	\$ (1,508,770)	\$ (475,275)
Expected income tax (recovery)	(422,000)	(133,000)
Adjustments to benefit resulting from:		
Non-deductible expenses and other	3,000	60,000
Flow-through renunciation	-	19,000
Changes in unrecognized tax benefits	419,000	54,000
Income tax (recovery)	\$ -	\$ -

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

	2018	2017
Non-capital losses	\$ 612,000	\$ 567,000
Capital loss carry-forwards	172,000	172,000
Exploration properties	6,976,000	5,477,000
Share issue costs	43,000	59,000
Investment tax credits and other	341,000	247,000
	\$ 8,144,000	\$ 6,522,000

c) The tax losses expire from 2027 to 2038. 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 \$8,861,000 at June 30, 2018 (2017 - \$8,102,000) 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, 2018 was based on the net loss attributable to common shareholders of \$1,508,770 (year ended June 30, 2017 - \$475,275) and the weighted average number of common shares outstanding of 20,561,540 (year ended June 30, 2017 - 20,318,871). Diluted loss per share did not include the effect of 777,500 options and 758,880 warrants outstanding (June 30, 2017 - 1,125,000 options and 2,926,691 warrants outstanding) as they are anti-dilutive. See Note 15 for details on share consolidation.

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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.

Flow-Through Commitment

Pursuant to the issuance of 2,500,000 flow-through share receipts on April 17, 2018 (see Note 6(e)), which were converted to flow-through shares of the Company in July 2018, the Company is required to incur qualifying expenditures of approximately \$1,000,000 by December 31, 2019. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

15. SUBSEQUENT EVENTS

Definitive Agreement - Adventus Zinc Corporation and Altius Minerals Limited

On August 14, 2018, the Company announced that together with Adventus Zinc Corporation ("Adventus") (TSX-V: ADZN) and Altius Minerals Limited ("Altius") (TSX: ALS), it has completed the acquisitions previously announced on February 21, 2018, April 18, 2018, May 31, 2018 and July 18, 2018, pursuant to which Canstar acquired the Newfoundland base metal exploration assets of Adventus and the Daniel's Harbour Zinc Project from Altius (the "Transaction") in exchange for: (i) the issuance of common shares of the Company to Adventus and Altius; and (ii) a funding commitment from Altius of \$500,000 as part of a \$1,500,021 private placement (Note 7).

As at June 30, 2018, the Company has incurred professional fees of \$73,560 related to the acquisition. These amounts have been reflected as deferred transaction costs on the Statement of Financial Position.

The Transaction has been accepted by the TSX-V and has received the approval of the shareholders of the Company at the special meeting of the shareholders held on July 30, 2018.

The completion of the Transaction constitutes an event satisfying the Escrow Release Conditions in respect of the private placement of the Company's 4,166,739 subscription receipts ("Subscription Receipt Offering") completed on April 17, 2018 (see Note 7). Having satisfied the Escrow Release Conditions, 4,166,739 subscription receipts issued pursuant to the Subscription Receipt Offering automatically converted into 4,166,739 common shares of the Company, 2,500,000 of which were issued on a flow-through basis. Additionally, the net gross proceeds of the Subscription Receipt Offering which previously were held in escrow by a subscription receipt agent have been released to the Company.

Under the Transaction, the Company issued 17.3 million shares to Adventus for its portfolio of assets and Altius received 2.4 million shares for its Daniel's Harbour Zinc Project.

On August 14, 2018, the Company announced that the previously announced consolidation of the Company's shares on a five (old) for one (new) basis was approved by TSX-V. Effective August 15, 2018, the Company's shares resumed trading on the TSX-V. Upon the consolidation, any outstanding stock options and warrants, in accordance with their terms, are exercisable into post-consolidation common shares of the Company at appropriately adjusted exercise prices. All applicable references to the number of shares, stock options and warrants and their exercise prices in these financial statements have been restated to reflect the effect of the share consolidation, unless otherwise noted.

**CANSTAR RESOURCES INC.
NOTES TO THE FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
YEAR ENDED JUNE 30, 2018**

15. SUBSEQUENT EVENTS (CONTINUED)

Appointment of President and CEO

On August 13, 2018, the Company appointed Christos Doulis as President and CEO.

Stock options expired

On July 17, 2018, 20,000 stock options expired unexercised.

Stock options granted

On September 4, 2018, the Company granted 1,300,000 options to purchase common shares of the Company to an officer and a consultant at an exercise price of \$0.30 per share, expiring on September 4, 2023.

Mary March Properties

A fourth map-staked license was staked on behalf of the Company by Altius on September 11, 2018 and added to the Mary March Property portfolio on October 11, 2018.