

**REMSTAR RESOURCES LTD.**

**(An Exploration Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Three and nine months ended April 30, 2011 and 2010**

**(Expressed in Canadian Dollars)**

**(Unaudited – Prepared by Management)**

**REMSTAR RESOURCES LTD.**  
(the "Company")

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
Three and nine months ended April 30, 2011

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

June 23, 2011

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Balance Sheets  
(Expressed in Canadian Dollars)

April 30, 2011 and July 31, 2010  
(Unaudited – Prepared by Management)

	April 30, 2011	July 31, 2010
<b>ASSETS</b>		
Current		
Cash	\$ 80,246	\$ 101,273
Short-term investments	275,000	205,000
Amounts receivable (note 9)	41,615	3,180
Prepaid expenses	36,851	21,101
Investments (note 4)	-	1,448,218
	433,712	1,778,772
Equipment (note 5)	34,539	39,829
Resource properties and deferred exploration costs (note 6)	50,000	-
	\$ 518,251	\$ 1,818,601
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities (note 9)	\$ 55,967	\$ 86,659
Due to related parties (note 9)	-	6,395
Loans payable (note 7)	-	999,377
	55,967	1,092,431
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 8)	11,648,241	11,617,441
Contributed surplus (note 8)	1,863,858	1,802,844
Accumulated other comprehensive income	-	723,983
Deficit	(13,049,815)	(13,418,098)
	462,284	726,170
	\$ 518,251	\$ 1,818,601

Nature of operations and going concern (note 1)

Commitments (note 10)

The accompanying notes are an integral part of these consolidated financial statements.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Statements of Operations  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010  
(Unaudited – Prepared by Management)

	Three months ended April 30,		Nine months ended April 30,	
	2011	2010	2011	2010
Administrative expenses:				
Amortization	\$ 1,764	\$ 2,329	\$ 5,290	\$ 6,980
Consulting fees	11,250	4,942	21,694	15,525
Interest and bank charges	190	189	955	924
Management fees (note 9)	16,200	32,400	48,600	98,584
Office, rent and administration (note 9)	3,544	(2,106)	26,149	31,845
Professional fees	1,344	970	6,889	4,532
Regulatory, transfer agent and shareholder information	14,200	10,226	39,644	19,268
Stock-based compensation	8,418	8,008	69,814	77,349
Travel, advertising and promotion	3,412	621	77,398	1,816
Wages and benefits (note 9)	31,929	29,243	72,735	137,611
	92,251	86,822	369,168	394,434
Loss before other items:	(92,251)	(86,822)	(369,168)	(394,434)
Other items:				
Foreign exchange loss	(1,319)	(2,564)	(2,810)	(3,147)
Interest and other income	722	300	16,278	3,245
Gain on sale of investments	-	-	723,983	-
	(597)	(2,264)	737,451	98
Net earnings (loss) for the period	(92,848)	(89,086)	368,283	(394,336)
Basic and diluted earnings (loss) per share	\$ -	\$ -	\$ 0.01	\$ (0.01)
Weighted average number of shares outstanding	39,558,702	39,439,056	39,537,768	39,439,056

The accompanying notes are an integral part of these consolidated financial statements.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Statements of Deficit  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010  
(Unaudited – Prepared by Management)

		Three months ended April 30, 2011	2010	Nine months ended April 30, 2011	2010
Deficit, beginning of the period	\$	(12,956,967)	\$ (13,124,864)	\$ (13,418,098)	\$ (12,819,614)
Net earnings (loss) for the period		(92,848)	(89,086)	368,283	(394,336)
Deficit, end of the period	\$	(13,049,815)	\$ (13,213,950)	\$ (13,049,815)	\$ (13,213,950)

The accompanying notes are an integral part of these consolidated financial statements.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Income (Loss)  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010  
(Unaudited – Prepared by Management)

	Three months ended		Nine months ended	
	2011	April 30, 2010	2011	April 30, 2010
Net earnings (loss) for the period	\$ (92,848)	\$ (89,086)	\$ 368,283	\$ (394,336)
Other comprehensive income	-	-	-	-
Comprehensive earnings (loss) for the period	\$ (92,848)	\$ (89,086)	\$ 368,283	\$ (394,336)

Consolidated Statements of Accumulated Other Comprehensive Income  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010  
(Unaudited – Prepared by Management)

	Three months ended		Nine months ended	
	2011	April 30, 2010	2011	April 30, 2010
Accumulated other comprehensive income, beginning of the period	\$ -	\$ -	\$ 723,983	\$ -
Gain on available-for-sale investments transferred to net earnings (loss)	-	-	(723,983)	-
Accumulated other comprehensive income, end of the period	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010  
(Unaudited – Prepared by Management)

	Three months ended April 30,		Nine months ended April 30,	
	2011	2010	2011	2010
Cash provided by (used in):				
Operating Activities:				
Net earnings (loss) for the period	\$ (92,848)	\$ (89,086)	\$ 368,283	\$ (394,336)
Items not involving cash:				
Amortization	1,764	2,329	5,290	6,980
Stock-based compensation	8,418	8,008	69,814	77,349
Gain on sale of investments	-	-	(723,983)	-
	(82,666)	(78,749)	(280,596)	(310,007)
Changes in non-cash working capital balances:				
Amounts receivable	87,691	(34,530)	(38,435)	(35,983)
Prepaid expenses	(15,952)	875	(15,750)	61,049
Accounts payable and accrued liabilities	4,448	2,923	(30,692)	(41,008)
	(6,479)	(109,481)	(365,473)	(325,949)
Investing Activities:				
Redemption (purchase) of short-term investments	25,000	150,000	(70,000)	360,000
Proceeds from disposal of investments	-	-	1,448,218	-
Interest received from investments	-	262	-	12,024
Resource property costs	1,000	-	(50,000)	-
	26,000	150,262	1,328,218	372,024
Financing Activities:				
Due to related parties	-	3,647	(6,395)	(52,299)
Repayment of loans	-	(262)	(999,377)	(12,024)
Shares issued for cash	-	-	22,000	-
	-	3,385	(983,772)	(64,323)
Increase (decrease) in cash during the period	19,521	44,166	(21,027)	(18,248)
Cash, beginning of the period	60,725	46,076	101,273	108,490
Cash, end of the period	\$ 80,246	\$ 90,242	\$ 80,246	\$ 90,242
Supplementary information:				
Non-cash financing activities:				
Reclassification of contributed surplus on exercise of options (note 8(b))	\$ -	\$ -	\$ 51,265	\$ -
Cash paid for:				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

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## 1. Nature of Operations and Going Concern

The Company was incorporated under the laws of the Province of British Columbia on November 3, 1993. The Company's shares are listed for trading on the TSX Venture Exchange ("Exchange").

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company's ability to continue as a going concern and the recoverability of the amounts shown for resource properties are dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of its resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. At April 30, 2011, the Company had not yet achieved profitable operations, has accumulated losses of \$13,049,815 (July 31, 2010 - \$13,418,098), working capital of \$377,745 (July 31, 2010 - \$686,341) and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. During the nine months ended April 30, 2011, the Company generated cash of \$1,460,827 from the sale of ABCP investment (note 4) and settled loans of \$999,377 (note 7). As a result, management has estimated that the Company has adequate funds from existing working capital to meet its obligations for the next twelve months. The Company will require additional financing in the long term as it determines to acquire additional properties or accelerate its presently contemplated work programs and while the Company has been successful in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

In the event that cash flow from operations, if any, together with the proceeds for any future financings are insufficient to meet the Company's operating expenses, the Company will be required to re-evaluate its planned expenditures and allocate its total resources in such a manner as the Board of Directors and management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations.

These consolidated financial statements do not give effect to adjustments, which could be material, to the carrying values and classification of assets and liabilities, which may be required should the Company be unable to continue as a going concern.



# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

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## 2. Basis of Presentation

These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements including the notes thereto for the year ended July 31, 2010.

The accounting policies followed by the Company are set out in note 2 and note 3 to the audited consolidated financial statements for the year ended July 31, 2010 and have been consistently followed in the preparation of these consolidated financial statements.

## 3. Future Accounting Pronouncements

### Consolidations and Non-Controlling Interests

Section 1601, Consolidated Financial Statements, and Section 1602, Non-Controlling Interests, replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Company does not expect to adopt this standard prior to August 1, 2011, at which time it expects to adopt the equivalent IFRS standard.

## 4. Investments

The Company held an investment in non-bank Canadian asset-backed commercial paper (ABCP). This investment which had an original face value of \$2,416,584 was included in investments at its estimated fair value of \$1,448,218 (2009 - \$736,843) as at July 31, 2010.

On January 21, 2009, the Pan-Canadian Committee of ABCP investors announced that the third-party ABCP restructuring plan had been implemented. Pursuant to the terms of the plan, holders of ABCP had their short-term commercial paper exchanged for longer-term notes which maturities match those of the assets previously contained in the underlying conduits. On closing of the restructuring, the Company exchanged its holdings of ABCP for \$2.4 million of long-term floating rate notes from Master Asset Vehicle II ("MAV II") as follows:

MAV II Class A-1:	\$ 1,285,623
MAV II Class A-2:	\$ 809,555
MAV II Class B:	\$ 147,412
MAV II Class C:	\$ 70,081
MAV II Class 15:	\$ 103,913
	<u>\$ 2,416,584</u>

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

## 4. Investments – (continued)

As at July 31, 2010, based on a fair value estimation of the recoverability of the investments designated as available-for-sale, the Company calculated the fair value of its holdings as \$1,460,826 (2009 - \$871,358) and recorded an unrealized gain of \$723,983 (2009 - \$nil) in other comprehensive income for the year ended July 31, 2010. During the year ended July 31, 2009, the Company recorded a provision for impairment of \$873,360 (2008 - \$671,866). The Company received \$12,608 in interest and capital redemption receipts during the year ended July 31, 2010 (2009 - \$134,515) and this was recognized as a credit to the estimated fair value of the asset on the balance sheet as at July 31, 2010. The fair value adjustments, combined with the return of capital, reduced the carrying value of the notes to \$1,448,218.

During the nine months ended April 30, 2011, the Company disposed of its ABCP holdings for proceeds of \$1,460,827 and recorded a gain of \$723,983.

## 5. Equipment

	April 30, 2011		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 23,433	\$ 16,443	\$ 6,990
Motorcycles	11,977	3,747	8,230
Office equipment	41,715	22,396	19,319
	<u>\$ 77,125</u>	<u>\$ 42,586</u>	<u>\$ 34,539</u>

  

	July 31, 2010		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 23,433	\$ 14,499	\$ 8,934
Motorcycles	11,977	3,210	8,767
Office equipment	41,715	19,587	22,128
	<u>\$ 77,125</u>	<u>\$ 37,296</u>	<u>\$ 39,829</u>

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

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## 6. Resource Properties and Deferred Exploration Costs

### (a) Coal Applications

On June 23, 2008, the Company entered into a Property Option Agreement pursuant to which the Company acquired a 100% interest in 48 coal lease applications in two properties (24 coal lease applications each for North and South Properties) located in east-central Saskatchewan. The coal lease applications encompass approximately 85,715 acres, 120 km north east of Prince Albert, Saskatchewan.

As consideration for the acquisition, the Company paid \$75,000 upon signing of the agreement and issued 500,000 common shares valued at \$25,000 to the optionor.

The optionor retains a \$2/tonne royalty on all coal mineral production from the permits, of which 50% of the royalty may be acquired by the Company for \$2,000,000 (\$1,000,000 for each property). In addition, if exploration of the lands leads to production of other mineral and metals other than coal from the same vendor, the vendor (optionor) will retain a 2% net smelter return royalty ("NSR") on those mineral rights, of which 50% of the NSR may be acquired by the Company for \$2,000,000 (\$1,000,000 for each property).

During the year ended July 31, 2010, the Company wrote-off all acquisition costs of \$100,000.

### (b) Snip and Seebach Properties

During the period ended April 30, 2011, the Company entered into an option agreement to acquire a 60% interest in the Snip and Seebach properties (the "Properties") located in British Columbia. Under the terms of the agreement, the Company may earn a 60% interest in the Properties by making cash payments of \$250,000 and incurring \$5,000,000 in exploration expenditures over a period of four years. The vendors will retain a 2% NSR on the Properties.

Subsequent to April 30, 2011, the Company renegotiated the terms of the option agreement to acquire a 100% interest in the Properties by paying \$50,000 (paid), issuing an aggregate of 4,000,000 common shares over two years and incurring exploration expenditures of \$850,000 over three years.

The proposed acquisition is subject to the approval of the Exchange.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

## 7. Loans Payable

The Company negotiated a \$1,000,000 credit line facility with an arm's length party which is secured by certain assets of the Company. As at April 30, 2011, \$nil (July 31, 2010 - \$999,377) had been drawn against this credit facility. The repayment of the credit facility is dependent upon sale of certain assets of the Company. During the nine months ended April 30, 2011, the credit facility was repaid in full.

## 8. Share Capital and Contributed Surplus

a) Authorized  
Unlimited common shares without par value.

b) Issued

	Number of Shares	Amount	Contributed Surplus
Balance, July 31, 2009	39,439,056	\$ 11,617,441	\$ 1,719,707
Stock-based compensation	-	-	83,137
Balance, July 31, 2010	39,439,056	11,617,441	1,802,844
Exercise of options	220,000	22,000	-
Cancellation of escrow shares (Note 8(e))	(144,057)	(42,465)	42,465
Stock-based compensation	-	-	69,814
Transfer to share capital on exercise of stock options	-	51,265	(51,265)
Balance, April 30, 2011	39,514,999	\$ 11,648,241	\$ 1,863,858

During the period ended April 30, 2011, 220,000 stock options at \$0.10 per share were exercised and an aggregate of 220,000 common shares were issued for total proceeds of \$22,000. A reclassification of \$51,265 from contributed surplus to share capital was recorded on the exercise of these options.

c) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants for up to a maximum of 10% of the issued and outstanding common stock of the Company. The exercise price (less any discounts permitted by regulatory policies and determined by the directors at the time of grant) under each option shall be the market price of the Company's stock at the date of grant. The options granted during the years ended July 31, 2010 and 2009 vest immediately as determined by the Board of Directors or as to 25.0% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

## 8. Share Capital and Contributed Surplus - (continued)

### c) Stock Options – (continued)

A summary of the status of the options outstanding follows:

	Number of Options	Weighted Average Exercise Price
Balance, July 31, 2009	3,942,000	\$ 0.10
Granted	250,000	0.10
Expired	(162,000)	0.04
Cancelled	(450,000)	0.10
Balance, July 31, 2010	3,580,000	0.10
Granted	1,115,000	0.10
Exercised	(220,000)	0.10
Cancelled	(755,000)	0.10
Balance, April 30, 2011	3,720,000	\$ 0.10

Stock options outstanding and exercisable at April 30, 2011 are as follows:

Number of Outstanding	Exercise Price	Expiry Date	Number Exercisable
275,000	\$0.10	August 9, 2016	275,000
65,000	\$0.10	April 26, 2017	65,000
370,000	\$0.10	April 17, 2018	370,000
520,000	\$0.10	May 20, 2018	520,000
185,000	\$0.10	June 2, 2018	185,000
200,000	\$0.10	June 2, 2018	200,000
75,000	\$0.10	June 12, 2018	75,000
265,000	\$0.10	February 4, 2019	265,000
400,000	\$0.10	February 18, 2019	400,000
250,000	\$0.10	December 1, 2019	218,750
1,115,000	\$0.10	October 12, 2020	777,500
3,720,000			3,351,250

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

## 8. Share Capital and Contributed Surplus - (continued)

### c) Stock Options – (continued)

During the nine months ended April 30, 2011, under the fair value based method, \$69,814 (2010 - \$77,349) in compensation expense was recorded for stock options granted to directors, officers and consultants of the Company and charged to operations.

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes option pricing model using the following weighted average assumptions:

	2011	2010
Risk free interest rate	1.46 %	2.08%
Expected life of options	3.58 years	3 years
Expected dividend yield	0 %	0%
Expected stock price volatility	136.77 %	137%
Fair value of options per share	\$0.08	\$0.06

### d) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company.

	Number of Warrants	Weighted Average Exercise Price
Balance, July 31, 2009	340,000	\$ 0.75
Expired	(340,000)	0.75
Balance, July 31, 2010 and April 30, 2011	-	\$ -

### e) Escrow

As at April 30, 2011, nil (July 31, 2010 - 144,057) shares were held in escrow. On February 28, 2011, the 144,057 common shares held in escrow were cancelled and returned to treasury.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

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## 9. Related Party Transactions

During the nine months ended April 30, 2011 and 2010, the Company entered into the following transactions with related parties:

- a) Paid or accrued \$48,600 (2010 - \$98,584) for management fees to companies controlled by a director and an officer and a former officer of the Company.
- b) Paid or accrued \$nil (2010 - \$56,559) for rent and office expenses to a company having a former director and a former officer in common.
- c) Paid or accrued \$4,510 (2010 - \$nil) for legal fees to a company controlled by an officer of the Company.
- d) Recovered \$153,800 (2010 - \$118,150) for rent, wages and office expenses from companies having directors and officers in common.

All related party transactions were recorded at their exchange amounts, which is the amount of consideration established and agreed to by the related parties.

Included in amounts receivable are expense reimbursements of \$4,480 (July 31, 2010 - \$nil) due from a company having an officer in common. These amounts were received subsequent to April 30, 2011.

Included in accounts payable and accrued liabilities are prepaid rent of \$nil (July 31, 2010 - \$10,304) and rent deposits of \$9,000 (July 31, 2010 - \$9,000) received from companies having a director and an officer in common.

Included in due to related parties were amounts owing to companies controlled by a director, a former officer and a former director of the Company and to companies having a director and a former officer in common. Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

## 10. Commitments

The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2015, as follows:

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	\$
2011	71,554
2012	72,693
2013	73,714
2014	74,735
2015 and thereafter	37,878
	<hr/> 330,574 <hr/>

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

## 11. Financial Instruments

The Company's financial instruments consist of cash, short-term investments, amounts receivable, accounts payable and accrued liabilities and due to related parties.

Cash and short-term investments are designated as held-for-trading and carried at their fair values. Amounts receivable is classified as a loan and receivable and carried at its amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities and carried at their amortized cost.

The fair values of these financial instruments approximate their carrying values due to their short-term nature and/or the existence of market related interest rate on the instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The following table is a classification of fair value measurements recognized using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as at April 30, 2011:

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 80,246	\$ -	\$ -	\$ 80,246
Short-term investments	\$ 275,000	\$ -	\$ -	\$ 275,000

## 12. Financial Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

### (a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank Guaranteed Investment Certificates ("GICs") and amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The amounts receivable consist of accounts receivable of \$39,625 and accrued interest receivable of \$1,990 which are not considered past due. Management considers that risks related to credit are minimal.



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Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

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## 12. Financial Risk Exposure and Risk Management – (continued)

### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at April 30, 2011, the Company had cash and short-term investments of \$355,246 to settle accounts payable of \$55,967 that are considered short term and settled within 30 days. Management believes that the Company has sufficient capital to meet its requirements for the next twelve months.

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company.

### (c) Market risk

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's accounts payable and accrued liabilities are non-interest bearing. As at April 30, 2011 the Company's interest bearing assets are cash and short-term investments. The Company maintains a minimum cash balance in its chequing account and transfers funds from its investment account when the need arises. The Company's investments are placed in GICs which interest rates vary depending on the rates offered by the banks when the instruments mature and are automatically renewed. A change of 100 basis points in the interest rates would not be material to the financial statements. For the nine months ended April 30, 2011, the Company recognized \$16,278 in interest income from its interest bearing investments.

#### (ii) Foreign currency risk

The Company conducts part of its business in US dollars and Mexican Pesos and therefore is affected by variations in exchange rates. The Company does not have foreign currency hedges in place and does not actively manage this risk.

#### (iii) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its resource property described in note 6 of these financial statements of which production is not expected in the near future.

During the nine months ended April 30, 2011, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

# REMSTAR RESOURCES LTD.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements  
(Expressed in Canadian Dollars)

Three and nine months ended April 30, 2011 and 2010

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## 13. Capital Management

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funds to support the acquisition, exploration and development of resource properties such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or sell assets to settle liabilities. The Company has no debt and is not subject to externally imposed capital requirements.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities, loans, advances from related parties and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

There were no changes in the Company's management of capital during the nine months ended April 30, 2011.