



Star Minerals Group Ltd.

(formerly Star Uranium Corp.)

Unaudited Condensed Interim Consolidated Financial Statements

For the six months ended April 30, 2014

(Expressed in Canadian Dollars)

CSE:SUV info@starminerals.ca

**272-2366 Avenue C North
Saskatoon, SK S7L 5X5**

Notice of no auditor review of condensed interim consolidated financial statements.

These condensed interim consolidated financial statements for the six months ended April 30, 2014 have been compiled by management. These financial statements, along with the accompanying notes, have been reviewed and approved by the members of the Company's audit committee.

In accordance with Canadian Securities Administrators National Instrument 51-102, the Company discloses that these unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

STAR MINERALS GROUP LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT

(Expressed in Canadian Dollars)

(unaudited)

	April 30, 2014	October 31, 2013
ASSETS		
Current		
Cash	\$ 475,829	\$ 565,252
Receivables	13,397	8,266
Prepaid expenses	8,106	16,496
	497,332	590,014
Equipment (Note 5)	20,525	23,044
Exploration and evaluation assets (Note 6)	2,861,555	2,405,097
Investments (Note 9)	62,000	-
	\$ 3,441,412	\$ 3,018,155
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,646	\$ 47,871
Flow-through share premium liability (Note 7)	79,399	-
	83,045	47,871
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	17,729,152	17,097,563
Other equity reserve (Note 7)	702,459	628,380
Deficit	(15,073,244)	(14,755,659)
	3,358,367	2,970,284
	\$ 3,441,412	\$ 3,018,155

Nature of Operations (Note 1)

Going concern (Note 2)

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Approved and authorized by the Board of Directors on June 20, 2014.

On behalf of the Board:

“JIM ENGDAHL”

Director

“KYLE KOZUSKA”

Director

STAR MINERALS GROUP LTD.

**CONDENSED INTERIM CONSOLIDATED
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)**

	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>April 30, 2014</u>	<u>April 30, 2013</u>	<u>April 30, 2014</u>	<u>April 30, 2013</u>
Bank fees	\$ 205	\$ 31	\$ 283	\$ 55
Consulting	1,242	4,600	3,727	5,650
Depreciation (Note 5)	1,545	517	3,090	1,034
Filing fees	1,504	8,601	10,590	8,601
Insurance	4,116	2,946	8,232	5,952
Management fees	62,918	23,500	122,229	71,667
Meals and entertainment	1,244	1,230	1,486	1,671
Office expense	3,011	2,596	5,033	4,479
Premises expense	8,224	-	17,136	3,454
Professional fees	16,167	12,555	55,391	17,580
Property examination	(206)	-	8,662	-
Share-based payments (Note 7)	74,079	-	74,079	-
Transfer agent	1,374	820	8,770	1,683
Travel and promotion	14,668	6,193	19,841	8,203
	(190,091)	(63,589)	(338,549)	(130,029)
Finance income	578	2,560	964	5,624
Gain (loss) on revaluation of investments (Note 9)	(26,000)	-	20,000	-
Net loss and comprehensive loss for the period	(215,513)	(61,029)	(317,585)	(124,405)
Loss per share – basic and diluted	\$ (0.007)	\$ (0.003)	\$ (0.012)	\$ (0.006)
Weighted average common shares	30,753,720	22,485,085	25,424,220	22,485,085

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

STAR MINERALS GROUP LTD.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended
(Expressed in Canadian Dollars)

(unaudited)

	April 30, 2014	April 30, 2013
Cash flows used in operating activities		
Net loss for the year	\$ (317,585)	\$ (124,405)
Items not involving cash:		
Depreciation	3,090	1,034
Gain on revaluation of investments	(20,000)	-
Share-based payments	74,079	-
Non-cash working capital item changes:		
Receivables	(5,131)	6,054
Prepaid expenses	8,390	4,930
Accounts payable and accrued liabilities	(44,225)	(38,359)
	(301,382)	(150,746)
Cash flows used in investing activities		
Proceeds from sale of exploration and evaluation assets	40,000	-
Exploration and evaluation assets	(278,458)	(105,077)
Acquisition of capital assets	(571)	-
	(239,029)	(105,077)
Cash flows used in financing activities		
Net proceeds from share issuance	450,988	-
	450,988	-
Increase (decrease) in cash	(89,423)	(255,823)
Cash, beginning of period	565,252	1,225,652
Cash, end of period	\$ 475,829	\$ 969,829

As at April 30, 2014, \$Nil (October 31, 2013 - \$Nil) of exploration and evaluation assets are included in accounts payable and accrued liabilities. As at April 30, 2013, \$13,286 (October 31, 2012 - \$100,398) of exploration and evaluation assets are included in accounts payable and accrued liabilities.

The non-cash transactions during the period ended April 30, 2014 were:

- a) The issuance of shares valued at \$260,000 for exploration and evaluation assets.
- b) Receipt of shares from Lakeland Resources Inc. valued at \$42,000 for its exploration and evaluation assets.

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

STAR MINERALS GROUP LTD.

**CONDENSED INTERIM CONSOLIDATED
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED APRIL 30, 2014 AND 2013**

(Expressed in Canadian Dollars)
(unaudited)

	Number of Shares	Capital Stock	Other Equity Reserve	Deficit	Total Shareholders' Equity
Balance October 31, 2012	22,485,085	\$ 17,097,563	\$ 628,380	(\$14,102,343)	\$ 3,623,600
Loss for the period	-	-	-	(124,405)	(124,405)
Balance April 30, 2013	22,485,085	\$ 17,097,563	\$ 628,380	(\$14,226,748)	\$ 3,499,195

	Number of Shares	Capital Stock	Other Equity Reserve	Deficit	Total Shareholders' Equity
Balance October 31, 2013	22,485,085	\$ 17,097,563	\$ 628,380	(\$14,755,659)	\$ 2,970,284
Share issuance	7,939,868	396,993	-	-	396,993
Share issuance for Shane transaction (Note 7)	4,000,000	260,000	-	-	260,000
Share issue costs	-	(25,404)	-	-	(25,404)
Share-based payments	-	-	74,079	-	74,079
Loss for the period	-	-	-	(317,585)	(317,585)
Balance April 30, 2014	34,424,953	\$ 17,729,152	\$ 702,459	(\$15,073,244)	\$ 3,358,367

The accompanying notes are an integral part of the condensed interim consolidated financial statements.



Star Minerals Group Ltd.

Notes to the Condensed Interim Consolidated Financial Statements April 30, 2014
(Expressed in Canadian Dollars)
(unaudited)

1. Nature of Operations

Star Minerals Group Ltd. (previously known as Star Uranium Corp.) (the “Company”) was incorporated in British Columbia and extra provincially registered in Alberta. The Company subsequently continued as a corporation under the jurisdiction of Saskatchewan and is a reporting issuer in Ontario due to having shares listed on the Canadian Securities Exchange (the “CSE”).

In April 2014, the Company incorporated a subsidiary company in the jurisdiction of the State of Montana. The subsidiary, Star Minerals Group US LLC, (“Star Minerals US”) will be the operating company for projects within the United States.

The Company is in the process of exploring its mineral interests and has not determined whether these properties contain ore reserves that are economically recoverable.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

2. Going Concern

These financial statements of the Company have been prepared on a going-concern basis, which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than normal course of business and at amounts which may differ from those shown in the financial statements.

The Company has not yet realized profitable operations, has relied on non-operational sources of financing to fund operations, has accumulated deficit of \$15,073,244 and has working capital of \$414,287 as at April 30, 2014. These conditions may cast doubt on the validity of the going concern assumption. The Company’s ability to continue as a going concern is dependent on its ability to obtain the necessary financing and to ultimately generate profitable operations. The Company must secure additional financing to fund its operations.

The amounts shown as exploration and evaluation assets represent costs net of recoveries to date, less amounts written off, and do not represent present or future values. Recoverability of the amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and evaluation of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.



2. Going Concern – continued

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

3. Basis of Preparation and Statement of Compliance

These condensed interim consolidated financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the Company’s October 31, 2013 annual financial statements.

These financial statements are presented in Canadian dollars, which is also the Company’s functional currency. The functional currency of Star Minerals US is the US Dollar.

Critical accounting estimates and judgements

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Critical Judgments

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 2.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant.

Significant estimates made by management affecting the financial statements include:



3. Basis of Preparation and Statement of Compliance – continued

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's mineral properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Fair value of stock options

Determining the fair value of stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets or liabilities, and deferred income tax provisions or recoveries could be affected.

4. Significant Accounting Policies

The accounting policies followed by the Company are set out in Note 4 to the audited financial statements for the year ended October 31, 2013, and have been consistently followed in the preparation of these condensed interim consolidated financial statements.



4. Significant Accounting Policies - continued

Adoption of New Standards and Interpretations, and Recent Accounting Pronouncements

Effective November 1, 2013, the following standards were adopted but have had no material impact on the financial statements.

- IAS 1 (Amendment): This standard is amended to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.
- IFRS 7 (Amendment): This standard is amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.
- IFRS 10: New standard to establish principles for the presentation and preparation of consolidated financial statements, effective for annual periods beginning on or after January 1, 2013
- IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement, effective for annual periods beginning on or after January 1, 2013.
- IFRS 12: New standard for the disclosure of interest in other entities not within the scope of IFRS 9 / IAS 39, effective for annual periods on or after January 1, 2013
- IFRS 13: New standard on the measurement and disclosure of fair value, effective for annual periods beginning on or after January 1, 2013
- IAS 27 (Amendment): As a result of the issue of IFRS 10, IFRS 11 and IFRS 12. IAS 27 deals solely with separate financial statements, effective for annual periods beginning on or after January 1, 2013
- IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the application of the equity method to investments in associates and joint ventures, effective for annual periods beginning on or after January 1, 2013

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2014. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014
- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015
- IFRS 9: New standard that replaced IAS 39 for classification and measurement



Star Minerals Group Ltd.

Notes to the Condensed Interim Consolidated Financial Statements April 30, 2014
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(unaudited)

5. Equipment

Equipment consists of the following:

	Exploration and Office Equipment	Computer Hardware	Total
Cost at October 31, 2012	\$ 52,928	\$ -	\$ 52,928
Additions	12,034	5,427	17,461
Cost at October 31, 2013	\$ 64,962	\$ 5,427	\$ 70,389
Additions	571	-	571
Cost at April 30, 2014	\$ 65,533	\$ 5,427	\$ 70,960
Accumulated depreciation at October 31, 2012	\$ 42,580	\$ -	\$ 42,580
Depreciation	3,273	1,492	4,765
Accumulated depreciation at October 31, 2013	\$ 45,853	\$ 1,492	\$ 47,345
Depreciation	2,335	755	3,090
Accumulated depreciation at April 30, 2014	\$ 48,188	\$ 2,247	\$ 50,435
Net book value at October 31, 2013	\$ 19,109	\$ 3,935	\$ 23,044
Net book value at April 30, 2014	\$ 17,345	\$ 3,180	\$ 20,525



Star Minerals Group Ltd.

Notes to the Condensed Interim Consolidated Financial Statements April 30, 2014
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6. Exploration and Evaluation Assets

The Company has acquired certain mineral properties and rights, the costs of which are as follows:

	Anglo Rouyn	Bear Gulch	Black Lake	Collins Bay	Don's Lake	Fort a la Corne	Hoidas Lake	Wrangler West	Other	Total
Balance October 31, 2012	\$ 181,537	\$ -	\$ 260,879	\$ 860,982	\$ -	\$ 525,118	\$ -	\$ 629,361	\$ 71,655	\$ 2,529,532
Administration fees	-	-	-	-	-	-	-	3,305	-	3,305
Geology	-	-	-	-	-	17,806	-	-	-	17,806
SEM Deposits	-	-	-	-	-	(73,891)	-	-	-	(73,891)
Property write offs	-	-	-	-	-	-	-	-	(71,655)	(71,655)
Total additions for the year	-	-	-	-	-	(56,085)	-	3,305	(71,655)	(124,435)
Balance October 31, 2013	\$ 181,537	\$ -	\$ 260,879	\$ 860,982	\$ -	\$ 469,033	\$ -	\$ 632,666	\$ -	\$ 2,405,097
Acquisition costs	-	-	-	-	283,500	-	-	-	31,500	315,000
Administration fees	-	-	-	-	-	-	-	5,065	-	5,065
Consulting	-	41,750	-	-	-	-	-	-	-	41,750
Geology	-	138,643	-	-	-	2,861	35,139	-	-	176,643
Mining Permit Deposits	-	-	-	-	-	-	-	-	-	-
Recovery through sale of assets	-	-	(82,000)	-	-	-	-	-	-	(82,000)
Total additions for the period	-	180,393	(82,000)	-	283,500	2,861	35,139	5,065	31,500	456,458
Balance April 30, 2014	\$ 181,537	\$ 180,393	\$ 178,879	\$ 860,982	\$ 283,500	\$ 471,894	\$ 35,139	\$ 637,731	\$ 31,500	\$ 2,861,555
Cumulative Totals										
Acquisition costs	\$ 373	\$ -	\$ 3,112	\$ 40,000	\$ 283,500	\$ 19,325	\$ -	\$ 100,000	\$ 59,157	\$ 505,467
Administration fees	1,506	-	225	-	-	-	-	19,648	100	21,479
Consulting	-	41,750	16,247	14,997	-	-	-	-	1,910	74,904
Drilling	152,035	-	371,536	730,170	-	354,762	-	1,107,937	211,669	2,928,109
Geology	27,623	138,643	-	75,395	-	99,034	35,139	40,361	-	416,194
Permits	-	-	199	420	-	3,056	-	-	-	3,675
Recovery	-	-	(82,000)	-	-	(4,282)	-	-	-	(86,282)
Write-off	-	-	(130,440)	-	-	-	-	(630,215)	(241,336)	(1,001,991)
Balance April 30, 2014	\$ 181,537	\$ 180,393	\$ 178,879	\$ 860,982	\$ 283,500	\$ 471,895	\$ 35,139	\$ 637,731	\$ 31,500.00	\$ 2,861,555

(a) Anglo Rouyn

The Company holds a 50% interest in two mineral claims, S-106390 and S-106391, comprising 565 hectares, located in the vicinity of Stanley Mission in Northern Saskatchewan. The other 50% interest is held by Karoo Exploration Corp. (formerly United Uranium Corp.), a related party. The target here is a deposit similar to the Anglo-Rouyn mine, which is situated on an adjoining claim on strike to the southwest. The Anglo-Rouyn mine, approximately 4 km southwest of the property, operated from 1966 to 1972 producing copper, gold, and silver. The same rock units that contain the mineralization at the Anglo-Rouyn mine extend northeasterly through the central portion of the claims. Management is currently considering options to further advance development of the property.

(b) Bear Gulch

The Company has signed a Memorandum of Understanding ("MOU") with a private group ("Lessor") to lease certain mineral claims and assume management of the Casey-Snyder placer gold operation near Drummond, Montana. Under the terms of the agreement the Company will: lease the Casey-Snyder mineral claims for a period of 10 years, or as long as commercial production is maintained; pay the Lessor a 15% royalty on all gold produced from the Casey-Snyder operation with a minimum royalty payable of US\$50,000; lease additional mineral claims in the vicinity of the Casey-Snyder property; and provide sufficient start-up working capital to recommence operations. Star Minerals US will be the sole operator of the placer gold operation.



6. Exploration and Evaluation Assets – continued

(c) **Black Lake**

The Company has 100% interest in two staked claims, S-107355 comprising 865 hectares and S-107356 comprising 227 hectares, along the Northern rim of the Athabasca Basin, in the vicinity of Stony Rapids in Northern Saskatchewan. The target here is the usual unconformity-type uranium deposit found in the Athabasca basin. In November 2013, the Company entered into a joint venture agreement with Lakeland Resources Inc. Under the terms of the joint venture agreement, Lakeland has the right to earn a 100-per-cent interest in the two claims by making cash payments totalling \$60,000 and issuing 600,000 common shares over a 12-month period. Star will retain the option of a 25-per-cent buyback for four times the exploration moneys spent by Lakeland to the date that the buyback option is exercised. The buyback option will be exercisable at any time up to a 90-day period following the completion and publication of an NI 43-101-compliant resource estimate.

(d) **Collins Bay**

The Company acquired a 100% interest in a claim, S-108354 comprising 1,619 hectares, located in the vicinity of Collins Bay and Wollaston Lake, which is on the edge of the Athabasca Basin of Northern Saskatchewan. The terms of the purchase agreement include a 1% net smelter return which can be purchased by the Company for \$1,000,000. The target here is a basement-type uranium deposit of the sort known at the nearby Rabbit Lake mine. Management is considering options to further advance development of the property.

(e) **Don's Lake**

The Company acquired an interest in claims located in Northern Saskatchewan previously held by Shane Resources, a related party. The terms of the purchase agreement included payment of \$49,500 cash and issuance of 3,600,000 common shares of the Company, valued at \$234,000. Management is considering options to further advance development of the property.

(f) **Fort a la Corne**

The Company has multiple claims within the Fort a la Corne region of Northern Saskatchewan. A total of 49 claims are in good standing, which together form a land package totalling 39,856 hectares. The Company holds a 100% interest in 39 of the claims and the remaining 10 claims are under joint venture where the Company holds a 50% interest with the other 50% interest being held by Karoo Exploration Corp. (formerly United Uranium Corp.), a related party. Management is currently considering options to further advance development of the property.

(g) **Hoidas Lake**

The Company has signed a joint venture agreement with GWMG whereby Star has the right to acquire a 25-per-cent participating interest in the Hoidas Lake project by financing and completing a preliminary economic assessment report ("PEA") in respect of the Hoidas Lake project by January 2016. The Hoidas Lake project is located in Northern Saskatchewan, within Saskatchewan's Northern Mining District. Upon successfully exercising the first tranche and acquiring a 25-per-cent participating interest, Star will have the right to acquire an additional 26-per-cent participating interest in the Hoidas Lake project by financing and completing a bankable feasibility study in respect of the Hoidas Lake project within four years of the acquisition by Star of the initial 25-per-cent participating interest in the Hoidas Lake project, thereby giving Star a 51-per-cent ownership interest in the property.



(h) **Wrangler West Farm-out**

The Company has entered into a multi farm-out agreement with Wrangler West Energy Corp. of Calgary, Alberta. Under the terms of the farm-out agreement, the Company was required to drill, complete, test or abandon test wells on or before December 31, 2009. The Company earned a 50% interest in the drilling of two wells. During the 2011 fiscal year, the operator elected to abandon one of the wells. As a result, the costs associated with that well were written off to operations.

(i) **Other**

Brownell Lake: The Company has acquired a 100% interest in claims in the Brownell Lake area of Northern Saskatchewan previously held by Shane Resources, a related party. The terms of the purchase agreement included payment of \$5,483.50 cash and issuance of 398,800 common shares of the Company, valued at \$25,922. Management is considering options to further advance development of the property.

Golden Band NSR: The Company has acquired a 1% net smelter royalty granted by Golden Band Resources Inc. previously held by Shane Resources, a related party. The terms of the purchase agreement included payment of \$8.25 cash and issuance of 600 common shares of the Company, valued at \$39. Management is considering options on this interest.

Munroe Lake: The Company has acquired a 1.6% interest in a claim in the Munroe Lake area of Northern Saskatchewan previously held by Shane Resources, a related party. The terms of the purchase agreement included payment of \$8.25 cash and issuance of 600 common shares of the Company, valued at \$39. Management is considering options to further advance development of the property.

Pistol Lake: The Company had a 100% interest in a claim in the Pistol Lake area of Northern Saskatchewan. The Company expended \$25,602 on staking and a total of \$79,881 on exploration of the claim. The claim lapsed on January 10, 2014 and the Company has written off the entire project.

Povol Lake: The Company had a 100% interest in a claim in the Povol Lake area of Northern Saskatchewan. The Company expended \$2,055 in acquisition costs and a total of \$133,798 on exploration of the claim. The claim lapsed on August 7, 2013 and the Company has written off the entire project.

7. Capital Stock and Other Equity Reserve

The authorized capital stock of the Company is an unlimited number of common shares and unlimited number of preferred shares issuable in series.

On December 31, 2013 the Company completed a non-brokered private placement offering of Units at a price of \$0.24 per Unit for aggregate gross proceeds of \$476,392.08. Each Unit is comprised of three (3) Flow Through Shares, one (1) Non-Flow Through Share and one half of one (1/2) Common Share purchase warrant. The private placement involved the issue of 7,939,868 common shares and 992,484 warrants. Each Warrant is exercisable for a period of two (2) years from the date of issuance at an exercise price of \$0.09 for the first year and \$0.105 for the second year. Commissions of \$25,404 were paid to brokers. A flow-through share premium liability of \$79,399 was recorded in connection with this financing.



Star Minerals Group Ltd.

Notes to the Condensed Interim Consolidated Financial Statements April 30, 2014
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7. Capital Stock and Other Equity Reserve – continued

On March 5, 2014 the Company closed an asset purchase agreement with Shane Resources Ltd., a related party, whereby the Company agreed to purchase claims held by Shane, as well as a 1% net smelter royalty granted by Golden Band Resources Inc. (the "Purchased Assets"). Under the terms of the Purchase and Sale Agreement, the Company paid \$55,000 in cash and issued 4,000,000 Consideration Shares.

As at April 30, 2014, the Company had 34,424,953 common shares outstanding.

Stock Options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and contractors of the Company as well as persons providing ongoing services to the Company. The aggregate number of shares issuable under the plan shall not exceed 10% of the issued and outstanding common shares of the Company. Unless otherwise determined by the board of directors of the Company (the "Board"), the exercise price of options equals at least the closing price of the common shares on the day prior to the date of the grant. Stock options vest in accordance with the determination of the Board at the time of the grant and may be granted for up to a ten year term.

A summary of the Company's outstanding stock options as at April 30, 2014 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding October 31, 2012	1,150,000	\$ 0.30
Expired	(150,000)	1.44
Forfeited	(500,000)	0.30
Outstanding and exercisable October 31, 2013	500,000	\$ 0.30
Issued	2,100,000	0.08
Cancelled	(166,667)	0.30
Outstanding and exercisable, April 30, 2014	2,433,333	\$ 0.11

Number of Shares Under Option	Exercisable	Exercise Price	Remaining life (years)	Expiry Date
333,333	333,333	\$ 0.30	5.83	February 29, 2020
2,100,000	-	\$ 0.08	4.79	February 11, 2019
2,433,333	333,333			

Options Granted

During the period ended April 30, 2014 the Company granted 2,100,000 stock options to directors and management of the Company effective February 11, 2014. The options are priced at \$0.08 per share and are vesting on June 11, 2014, and expire on February 11, 2019.

During the year ended October 31, 2013, the Company granted no stock options.



7. Capital Stock and Other Equity Reserve – continued

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. The following weighted average assumptions were used to estimate the following weighted average grant date fair values:

	April 30, 2014	April 30, 2013
Expected stock price volatility	100%	-
Expected life of options	5	-
Risk free interest rate	1.63%	-
Expected dividend yield	0%	-
Weighted average fair value per option granted in the period	\$0.034	-

Warrants

A summary of the Company's outstanding warrants as at April 30, 2014 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding October 31, 2012 and 2013	-	\$ -
Issued	1,092,484	0.09
Outstanding April 30, 2014	1,092,484	\$ 0.09

Number of Warrants	Exercise Price	Remaining life (years)	Expiry Date
992,484	\$ 0.10 ⁽¹⁾	1.67	December 31, 2015
100,000	\$ 0.06	1.79	February 14, 2016
1,092,484			

⁽¹⁾ Average exercise price – exercisable at \$0.09 for the first year and \$0.105 for the second year.

The fair value of warrants issued during the period were estimated at the date of the issuance using the Black-Scholes option pricing model using the following assumptions:

	April 30, 2014	April 30, 2013
Expected stock price volatility	100%	-
Expected life of warrants	2	-
Risk free interest rate	1.01%	-
Expected dividend yield	0%	-
Weighted average fair value per warrant granted in the period	\$0.024	-



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7. Capital Stock and Other Equity Reserve – continued

Warrants Granted

During the period ended April 30, 2014 the Company granted 1,092,484 warrants, 992,484 were granted with the private placement and are exercisable for a period of two (2) years from the date of issuance at an exercise price of \$0.09 for the first year and \$0.105 for the second year, expiring on December 31, 2015. The Company granted a further 100,000 warrants exercisable for a period of two (2) years at an exercise price of \$0.06, expiring on February 14, 2016.

The Company had no warrants issued or outstanding as at October 31, 2013.

8. Related Party Transactions

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers and companies owned by these individuals.

Remuneration attributed to key management personnel can be summarized as follows:

	For the six months ended April 30,	
	2014	2013
Short-term benefits*	\$ 147,500	\$ 71,667
Share-based payments	74,079	-
	\$ 221,579	\$ 71,667

*include base salaries, pursuant to contractual employment or consultancy and management arrangements, included in consulting fees and management fees

Other related parties

Related parties include Shane Resources Ltd. and Karoo Exploration Corp. (formerly United Uranium Corp.), which share a common director with the Company. Paradigm Portfolio Management Corp. is owned by a director of the Company.

The Company closed an asset purchase agreement with Shane Resources Ltd., a related party, whereby the Company agreed to purchase assets held by Shane for payment of \$55,000 in cash and issue of 4,000,000 Consideration Shares.



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8. Related Party Transactions - continued

Transactions entered into with related parties other than key management personnel include the following:

	For the six months ended April 30,	
	2014	2013
Premise and office expenses paid or accrued to Paradigm Portfolio Management Corp.	\$ -	\$ 5,554
Premise and office expenses paid or accrued to Shane Resources Ltd.	-	3,667
	<u>\$ -</u>	<u>\$ 9,221</u>

9. Investments

On November 27, 2013 the Company acquired 400,000 shares of Lakeland Resources Inc. under terms of a Joint Venture Agreement. Upon receipt, these shares were recorded at the fair market value of the shares, being \$0.105 per share. At the end of the period April 30, 2014 the shares were revalued at current market value, being \$0.155 per share, resulting in a gain on the investment of \$20,000.

10. Financial and Capital Risk Management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

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's cash is all held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset-backed commercial paper.

The Company's receivables consist mainly of GST receivable due from the government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company endeavors to manage liquidity risk by maintaining sufficient cash and short-term investment balances for settlement of its obligations. Liquidity requirements are managed based on expected cash flow to ensure there is sufficient capital in order to meet short-term obligations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.



10. Financial and Capital Risk Management - continued

a) 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 risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments is low because the Company no longer has any marketable securities or short-term investments.

b) Foreign currency risk

As at April 30, 2014, the Company's expenditures are predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. As a result, the Company believes its currency risk to be minimal.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and evaluation of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period.



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11. Segment Information

The Company operates in one reportable segment, being the acquisition, exploration and evaluation of mineral resources. All of the Company's equipment and exploration and evaluation assets are located in Canada. In addition, the Company's subsidiary, Star Minerals US, operates in the United States in the State of Montana where leased assets are located.

12. Commitment

The Company entered into a lease agreement for its office premises. The lease will expire on June 30, 2014. The Company has renewed the lease for a further one year term, expiring on June 30, 2015. The lease commitment for 2014 is \$20,500.