

Consolidated Financial Statements of

**GOLDSTAR MINERALS INC.**

Years ended December 31, 2015 and 2014

# **GOLDSTAR MINERALS INC.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Goldstar Minerals Inc.

We have audited the accompanying consolidated financial statements of Goldstar Minerals Inc., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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.



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*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Goldstar Minerals Inc. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated 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 consolidated financial statements, which indicates that Goldstar Minerals Inc. is still in exploration stage and, as such, no revenue has yet been generated from its operating activities and its liabilities exceeds its current and total assets. Accordingly, Goldstar Minerals Inc. depends on its ability to raise financing in order to discharge its commitments and liabilities in the normal course of business. These conditions, along with other matters as set forth in Note 1 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Goldstar Minerals Inc.'s ability to continue as a going concern.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

April 27, 2016

Montréal, Canada

# GOLDSTAR MINERALS INC.

## Consolidated Statements of Financial Position

December 31, 2015 and 2014

|                                                          | 2015<br>\$       | 2014<br>\$  |
|----------------------------------------------------------|------------------|-------------|
| <b>Assets</b>                                            |                  |             |
| <b>Current assets</b>                                    |                  |             |
| Cash and cash equivalents (note 5)                       | 12,141           | 80,109      |
| Tax credits and other receivables (note 6)               | 9,115            | 38,944      |
| Marketable securities (note 7)                           | -                | 4,640       |
| Prepaid expenses                                         | 3,917            | 3,179       |
|                                                          | <b>25,173</b>    | 126,872     |
| <b>Non-current assets</b>                                |                  |             |
| Mining properties (note 8)                               | 84,930           | 107,610     |
| Exploration and evaluation assets (note 8)               | 19,686           | 870,188     |
|                                                          | <b>104,616</b>   | 977,798     |
|                                                          | <b>129,789</b>   | 1,104,670   |
| <b>Liabilities and Shareholders' (Deficiency) Equity</b> |                  |             |
| <b>Current liabilities</b>                               |                  |             |
| Accounts payable and accrued liabilities (note 9)        | 387,430          | 376,234     |
| Due to key management personnel (note 15)                | 28,744           | -           |
|                                                          | <b>416,174</b>   | 376,234     |
| <b>Shareholders' (deficiency) equity</b>                 |                  |             |
| Share capital and warrants (note 10)                     | 8,856,080        | 8,856,080   |
| Contributed surplus                                      | 463,033          | 450,023     |
| Deficit                                                  | (9,605,498)      | (8,577,667) |
|                                                          | <b>(286,385)</b> | 728,436     |
|                                                          | <b>129,789</b>   | 1,104,670   |

Reporting entity and going concern (note 1)

Commitments and contingencies (note 12)

Subsequent event (note 18)

See accompanying notes to consolidated financial statements.

On Behalf of the Board:

Benoit Moreau Director  
François Perron Director

# GOLDSTAR MINERALS INC.

## Consolidated Statements of Loss and Other Comprehensive Loss

For the years ended December 31, 2015 and 2014

|                                                                                    | 2015<br>\$       | 2014<br>\$     |
|------------------------------------------------------------------------------------|------------------|----------------|
| <b>Expenses:</b>                                                                   |                  |                |
| Professional, consulting, and management fees                                      | 44,927           | 96,736         |
| General and administrative expenses                                                | 59,849           | 159,316        |
| Share-based payments                                                               | 13,010           | 102,022        |
| Project evaluation expenses                                                        | -                | 5,844          |
|                                                                                    | <b>117,786</b>   | <b>363,918</b> |
| <b>Financial expense (income):</b>                                                 |                  |                |
| Change in fair value of marketable securities                                      | -                | 1,875          |
| Interest income                                                                    | -                | (1,542)        |
|                                                                                    | -                | 333            |
| Write-off of mining properties (note 8)                                            | 47,680           | 30,481         |
| Write-off of exploration and evaluation assets (note 8)                            | 857,725          | 288,589        |
| Change in fair value of marketable securities (note 7)                             | 4,640            | -              |
| Other income related to flow-through shares                                        | -                | (220,440)      |
| Other income related to mining tax credits<br>on previously written off properties | -                | (10,249)       |
| Other income related to sale of core samples                                       | -                | (19,283)       |
|                                                                                    | <b>910,045</b>   | <b>69,098</b>  |
| <b>Loss and other comprehensive loss for the years</b>                             | <b>1,027,831</b> | <b>433,349</b> |
| Net loss per share, basic and diluted (note 17)                                    | (0.07)           | (0.03)         |
| Weighted average number of shares outstanding                                      | 14,171,380       | 13,983,199     |

See accompanying notes to consolidated financial statements.

# GOLDSTAR MINERALS INC.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

|                                                                     | 2015<br>\$      | 2014<br>\$       |
|---------------------------------------------------------------------|-----------------|------------------|
| <b>Cash flows used in operating activities</b>                      |                 |                  |
| Loss and comprehensive loss                                         | (1,027,831)     | (433,349)        |
| Items not involving cash:                                           |                 |                  |
| Share-based payments                                                | 13,010          | 102,022          |
| Write-off of mining properties                                      | 47,680          | 30,481           |
| Write-off of exploration and evaluation assets                      | 857,725         | 288,589          |
| Change in fair value of marketable securities                       | 4,640           | -                |
| Other income related to flow-through shares                         | -               | (220,440)        |
| Change in fair value of marketable securities                       | -               | 1,875            |
| Interest income                                                     | -               | (1,542)          |
| Net change in non-cash operating working capital                    |                 |                  |
| Change in sales tax and other receivables                           | 27,694          | 71,811           |
| Change in prepaid expenses                                          | (738)           | 2,946            |
| Change in accounts payable and accrued liabilities                  | 11,196          | (110,520)        |
| Interest received                                                   | -               | 1,542            |
| <b>Net cash used in operating activities</b>                        | <b>(66,624)</b> | <b>(266,585)</b> |
| <b>Cash flows used in investing activities</b>                      |                 |                  |
| Proceeds from sale of marketable securities                         | -               | 28,765           |
| Additions to mining properties                                      | (25,000)        | (48,092)         |
| Additions to exploration and evaluation assets                      | (23,243)        | (501,536)        |
| Credit on mining duties and resource tax credits                    | 18,155          | 240,530          |
| <b>Net cash used in investing activities</b>                        | <b>(30,088)</b> | <b>(280,333)</b> |
| <b>Cash flows from financing activities</b>                         |                 |                  |
| Proceeds from issuance of shares                                    | -               | 60,000           |
| Share issue expenses                                                | -               | (13,714)         |
| Increase in due to key management personnel                         | 28,744          | -                |
| <b>Net cash provided from financing activities</b>                  | <b>28,744</b>   | <b>46,286</b>    |
| <b>Net decrease in cash and cash equivalents</b>                    | <b>(67,968)</b> | <b>(500,632)</b> |
| <b>Cash and cash equivalents, beginning of years</b>                | <b>80,109</b>   | <b>580,741</b>   |
| <b>Cash and cash equivalents, end of years</b>                      | <b>12,141</b>   | <b>80,109</b>    |
| <b>Non-cash transactions:</b>                                       |                 |                  |
| Additions to mining properties financed with the issuance of shares | -               | 12,923           |

See accompanying notes to consolidated financial statements.

# GOLDSTAR MINERALS INC.

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2015 and 2014

|                                                         | 2015<br>\$       | 2014<br>\$     |
|---------------------------------------------------------|------------------|----------------|
| <b>Share capital and warrants (note 10)</b>             |                  |                |
| Balance, beginning of years                             | 8,856,080        | 8,783,157      |
| Issue of common shares, private placement               | -                | 60,000         |
| Shares issued on property acquisition                   | -                | 12,923         |
| Balance, end of years                                   | 8,856,080        | 8,856,080      |
| <b>Contributed surplus</b>                              |                  |                |
| Balance, beginning of years                             | 450,023          | 347,154        |
| Share-based payments under the option plan              | 13,010           | 102,022        |
| Share-based payments representing compensation warrants | -                | 847            |
| Balance, end of years                                   | 463,033          | 450,023        |
| <b>Deficit</b>                                          |                  |                |
| Balance, beginning of years                             | (8,577,667)      | (8,129,757)    |
| Loss and comprehensive loss                             | (1,027,831)      | (433,349)      |
| Share issue expense                                     | -                | (14,561)       |
| Balance, end of years                                   | (9,605,498)      | (8,577,667)    |
| <b>Total shareholders' equity, end of years</b>         | <b>(286,385)</b> | <b>728,436</b> |

See accompanying notes to consolidated financial statements.

# GOLDSTAR MINERALS INC.

## Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014

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### 1. Reporting entity and going concern:

Goldstar Minerals Inc. (the "Company" or "Goldstar") is a company domiciled in Canada and was continued under the *Canada Business Corporations Act* on September 4, 2014. The address of the Company's registered office is 110, Crémazie Boulevard West, Suite 430, Montréal, Québec.

The Company is involved in the exploration of mineral properties in the Province of Québec and the Province of New Brunswick. Although the Company has taken steps to verify title to mineral properties 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.

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business.

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. Operating activities have not yet generated any revenues. As at December 31, 2015, the consolidated statement of financial position shows a negative working capital of \$391,001 and the deficiency in assets amounts to \$286,385. The ability of the Company to meet its commitments as they become due, including the acquisition of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mining properties and exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. If the Company is unable to obtain sufficient additional funding, this could lead to a delay, reduction or elimination of its exploration plans, which could adversely affect the business, its financial condition and its results.

Management believes that it will be able to secure additional financing in the future. In April 2016, the Company closed a first tranche of a non-brokered private placement (see Note 18). However, this amount will not be sufficient for the Company to cover its budgeted general administrative expenses and to meet its short-term obligations for the next twelve months, and to complete its planned 2016 calendar year exploration budget. Consequently, the Company will need to obtain additional financing in 2016. While the Company has been successful in securing financing, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no assurance that it will be able to do so in the future.

The conditions mentioned above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities that would be necessary if the Company was unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **2. Statement of compliance:**

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

These consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on April 27, 2016.

## **3. Basis of preparation:**

### **(a) Basis of measurement:**

The consolidated financial statements have been prepared on the historical cost basis except for share-based compensation transactions which are measured pursuant to IFRS 2 and for marketable securities which are measured at fair value through profit or loss.

### **(b) Functional and presentation currency:**

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

### **(c) Use of estimates and judgments:**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 4 and consists in the determination of capitalizable costs as exploration and evaluation assets as well as the recognition and measurement of refundable credits on mining duties.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 1 - going concern;
- Notes 4 and 6 - assessment of refundable credits on mining duties and tax credits related to resources;
- Notes 4 and 8 - recoverability of mining properties and exploration and evaluation assets.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **4. Significant accounting policies:**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

### **(a) Financial instruments:**

Non-derivative financial assets and liabilities are initially recognized at fair value adjusted for any directly attributable transaction costs.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classifies its cash and cash equivalents and other receivables as loans and receivables.

Cash and cash equivalents are comprised of cash balances.

#### *Financial assets at fair value through profit or loss*

The Company classifies its marketable securities at fair value through profit or loss.

#### *Non-derivative financial liabilities at amortized cost*

The Company classifies its accounts payable and accrued liabilities and due to key management personnel as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

### **(b) Fair value measurement:**

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices (unadjusted) in active markets.
- Level 2: defined as inputs other than quoted prices included in Level 1, that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data, therefore requiring the Company to develop its own assumptions.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **4. Significant accounting policies (continued):**

### **(c) Mining properties and exploration and evaluation assets:**

Mining properties corresponds to acquired interests in mining permits and claims which include the rights to explore for mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

### **(d) Impairment:**

#### *Financial assets*

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **4. Significant accounting policies (continued):**

### **(d) Impairment (continued):**

#### *Non-financial assets*

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the Company for the purposes of testing mining properties and exploration and evaluation assets for impairment corresponds to each mining property.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value, the value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

### **(e) Share capital:**

#### *Common shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as an increase to deficit, net of any tax effects.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **4. Significant accounting policies (continued):**

### **(e) Share capital (continued)**

#### *Flow-through shares*

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company may finance a portion of its exploration programs with flow-through shares.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as liabilities related to flow-through shares. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing.

The Company may renounce the deductions for tax purposes under either what is referred to as the "general" method or the "look-back" method.

When tax deductions are being renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge to income tax expense. The obligation is reduced with a corresponding income recorded.

When tax deductions are being renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced with a corresponding income recorded.

#### *Warrants*

Warrants are classified as equity when they are derivatives over the Company's own equity that will be settled only by the Company, exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

### **(f) Share-based payments:**

The grant date fair value of share-based payment awards granted to employees, directors, officers, and service providers is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employees, directors, officers, and service providers unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## 4. Significant accounting policies (continued):

### (f) Share-based payments (continued)

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

### (g) Finance income and finance costs:

Interest income and interest expense are recognized as they accrue, using the effective interest method.

Interest received and interest paid are classified under operating activities in the consolidated statements of cash flows.

### (h) Refundable tax credit related to resources and refundable credit on mining duties:

The Company is eligible for a refundable resource tax credit on Canadian Exploration Expenditures, financed by treasury funds, other than flow-through shares financings, of up to 28% for eligible expenses. This credit is recorded as a government grant against exploration and evaluation assets.

The Company is also entitled to a refundable tax credit on mining duties under the Québec *Mining Tax Act*. The accounting treatment for refundable credit on mining duties depends on management's intention to either go into production in the future or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*. At the same time, a deferred tax liability and deferred tax expense is recognized because the exploration and evaluation assets lose their tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

Management's current intention is to sell the mining properties in the future, and, therefore, the credit on mining duties is recorded as a government grant against exploration and evaluation assets. The Company records the credit at the rate of 16% applicable on 50% of the eligible expenses.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **4. Significant accounting policies (continued):**

### **(h) Refundable tax credit related to resources and refundable credit on mining duties (continued):**

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits.

### **(i) Income tax:**

Income tax expense comprises current and deferred taxes. Current income taxes and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **4. Significant accounting policies (continued):**

### **(j) Earnings (loss) per share:**

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to directors employees.

### **(k) Segment reporting:**

The Company determined that it only has one operating segment, i.e. mining exploration.

### **(l) Basis of consolidation:**

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary, Auger Resources Ltd. Control exists when the Company has the existing rights that give it the current ability to direct the activities that significantly affect the entities returns. The subsidiary is consolidated from the date on which the Company obtains control until the date that such control ceases. The financial statements of subsidiary is prepared with the same reporting period of the Company. The accounting policies of the subsidiary are aligned with the policies of the Company. All significant intercompany balances and transactions have been eliminated in preparing the consolidated financial statements.

### **(m) New standards and interpretations not yet adopted:**

#### **(i) IFRS 9, *Financial Instruments***

On July 24, 2014, the International Accounting Standards Board ("IASB") issued the complete IFRS 9 (IFRS 9 (2014)).

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment.

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## 4. Significant accounting policies (continued):

(m) New standards and interpretations not yet adopted (continued):

(i) IFRS 9, *Financial Instruments* (continued)

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(ii) Amendments to IAS 1:

On December 18, 2014, the IASB issued amendments to IAS 1, *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

These amendments will not require any significant change to current practice, but should facilitate improved consolidated financial statement disclosures.

The Company intends to adopt these amendments in its consolidated financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the consolidated financial statements

## 5. Cash and cash equivalents:

|               |    | 2015   | 2014   |
|---------------|----|--------|--------|
| Bank balances | \$ | 12,141 | 80,109 |

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

## 6. Tax credits and other receivables:

|                                   |    | 2015  | 2014   |
|-----------------------------------|----|-------|--------|
| Sales taxes receivable            | \$ | 1,028 | 29,669 |
| Tax credits related to resources  |    | 4,927 | 8,075  |
| Tax credits on mining duties      |    | 2,213 | 1,200  |
| Other                             |    | 947   | -      |
| Tax credits and other receivables | \$ | 9,115 | 38,944 |

## 7. Marketable securities:

The following table shows the carrying amount of the financial assets which are at Level 1 in the fair value hierarchy.

|                                         |    | 2015 | 2014     |
|-----------------------------------------|----|------|----------|
| Amseco Exploration Ltd. – common shares | \$ | -    | \$ 4,640 |

The Company holds 464,000 common shares of Amseco Exploration Ltd. (2014 – 464,000) having a fair value of nil as at December 31, 2015 (2014 - \$4,640). In 2015, the Company sold no common shares (2014 - 712,000 common shares at a unit price of \$0.04 for a gross proceeds of \$28,765).

## 8. Mining properties and exploration and evaluation assets:

Mining properties and exploration and evaluation assets are detailed as follows:

|                                          | Julien property<br>Québec | Lake George<br>property<br>New Brunswick | Total     |
|------------------------------------------|---------------------------|------------------------------------------|-----------|
| <b>Mining properties</b>                 |                           |                                          |           |
| Balance, December 31, 2014               | 47,680                    | 59,930                                   | 107,610   |
| Acquisitions                             | -                         | 25,000                                   | 25,000    |
| Write-off                                | (47,680)                  | -                                        | (47,680)  |
| Balance, December 31, 2015               | -                         | 84,930                                   | 84,930    |
| <b>Exploration and evaluation assets</b> |                           |                                          |           |
| Balance, December 31, 2014               | 856,148                   | 14,040                                   | 870,188   |
| Wages, consultant fees                   | 16,526                    | 5,646                                    | 22,172    |
| Administration, field expenses           | 1,072                     | -                                        | 1,072     |
| Mining and resource tax credits          | (16,021)                  | -                                        | (16,021)  |
| Write-off                                | (857,725)                 | -                                        | (857,725) |
| Balance, December 31, 2015               | -                         | 19,686                                   | 19,686    |

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

## 8. Mining properties and exploration and evaluation assets (continued):

|                                          | Brockaby<br>property<br>Québec | Julien<br>property<br>Québec | Lake George<br>property<br>New<br>Brunswick | Total     |
|------------------------------------------|--------------------------------|------------------------------|---------------------------------------------|-----------|
| <b>Mining properties</b>                 |                                |                              |                                             |           |
| Balance, December 31, 2013               | 30,481                         | 46,595                       | -                                           | 77,076    |
| Acquisitions                             | -                              | 1,085                        | 59,930                                      | 61,015    |
| Write-off                                | (30,481)                       | -                            | -                                           | (30,481)  |
| Balance, December 31, 2014               | -                              | 47,680                       | 59,930                                      | 107,610   |
| <b>Exploration and evaluation assets</b> |                                |                              |                                             |           |
| Balance, December 31, 2013               | 237,808                        | 331,637                      | -                                           | 569,445   |
| Drilling                                 | -                              | 233,395                      | -                                           | 233,395   |
| Mapping, assaying, surveying             | 528                            | 69,077                       | 2,752                                       | 72,357    |
| Wages, consultant fees                   | 53,095                         | 168,896                      | 11,250                                      | 233,241   |
| Administration, field expenses           | 959                            | 29,990                       | 38                                          | 30,987    |
| Satellite imaging                        | 13,000                         | 22,000                       | -                                           | 35,000    |
| Mining and resource tax credits          | (16,801)                       | 1,153                        | -                                           | (15,648)  |
| Write-off                                | (288,589)                      | -                            | -                                           | (288,589) |
| Balance, December 31, 2014               | -                              | 856,148                      | 14,040                                      | 870,188   |

### (a) Lake George Property:

The Lake George Property is located approximately 40 km west of Fredericton, New Brunswick, adjacent to the past producing Lake George antimony mine and is close to existing infrastructures. Access to the property is excellent all year round. The Company acquired through staking, a 100% interest in 201 claims covering approximately 5,280 hectares (52.8 km<sup>2</sup>).

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **8. Mining properties and exploration and evaluation assets (continued):**

### **(a) Lake George Property (continued):**

On February 6, 2014 ("the Closing date"), the Company entered into a Mineral option and sale agreement with Charles Morrissy ("Morrissy") to acquire a 90% interest with respect to 46 claims covering an area of 950 hectares (9.5 km<sup>2</sup>). Upon closing, Morrissy received a cash payment of \$25,000 as well as 100,000 common shares of Goldstar. The Company can increase its interest to 95% by a further payment of \$1,000,000 and 100% by an additional payment of \$2,000,000. The Company has also agreed to pay \$25,000 to Morrissy every year, starting in 2015, for a period of five years as a non-refundable advance on the \$1,000,000 payment. In February 2015, the mineral option and sales agreement with Morrissy was amended to delay the first payment of \$100,000, which was initially due in February 2015 until August 14, 2015 (\$50,000) and February 14, 2016 (\$50,000). In August 2015, a new amendment was signed to delay the first payment of \$100,000 until February 14, 2016. In February 2016, a third amendment was signed to delay the first payment of \$100,000 until September 2016. On April 15, 2016, a fourth amended was signed; according to this amended agreement, Goldstar will pay Morrissy \$50,000 on the earlier of (i) 5 days following the date upon which Goldstar completes a financing of no less than \$250,000 (excluding the financing that took place in April 2016); and (ii) September 14, 2016; and pay him an additional \$50,000 on or before February 14, 2017 and \$100,000 per year starting February 14, 2017 until February 14, 2021 to complete the acquisition of a 90% interest in the property. Goldstar can increase its interest to 95% by a further payment of \$1,000,000 and 100% by an additional payment of \$2,000,000. The agreement was also amended to remove annual payments of \$25,000 to Morrissy every year as a non-refundable advance on the \$1,000,000 payment.

In 2014, the Company issued 29,230 common shares to geologist Luciano Vendittelli ("Vendittelli"), who acted as a finder in the transaction. A balance of 70,770 shares will be payable to Vendittelli upon the Company making the first of five annual payments of \$100,000 to Morrissy.

### **(b) Julien Property:**

The Julien Property is located approximately 100 km east of the town of Matagami, Québec. The Company owns 100% interest in 372 claims totaling 20,900 hectares (209 km<sup>2</sup>).

114 of these claims were acquired from Sylvie Charbonneau ("Charbonneau") through a purchase and sale agreement dated February 19, 2013. In the event that the property attains commercial production, the Company shall pay Charbonneau an additional cash fee of \$500,000.

Following the recent results of exploration work done on the property, the Company decided to focus on the most promising and most advanced project which is Lake George Property; therefore, a write-off totaling \$905,405 was recorded in 2015.

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

## 8. Mining properties and exploration and evaluation assets (continued):

(c) Brockaby Property:

In 2013, the Company took a complete write-off of \$319,070 on this property such that the carrying value as of December 31, 2014 was nil.

## 9. Accounts payable and accrued liabilities:

|                                          |    | 2015    |    | 2014    |
|------------------------------------------|----|---------|----|---------|
| Accounts payable                         | \$ | 353,631 | \$ | 350,838 |
| Accrued liabilities                      |    | 33,799  |    | 25,396  |
| Accounts payable and accrued liabilities | \$ | 387,430 | \$ | 376,234 |

## 10. Share capital and warrants:

Authorized:

An unlimited number of common shares without par value

Shares fluctuated as follows during the years:

|                             | 2015             |           | 2014             |           |
|-----------------------------|------------------|-----------|------------------|-----------|
|                             | Number of shares | \$        | Number of shares | \$        |
| Balance, beginning of years | 14,171,380       | 8,856,080 | 13,442,150       | 8,783,157 |
| Shares issued:              |                  |           |                  |           |
| For property acquisition    | -                | -         | 129,230          | 12,923    |
| Private placement: cash     | -                | -         | 600,000          | 60,000    |
| Balance, end of years       | 14,171,380       | 8,856,080 | 14,171,380       | 8,856,080 |

On April 16, 2014, the Company closed its brokered private placement and issued a total of 600,000 units at a price of \$0.10 per unit for gross proceeds of \$60,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.15 until April 16, 2016. In connection with this private placement, the Company issued 30,000 brokers warrants exercisable at \$0.10 until April 16, 2016. The Company accounted for these compensation warrants by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of warrants granted was \$0.03 per warrant for a total value of \$847.

On February 13, 2014, the Company issued a total of 100,000 shares at \$0.10 per share for entering into a mineral option and sale agreement for the Lake George Property. Furthermore, the Company also issued a total of 29,230 shares at \$0.10 per share as a finder's fee.

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

## 10. Share capital and warrants (continued):

The number of share purchase warrants outstanding fluctuated as follows during the years:

|                                             | 2015        | 2014      |
|---------------------------------------------|-------------|-----------|
| Balance, beginning of years                 | 7,530,900   | 6,900,900 |
| Warrants issued:                            |             |           |
| To shareholders regarding private placement | -           | 600,000   |
| To brokers regarding private placement      | -           | 30,000    |
| Warrants cancelled                          | (625,000)   | -         |
| Warrants expired                            | (6,275,900) |           |
| Balance, end of years                       | 630,000     | 7,530,900 |

The following weighted average assumptions were used in calculating the fair value of the warrants issued to brokers regarding the private placement:

|                         | 2015 | 2014    |
|-------------------------|------|---------|
| Risk-free interest rate | -    | 1.05%   |
| Expected life           | -    | 2 years |
| Expected volatility     | -    | 113.24% |
| Expected dividend       | -    | -       |

As at December 31, 2015, the following share purchase warrants were outstanding:

- 600,000 warrants at \$0.15 per warrant and 30,000 at \$0.10 per warrant expiring April 16, 2016

All options and warrants outstanding at the end of the years could potentially dilute basic earnings per share in the future.

## 11. Share option plan:

The Company has adopted a share option plan (the "Plan") to be administered by the Directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company.

Options granted under the Plan will be for a term not exceeding five years. The Plan provides that it is solely within the discretion of the Board to determine who should receive share options, in what amounts, and determine vesting terms. The exercise price for any share option shall not be lower than the market price of the underlying common shares, or at fair market value in the absence of a market price, at the time of grant.

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

## 11. Share option plan (continued):

The fair value of options is estimated on the date of grant using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability exercise restrictions (including the probability of meeting market conditions attached to the option).

On January 27, 2014, the Company granted 1,020,000 share options to directors, employees and service providers, exercisable at \$0.40 per share. It was determined that 25% of the options would vest at the date of the grant, with an additional 25% vesting every six months thereafter. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of share options granted was \$0.11 per option for a total value of \$115,032.

The number of share options outstanding fluctuated as follows during the year:

|                                   | 2015              |                                 | 2014              |                                 |
|-----------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
|                                   | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Balance, beginning of years       | 1,025,000         | \$ 0.42                         | 17,500            | \$ 4.71                         |
| Granted                           | -                 | -                               | 1,020,000         | 0.40                            |
| Expired                           | (5,000)           | 4.00                            | (12,500)          | 5.00                            |
| Balance, end of years             | 1,020,000         | 0.40                            | 1,025,000         | 0.42                            |
| Exercisable options, end of years | 1,020,000         | \$ 0.40                         | 515,000           | \$ 0.43                         |

The following weighted average assumptions were used in calculating the fair value of the options granted during the years:

|                         | 2015 | 2014    |
|-------------------------|------|---------|
| Risk-free interest rate | -    | 1.63%   |
| Expected life           | -    | 5 years |
| Expected volatility     | -    | 188.28% |
| Expected dividend       | -    | -       |

As at December 31, 2015 the following options were outstanding:

- 1,020,000 options at \$0.40 per share until January 27, 2019.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **12. Commitments and contingencies:**

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The Company was committed to incur eligible exploration and evaluation expenses of \$849,000 by December 31, 2014, related to its flow-through share financing completed in 2013. As at December 31, 2014, the Company had incurred a cumulative amount of \$849,000 of eligible expenses and has no more obligations in relation to this flow-through financing. However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors or the Company.

## **13. Financial instruments and financial risk management:**

Risk management:

The Company is exposed to various financial risks resulting from both its operations and its investment activities. The Company's management monitors financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Company's main financial risk exposure and its financial risk management policies are as follows:

### **(a) Fair value:**

Fair value estimates are made 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.

The carrying amounts for cash and cash equivalents, tax credit and other receivables, accounts payable and accrued liabilities and due to key management personnel on the consolidated statements of financial position approximate fair values because of the short-term nature of these instruments.

At December 31, 2015 and 2014, the Company's financial instruments that are carried at fair value, consisting of marketable securities, have been classified as Level 1 within the fair value hierarchy.

# **GOLDSTAR MINERALS INC.**

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

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## **13. Financial instruments and financial risk management (continued):**

Risk management (continued):

### **(b) Credit risk:**

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash is maintained with high-credit, quality financial institutions.

### **(c) 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 December 31, 2015, the Company had a cash balance of \$12,141 (2014 - \$80,109) to settle current liabilities of \$416,174 (2014 - \$376,234). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. The Company currently holds investments with an estimated market value of nil as at December 31, 2015 (2014 - \$4,640).

## **14. Capital disclosures:**

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In the management of capital, the Company includes the components of shareholders' equity. In order to maintain or adjust its capital structure, the Company may issue new shares and warrants, acquire or dispose of assets or adjust the amount of cash and cash equivalents and marketable securities. The Company does not intend to use long-term debts before it will generate revenues. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last year.

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

## 15. Related party transactions:

### *Transactions with key management personnel*

The compensation of directors and executive officers of the Company comprises:

|                                |    | 2015   |    | 2014    |
|--------------------------------|----|--------|----|---------|
| Management and consulting fees | \$ | 18,000 | \$ | 126,000 |
| Share-based payments           |    | 8,609  |    | 67,515  |
| Total                          | \$ | 26,609 | \$ | 193,515 |

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 any directors (executive and non-executive) of the Company.

During the year, a director and officer of the Company received nil (2014 - \$90,000) for administrative services in the amount of nil (2014 - \$9,000), charged to professional, consulting, and management fees, and geological services in the amount of nil (2014 - \$81,000), capitalized in exploration and evaluation assets. As at December 31, 2015, the accounts payable include \$1,868 (2014 - \$1,868) payable to this director and officer.

Professional, consulting and management fees include \$18,000 (2014 - \$36,000) charged by a company for the services of the chief financial officer. As at December 31, 2015, the accounts payable include nil (2014 - \$5,749) payable to this company.

On April 17, 2015, a director, officer and shareholder loaned \$28,744 to the Company. This is a non-interest-bearing loan that is repayable on demand. As at December 31, 2015, \$28,744 of this loan is still outstanding.

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

## 16. Income taxes:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.9% (2014 - 26.9%) as a result of the following:

|                                                                                         | 2015           | 2014         |
|-----------------------------------------------------------------------------------------|----------------|--------------|
| Loss and comprehensive loss                                                             | \$ (1,027,831) | \$ (433,349) |
| Computed "expected" tax recovery                                                        | (276,487)      | (116,571)    |
| Increase in income taxes resulting from:                                                |                |              |
| Changes in unrecognized deferred income tax assets                                      | 13,974         | -            |
| Non-deductible expenses                                                                 | -              | 252          |
| Future tax arising from flow-through shares                                             | -              | 148,246      |
| Permanent difference arising from the non-taxable income related to flow-through shares | -              | (59,298)     |
| Non-deductible share-based payments                                                     | 3,500          | 27,444       |
| Current year losses for which no deferred tax assets recognized                         | 272,987        | 30,083       |
| Other                                                                                   | (13,974)       | (30,156)     |
| Total deferred income tax recovery                                                      | \$ -           | \$ -         |

As at December 31, 2015, the Company has approximately \$2,860,000 of Canadian development and exploration expenditures, which under certain circumstances may be utilized to reduce the taxable income of future years. In addition, the Company has share issue costs of approximately \$79,000 which have not yet been deducted for income tax purposes. The Company also has \$1,900,000 available non-capital losses for Canadian income tax purpose which may be carried forward to reduce taxable income in future years. These tax losses expire as follows:

|       |              |
|-------|--------------|
| 2028  | 46,000       |
| 2029  | 133,000      |
| 2030  | 324,000      |
| 2031  | 30,000       |
| 2032  | 204,000      |
| 2033  | 633,000      |
| 2034  | 348,000      |
| 2035  | 182,000      |
| Total | \$ 1,900,000 |

# GOLDSTAR MINERALS INC.

Notes to Consolidated Financial Statements, Continued

For the years ended December 31, 2015 and 2014

## 16. Income taxes (continued):

Temporary differences have not been recognized in respect of the following items:

|                                                         | 2015         | 2014         |
|---------------------------------------------------------|--------------|--------------|
| Marketable securities                                   | \$ 44,000    | \$ 12,000    |
| Non-capital losses                                      | 1,900,000    | 1,631,000    |
| Mining properties and exploration and evaluation assets | 2,860,000    | 1,988,000    |
| Share issue costs                                       | 79,000       | 137,000      |
| Capital losses                                          | 91,000       | 118,000      |
| Unrecognized deferred tax assets                        | \$ 4,974,000 | \$ 3,886,000 |

## 17. Earnings per share:

The warrants and share purchase options were excluded from the diluted weighted average number of common shares calculation since the Company is at a loss and, therefore, their effect would have been antidilutive.

## 18. Subsequent event:

On April 11, 2016, the Company closed the first tranche of a non-brokered private placement financing. The Company issued a total of 3,450,000 flow-through units and a total of 3,218,000 non-flow-through units at a price of \$0.02 per unit for gross proceeds of \$133,360. The Chief Executive Officer of the Company subscribed to 975,000 non flow-through units for a gross proceed of \$19,500.

Each flow-through unit consists of one flow-through common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.05 until April 11, 2018.

Each non flow-through unit consists of one Class A common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one Class A common share at a price of \$0.05 until April 11, 2018.