

# GOLDSTAR MINERALS INC.

---

## Management's Discussion and Analysis

For the year ended December 31, 2016

---

The following Management's Discussion and Analysis ("MD&A") was prepared as at April 20, 2017 and provides a discussion and analysis of the financial condition and results of operations for the year ended December 31, 2016. This discussion should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the years ended December 31, 2016 and 2015.

References to the first, second, third and fourth quarters refer to the three months ended March 31, June 30, September 30 and December 31 of the respective years.

Goldstar is listed on the TSX Venture Exchange and trades under the symbol "GDM".

All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. The Company's public filings can be reviewed under the Company's profile on the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Benoit Moreau P.Eng., President and CEO of Goldstar Minerals Inc., is a Qualified Person as defined by National Instrument 43-101 and has reviewed and approved the scientific and technical disclosure in this MD&A.

### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

---

The information presented contains "forward-looking information" under applicable Canadian legislation, concerning the business, operations and financial performance and condition of the Company. Forward-looking information include, but are not limited to, statements with respect to the estimation of mineral reserves and mineral resources; the realization of mineral reserve estimates; the timing and amount of estimated future exploration; costs of exploration; metal prices and demand for materials; capital expenditures; success of exploration and development activities; permitting time lines and permitting, mining or processing issues; government regulation of mining operations; environmental risks; and title disputes or claims. Generally, forward-looking statements and forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects", "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might", "will be taken", "occur", or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including, but not limited to, unexpected events during operations; variations in ore grade; risks inherent in the mining industry; delay or failure to receive board approvals; timing and availability of external financing on acceptable terms; risks relating to international operations; actual results of exploration activities; conclusions of economic valuations; changes in project parameters as plans continue to be refined; and fluctuating metal prices and currency exchange rates. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information that is incorporated by reference herein, except in accordance with applicable securities laws. Investors are advised that National Instrument 43-101 of the Canadian Securities Administrators requires that each category of mineral reserves and mineral resources be reported separately. Mineral resources that are not mineral reserves have not demonstrated economic viability.

# GOLDSTAR MINERALS INC.

---

## THE COMPANY

Goldstar Minerals Inc. is a public Canadian natural resource development and exploration company. The Company is focused on developing deposits that contain technology metals such as high-value tungsten, tellurium, antimony, tin and bismuth, in leading mining jurisdictions in Canada. At present the Company is exploring the Lake George Property in New Brunswick, as outlined below.

## LAKE GEORGE PROPERTY

The Lake George Property consists of a total of 310 claims, staked or optioned, and 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 264 claims covering approximately 5,900 hectares (59 km<sup>2</sup>).

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. As per the latest amendment, dated February 15, 2017, Goldstar issued to Morrissy 1,500,000 shares on March 14, 2017 and will pay to Morrissy the amount of \$75,000 in cash on the earlier of i) 5 days following the date upon which Goldstar completes a financing of no less than \$500,000 and ii) September 14, 2017; and \$100,000 per year starting February 14, 2018 until February 14, 2021 to complete the acquisition of a 90% interest in the property.

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 were issued to Vendittelli on March 14, 2017 upon the Company making the first of five annual payments of \$100,000 to Morrissy.

The property lies southeast of the Hackshaw Granite, a phase related to the Pokiok Batholith. A cupola of this granitic body has intruded into Silurian Age Kingslear Group metasedimentary rocks hosting the Lake George Antimony Deposit. Hydrothermal alteration has been observed from historical work and occurs along numerous northerly and easterly trending structures.

Exploration diamond drilling conducted during the late 1970's and early 1980's outlined a broad zone of tungsten bearing scheelite and molybdenite type mineralization located within an area located north of the Lake George mine site. The W-Mo mineralization is hosted within calc-silicate rocks and a network of cross-cutting quartz veinlets which appear to be associated with the presence of a buried monzogranite intrusion located approximately 1.0 km north of the Lake George mine site.

The Company completed in May 2016 a 995 line-kilometres detailed geophysical airborne survey consisting of VLF, AFMAG and magnetic data. In addition, Goldstar recently completed in September 2016 a detailed 19.1 line-kilometres induced polarization (IP) survey and several kilometric size anomalies were outlined, confirming most areas of interest identified by the previous airborne survey.

During the 2016 exploration campaign, a total of 637 samples, 486 soil and 151 outcrop samples, were collected near and along IP lines and 613 were sent to the lab for assays. Soil sample locations along IP lines were corrected for ice movement and should accordingly represent the true position. This increase in the number of samples resulted from additional ground prospecting carried out as a result of the IP

# GOLDSTAR MINERALS INC.

---

anomalies being of much larger size than expected. Moreover, the Company has discovered new outcrops that radically change the whole picture of buried intrusions, initially thought to be essentially uniform. Field evidence suggests that these intrusions range from diorite to a whitish muscovite granite.

The Company is focusing its efforts on prominent kilometric size structures, supported by geophysics, geochemical anomalies and field mapping. Accordingly, the Company has completed its first phase regional drilling program last December on its Lake George Property in New Brunswick by drilling 11 holes totaling 2,580 metres. In support of the drilling program on its Lake George property, Goldstar has signed agreements where required with all private landholders.

The drill program investigated structural targets based on IP, magnetic data and prospecting on a regional scale with the objective of defining new zones of mineralization. Two new gold-bearing structures and one tungsten zone were identified during the drilling program. In particular, based on new magnetic data acquired last May, combined with two gold-bearing intervals, namely in holes LG-16-02 and LG-16-05, Goldstar was able to define a new potential gold zone, the Coyote Zone, approximately 200 to 250 metres wide and extending over a distance of at least 4.5 kilometres. A second gold-bearing interval is in hole LG-16-06 which is approximately 500 metres to the southwest of the Coyote Zone.

## **Coyote Gold Zone**

Near or within this newly-identified Coyote Zone, hole LG-16-02 ended with a gold-bearing intersection consisting of an enrichment margin roughly 15 metres wide with scattered gold values up to 0.21 g/t that leads to an interval grading 0.63 g/t Au (and 0.073% WO<sub>3</sub>) over 4.5 m. Hole LG-16-02 was drilled from a hematite breccia outcrop of unknown direction. This gold-bearing interval is either within or very close to (possibly less than 25 metres to the southwest) the major NW-SE interpreted Coyote Zone that runs through a series of lowlands and wetlands for at least 4.5 kilometres and trends 110-115°.

Also, at the end of hole LG-16-05, another enrichment margin similar to hole LG-16-02 was identified, consisting of a roughly 15 m wide interval with scattered gold values of more than 0.1 g/t Au, before it was stopped in an intense potassic alteration environment. This hole, LG-16-05, is close to the Coyote Zone, possibly less than 50 metres to the southwest. A drill road to hole LG-16-08 transects the presumed trace of the Coyote zone and, should thus constitute a prime target for trenching.

## **Area of Hole LG-16-06**

The second identified gold-bearing interval returned 1.1 g/t Au over 1.0 metre immediately after the casing of hole LG-16-06, followed by 135 metres of an intensively faulted barren zone, still open at depth. The whole area of hole LG-16-06 can be trenched easily and would allow Goldstar to quickly understand and potentially expand in width and strike this potential near surface gold-bearing zone. Moreover, the possible western contact between the fault zone and inferred metasediments can provide an important additional target for trenching.

# GOLDSTAR MINERALS INC.

This table below summarizes the best gold-bearing intervals:

| Hole number | From – To:      | Interval | Gold assays (g/t) |
|-------------|-----------------|----------|-------------------|
| LG-16-02    | 255.5 – 260.0 m | 4.5 m    | 0.63              |
| LG-16-06    | 4.5 – 5.5 m     | 1.0 m    | 1.1               |

## Waterloo Lake Fault zone also new potential target

In addition, as previously reported (please see press release dated January 25, 2017), a 50 m X 50 m gold-bearing outcrop zone, grading roughly 1.0 g/t Au was discovered near the Waterloo Lake fault area. This zone is also near the major Coyote Zone, possibly 100 metres to the southwest, and would be easily trenched in summer of 2017.

## Tungsten zone

Goldstar has also discovered a new tungsten mineralized zone from the 2016 fall drill program, on its Lake George Property in New Brunswick. The new discovery returned an intersection of 245 metres grading 0.102% WO<sub>3</sub> from drill hole LG-16-03. This includes an intersection of 55.5 metres grading 0.146% WO<sub>3</sub>, an intersection of 84 metres grading 0.140% WO<sub>3</sub>, which includes an intersection of 16.5 metres grading 0.452% WO<sub>3</sub>. The new discovery is located almost immediately west of historical hole #81-26 in an area of the property that has largely been untested for tungsten.

Table 1 – Tungsten zone

| Hole Number | Station | Azimuth | Dip  | From (metres) | To (metres) | Interval* (metres) | Tungsten (%WO <sub>3</sub> ) | Zone           |
|-------------|---------|---------|------|---------------|-------------|--------------------|------------------------------|----------------|
| LG-16-03    | 15+00E  | 270°    | -50° | 159           | 404         | 245                | 0.102                        | New and #81-26 |
| including   |         |         |      | 176           | 231.5       | 55.5               | 0.146                        | New and #81-26 |
| including   |         |         |      | 320           | 404         | 84                 | 0.140                        | New            |
| including   |         |         |      | 380           | 396.5       | 16.5               | 0.452                        | New            |

*\* Reported drill intersections are not true widths. At this time there is insufficient data with respect to the mineralization to evaluate true orientations in space. This mineralization is not necessarily representative of the mineralization hosted on the property.*

Drill hole LG-16-03 targeted the extension of historical hole #81-26 where 139 metres grading 0.15% WO<sub>3</sub> was reported (non 43-101 compliant) from 109.5 to 248.5 metres. Drill hole LG-16-03 was drilled 40 metres west of hole #81-26 at the same 270° azimuth. The intersection between 176 to 231.5 metres represents an extended intercept from previous historical drilling and a new intersection, from 320 to 404 metres, was discovered.

# GOLDSTAR MINERALS INC.

---

Recent surface prospecting identified tungsten mineralization in the vicinity of drill hole LG-16-03. This mineralization consists of centimetric vertical scheelite bearing quartz veins, orthogonal and oriented consistently North-South ("NS") and East-West ("EW"). This same tungsten mineralization, comprising a vertical stockwork of scheelite bearing quartz veins within a rock matrix showing some similarities to skarns, seems to increase at depth and is definitely more continuous in the intersection from 320 to 404 metres of drill hole LG-16-03.

In addition, magnetic and induced polarization data that were gathered in 2016 suggest that there is an important north-west ("NW") structure at least 1.1 kilometres long, approximately 75 to 125 metres west of the end of drill hole LG-16-03, when projected to the surface. This NW structure could possibly be the source of the tungsten mineralization and will certainly be investigated soon next summer by trenching and channel sampling. The Company believes that the vertical stockwork of scheelite bearing quartz veins will be recognized at surface either in new outcrops or new trenching areas, supporting an even more continuous mineralization.

For 2017, Goldstar plans an additional IP survey of approximately 20 line-kilometres north and south of Line 2000 to be followed by a detailed ground magnetic survey at stations every 25 metres on 2016 and 2017 IP grids. These new data, combined with recent 2016 diamond drilling information, should provide very accurate positioning of prominent structures. The Company intends to trench intensively the areas of known mineralization, prior to undertake a second phase diamond drilling program later in fall of 2017.

## **OVERVIEW AND OUTLOOK**

On April 11, 2016, the Company completed a private placement of 3,450,000 flow-through units and 3,218,000 non flow-through units at \$0.02 per unit for gross proceeds of \$133,360.

On May 4, 2016 the Company completed a private placement of 5,650,000 flow-through units and 2,725,000 non flow-through units at \$0.02 per unit for gross proceeds of \$167,500.

Each flow through unit consisted of one flow through common share and one half common share purchase warrant, each full warrant entitling its holder to purchase one common share at \$0.05 per share for a period of 24 months. Each non flow through unit consisted of one common share and one common share purchase warrant, each warrant entitling its holder to purchase one common share at \$0.05 per share for a period of 24 months.

On August 17, 2016, the Company completed a Rights offering. Upon closing of the Rights Offering, the Company issued 15,115,794 common shares of the Company for gross proceeds of \$604,632. Pursuant to the terms of the Rights Offering, each eligible holder of Common Shares was entitled to subscribe for one Common Share at a price of \$0.04 for each Common Share held by such holder.

On October 19, 2016, the Company issued 750,000 common shares pursuant to an exercise of warrants at \$0.05 per share for gross proceeds of \$37,500.

On December 14, 2016, the Company completed its first phase diamond drill program by drilling 11 holes totaling 2,580 metres.

On December 22, 2016 the Company completed a shares for debt transaction and issued 1,600,000 common shares at a price of \$0.05 per share extinguishing \$80,000 of debt.

# GOLDSTAR MINERALS INC.

The Company has acquired, through staking, the Assinica Greenstone Belt Property which consists of approximately 1,250 claims totaling 700 km<sup>2</sup> for approximately \$85,000. The Property is more than 100 km long and extends from east of Matagami to north of Chibougamau in the northern region of Abitibi, Québec.

On April 14, 2017, the Company has entered into a Mineral option and sale agreement with Campfire Resources Ltd and Southfield Resources Ltd (**"the Owners"**) with respect to the Victoria Lake Tin Property, consisting of 48 claims and covering an area of 12 km<sup>2</sup>. The Property is located within Clarendon, Lepreau and Pennfield Parishes of Charlotte County in New Brunswick at approximately 50 km south of Fredericton. The agreement provides for the acquisition of an undivided interest of 100% in and to the Property by paying the Owners in the aggregate an amount of \$250,000 in cash payments over a five year period, including \$20,000 at closing on or before July 15, 2017. Upon exercise of the Option, Goldstar shall grant to the Owners a net smelter return royalty ("NSR") of 2% from production derived from the Property of which royalty 50% can be purchased back by Goldstar at any time by paying to the Owners the amount of \$1,000,000. Until the option is exercised, the Company shall solely fund any exploration expenditure on the property. Closing is subject to the completion of the due diligence review and Board approval.

The Company has proceeded with the staking of 315 additional claims, now totaling 363 claims. These new claims are 100% owned and represent approximately an additional 7,875 hectares (78.8 km<sup>2</sup>), thus enlarging the property size to 90.8 km<sup>2</sup>.

## SUMMARIZED FINANCIAL RESULTS

### SELECTED ANNUAL INFORMATION

|                                  | 2016    | 2015      | 2014      |
|----------------------------------|---------|-----------|-----------|
| Net Loss                         | 247,438 | 1,027,831 | 433,349   |
| Basic and diluted loss per share | 0.01    | 0.07      | 0.03      |
| Cash and cash equivalents        | 33,257  | 12,141    | 80,109    |
| Total assets                     | 726,339 | 129,789   | 1,104,670 |
| Current financial liabilities    | 165,279 | 416,174   | 376,234   |

## SUMMARY OF QUARTERLY RESULTS

|                    | Net Loss (income) | Basic and diluted loss<br>(earnings) per share |
|--------------------|-------------------|------------------------------------------------|
| December 31, 2016  | 27,007            | 0.01                                           |
| September 30, 2016 | 211,077           | 0.01                                           |
| June 30, 2016      | (3,002)           | (0.01)                                         |
| March 31, 2016     | 12,356            | 0.01                                           |
| December 31, 2015  | 929,041           | 0.07                                           |
| September 30, 2015 | 16,723            | 0.01                                           |
| June 30, 2015      | 47,363            | 0.01                                           |
| March 31, 2015     | 34,704            | 0.01                                           |

# GOLDSTAR MINERALS INC.

---

## LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations mainly through the sale of its shares. As described under the overview and outlook section, the Company completed private placements for gross proceeds of \$118,860 as well as \$182,000 of flow-through. Furthermore, the Company completed a Rights Offering in August 2016. Under the offering, the Company raised total gross proceeds of \$604,632. Pursuant to an exercise of 750,000 warrants at a price of \$0.05, the Company raised \$37,500.

As described under the overview and outlook section, on December 22, 2016, the Company completed a shares for debt transaction and issued 1,600,000 common shares at a price of \$0.05 per share extinguishing \$80,000 of debt.

As at December 31, 2016, the Company had cash and cash equivalents of \$33,257 compared to \$12,141 as at December 31, 2015. Working capital deficiency as at December 31, 2016 was (\$79,485) compared to a deficiency of (\$391,001) at December 31, 2015.

Management believes that it will be able to secure additional financing in the future. However, as at December 31, 2016, since the Company has a negative working capital, the Company does not have sufficient financial resources to cover its budgeted general administrative expenses and to meet its short-term obligations for the next twelve months, and to complete its planned 2017 calendar year exploration budget. Consequently, the Company will need to obtain additional financing in 2017. 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 Company is committed to incur eligible exploration and evaluation expenses of \$182,000 by December 31, 2017, related to its flow-through share financings completed in 2016. As at December 31, 2016, the Company has incurred \$182,000 of eligible expenses.

There is no guarantee that the funds spent by the Company in the future 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. In such event, the Company will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

## RESULTS OF OPERATIONS

For the year ended December 31, 2016 compared to the year ended December 31, 2015:

The Company recorded a loss of \$247,438 or \$0.01 loss per share for the year ended December 31, 2016, including non cash items of share-based payments \$201,885, gain on write off of accounts payable \$(20,765), and other income related to flow through shares \$(45,500), compared to a loss of \$1,027,831 or \$0.01 loss per share, including non cash share-based payments of \$13,010 and write offs of \$910,045 for the year ended December 31, 2015.

Revenues during the year ended December 31, 2016 totaled \$1,095 (excluding a non-cash item of \$45,500) compared to nil for the year ended December 31, 2015.

Expenses for the year ended December 31, 2016 amounted to \$102,911 (excluding non-cash items of \$201,885) compared to \$104,776 (excluding non cash items of \$923,055) for the year ended December 31, 2015.

The decrease of expenses originates from professional, consulting, and management fees of \$26,131.

# GOLDSTAR MINERALS INC.

During the year, Goldstar spent \$575,929 (2015 - \$48,243), before write-offs and tax credits, on mining properties and exploration and evaluation assets. The table below details the nature of expenditures.

|                                                    | Lake George<br>property<br>New Brunswick |
|----------------------------------------------------|------------------------------------------|
| <b>Mining properties</b>                           |                                          |
| Balance, December 31, 2015                         | 84,930                                   |
| Acquisitions                                       | 54,040                                   |
| Balance, December 31, 2016                         | 138,970                                  |
| <b>Exploration and evaluation assets</b>           |                                          |
| Balance, December 31, 2015                         | 19,686                                   |
| Diamond drilling                                   | 168,735                                  |
| Geophysics                                         | 149,526                                  |
| Compilation, surveying                             | 94,905                                   |
| Assays                                             | 62,291                                   |
| Wages, consultant fees                             | 5,851                                    |
| Field expenses                                     | 40,581                                   |
| Mining and resource tax credits, government grants | (40,000)                                 |
| Balance, December 31, 2016                         | 501,575                                  |

|                                          | Julien    | Lake George | 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    |

## CASH FLOWS

Cash used in operating activities was \$291,093 for the year ended December 31, 2016 compared to \$66,624 for the year ended December 31, 2015.

Cash used in investing activities was \$546,289 for the year ended December 31, 2016 compared to \$30,088 for the year ended December 31, 2015.

Cash flows from financing activities was \$858,498 for the year ended December 31, 2016 compared to 28,744 for the year ended December 31, 2015.

# GOLDSTAR MINERALS INC.

---

## TRANSACTIONS WITH RELATED PARTIES

### Transactions with key management personnel

Benoit Moreau, the President and Chief Executive Officer of the Company, rendered consulting services for the year ended December 31, 2016 amounting to nil (2015 - nil) for administrative services in the amount of nil (2015 - nil) charged to professional, consulting, and management fees, and geological services in the amount of nil (2015 - nil) capitalized in exploration and evaluation assets. As at December 31, 2016, the accounts payable include nil (2015 - \$1,868) payable to this director and officer.

For the year ended December 31, 2016, professional, consulting and management fees include \$18,000 (2015 - \$18,000) charged by a company for the services of the Chief Financial Officer, Ercan Ugur. As at December 31, 2016, the accounts payable include nil (2015 - nil) payable to this company.

David Crevier, a director of the Company, is a partner of Colby Monet L.L.P., a law firm which has rendered services with respect to financing in the amount of \$28,773 (2015 - nil) charged to share issue expenses.

On April 17, 2015, Benoit Moreau, the President and Chief Executive Officer of the Company, loaned \$28,744 to the Company. This was a non interest bearing loan that was repayable on demand. As at December 31, 2016, \$28,744 of this loan was repaid through a shares for debt transaction where he received 574,880 common shares at a price of \$0.05 per share.

Subsequent to the end of the year, on February 28, 2017, David Crevier and François Perron loaned to the Company a total of \$120,000. These loans bear interest at a rate of 10% per annum and are repayable on demand.

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.

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.

## OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of Class A common shares. Of which 48,784,194 were issued and outstanding as at April 20, 2017. As of such date, the Company also had outstanding options to purchase a total of 4,037,708 shares at \$0.10 per share and warrants to purchase a total of 10,276,250 shares at \$0.05 per share.

## CAPITAL MANAGEMENT

The capital of the Company consists of its share capital, options and warrants. The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather, relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in properties with sufficient geologic or economic potential if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the years ended December 31, 2016 and 2015. The Company is not subject to externally imposed capital requirements.

# GOLDSTAR MINERALS INC.

---

## CRITICAL ACCOUNTING ESTIMATES

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

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

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

- Going concern;
- Recoverability of mining properties and exploration and evaluation assets;
- Assessment of refundable credit on mining duties and tax credits related to resources;
- Estimation of the fair value of the liability related to flow through shares;

## NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED

The following amendments have been applied in preparing the consolidated financial statements and did not have a significant impact:

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").

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

The Company adopted 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.

## FUTURE ACCOUNTING STANDARDS

The following new standards have been issued but are not yet applicable to the Company:

IFRS 9, *Financial Instruments*

On July 24, 2014 the 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.

---

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 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.

IFRS 15, *Revenue from Contracts with Customers*:

On May 28, 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers*. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 will replace IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers*, and SIC 31, *Revenue - Barter Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRS.

The Company intends to adopt IFRS 15 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 but management expects no significant impact resulting from the adoption of this new standard as the Company is not yet in commercial production and does not generate revenue from operations.

IFRS 16, *Leases*:

On January 13, 2016, the IASB issued IFRS 16, *Leases*. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, *Leases*.

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors.

Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

# GOLDSTAR MINERALS INC.

---

## DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and the Chief Financial Officer of the Company have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2016. Based on that evaluation, the officers have concluded that as at that date, such disclosure controls and procedures contain a material weakness due to inadequate segregation of duties between the authorization, recording, review and reconciliation of purchases and sales and recording of cash receipts and bank account reconciliations. This material weakness has the potential to result in a material misstatement in the Company's financial statements, and should also be considered a material weakness in its internal control over financial reporting. The management and board of directors have concluded and agreed that, taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct this weakness at this time.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer of the Company have designed, or have caused to be designed under their supervision, internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's internal control over financial reporting as at December 31, 2016. Based on that evaluation, the officers have concluded that as at that date, such internal control over financial reporting contains a material weakness due to inadequate segregation of duties as previously mentioned in "Disclosure controls and procedures." The management and board of directors have concluded and agreed that, taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct this weakness at this time.

There has been no change in the Company's internal control over financial reporting that occurred during the period beginning on January 1<sup>st</sup>, 2016 and ended December 31<sup>st</sup>, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at December 31, 2016 and 2015 were as follows:

| <b>December 31, 2016</b>                 | Loans and<br>receivables | Other financial<br>liabilities | Total   |
|------------------------------------------|--------------------------|--------------------------------|---------|
| Cash                                     | 33,257                   |                                | 33,257  |
| Amounts receivable                       | 49,358                   |                                | 49,358  |
| Accounts payable and accrued liabilities |                          | 165,279                        | 165,279 |
| <b>December 31, 2015</b>                 | Loans and<br>receivables | Other financial<br>liabilities | Total   |
| Cash                                     | 12,141                   |                                | 12,141  |
| Amounts receivable                       | 9,115                    |                                | 9,115   |
| Accounts payable and accrued liabilities |                          | 416,174                        | 416,174 |

# GOLDSTAR MINERALS INC.

---

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

## **Fair Value**

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.

At December 31, 2016 and 2015, 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.

## **FINANCIAL RISK FACTORS**

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 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 judgement 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 receivable, accounts payable and accrued liabilities on the statement of financial position approximate fair values because of the limited term of these instruments.

As at December 31, 2016 and 2015, 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.

### **(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, 2016, the Company had a cash balance of \$33,257 (December 31, 2015 - \$12,141) to settle current liabilities of \$165,279 (December 31, 2015 -

# GOLDSTAR MINERALS INC.

---

\$416,174). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

## **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 is committed to incur eligible exploration and evaluation expenses of \$182,000 by December 31, 2017, related to its flow-through share financings completed in 2016. As at December 31, 2016, the Company has incurred \$182,000 of eligible expenses.

There is no guarantee that the funds spent by the Company in the future 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. In such event, the Company will indemnify each flow-through share subscriber for the additional taxes payable by such subscriber as a result of the Company's failure to renounce the qualifying expenditures as agreed.

## **OFF BALANCE SHEET ITEMS**

The Company does not have any off balance sheet items.

**April 20, 2017**