

# GOLDSTAR MINERALS INC.

---

## Management's Discussion and Analysis

For the three months ended March 31, 2016

---

The following Management's Discussion and Analysis ("MD&A") was prepared as at May 25, 2016 and provides a discussion and analysis of the financial condition and results of operations for the period ended March 31, 2016. This discussion should be read in conjunction with the Company's first quarter 2016 unaudited condensed consolidated interim financial statements and accompanying notes, and the audited annual financial statements and accompanying notes for the year ended December 31, 2015 and the related annual MD&A. The Company's first quarter 2016 unaudited condensed consolidated interim financial statements and the accompanying notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described therein.

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.

# GOLDSTAR MINERALS INC.

---

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 do not have demonstrated economic viability.

## THE COMPANY

Goldstar Minerals Inc. is a public Canadian natural resource development and exploration company. The Company has the Lake George Property in New Brunswick as outlined below.

## 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>).

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 April 15, 2016, 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 and May 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.

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.

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.

# GOLDSTAR MINERALS INC.

---

Historical (non 43-101 compliant) diamond drill holes returned the following tungsten (WO<sub>3</sub>) assay values:

<b>Hole #</b>	<b>Depth (m)</b>	<b>Width (m)</b>	<b>WO<sub>3</sub></b>
DDH#78-7	71.63-76.66	5.03	0.36%
DDH#78-7	78.33-82.60	4.27	0.29%
DDH#81-26	109.73-248.41	138.68	0.15%

The Company has recently completed a detailed geophysical airborne survey consisting of AFMAG and magnetic data. The AFMAG method uses natural occurring electromagnetic noise in the audio-frequency range to measure lateral changes in the Earth's resistivity and is thus a powerful tool for mapping alteration zones. A large circular feature of kilometric size that may represent an alteration zone surrounding a presumed intrusion was outlined by the survey in the northwest portion of the Property.

This important structure is immediately north and near of historical diamond drill hole #81-26 where 139 metres grading 0.16% WO<sub>3</sub> was reported (not 43-101 compliant). The Company will focus its efforts on this new structural feature with the goal of discovering new antimony and tungsten mineralization. Goldstar plans a first phase diamond drilling program on Lake George consisting of 3,000 metres in the summer of 2016.

## **OVERVIEW AND OUTLOOK**

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.

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

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 May 4, 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 May 4, 2018.

Goldstar is also planning another financing in 2016.

As mentioned above, Goldstar has completed a detailed geophysical airborne survey and is planning a first phase diamond drilling program on Lake George consisting of 3,000 metres in the summer of 2016.

# GOLDSTAR MINERALS INC.

---

## SUMMARY OF QUARTERLY RESULTS

	Net Loss	Basic and diluted loss per share
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
December 31, 2014	328,002	0.02
September 30, 2014	39,154	0.01
June 30, 2014	75,387	0.01

## LIQUIDITY AND CAPITAL RESOURCES

As mentioned under the overview and outlook section, the Company has completed a private placement offering in may 2016. Under the offering, the Company raised total gross proceeds of \$300,860, of which \$182,000 is flow-through.

As at March 31, 2016, the Company had working capital deficiency of \$412,924 compared to a deficiency of \$391,001 at December 31, 2015. Deficiency in working capital and exploration funding continues to be critical. The Company needs \$450,000 to cover its projected 2015 working capital shortfall, administrative expenses to the end of the year, and for commitments relating to property option payments. The Company also needs \$385,000 to fund its exploration programme. The management is trying to remedy this negative situation. Efforts are continuing to achieve a \$1,000,000 financing.

## RESULTS OF OPERATIONS

For the period ended March 31, 2016 compared to the period ended March 31, 2015:

The Company recorded a loss of \$(12,356) or \$(0.01) per share for the period ended March 31, 2016, compared to a loss of \$(27,910) (excluding non-cash share-based payments of \$6,794) or \$(0.01) per share for the period ended March 31, 2015.

Expenses excluding share-based payments (a non cash item) amounted to \$12,356 compared to \$27,910 during the comparable period of 2015 mainly due to a decrease of \$6,000 in professional, consulting, and management fees as well as \$9,554 in general and administrative expenses.

Income during the period totalled nil compared to nil during the comparable period of 2015.

## GOLDSTAR MINERALS INC.

---

During the period Goldstar had no exploration activity (2015 - \$40,110) on mining properties and exploration and evaluation assets. The table below details the nature of expenditures.

	Lake George property New Brunswick		
Mining properties			
Balance, December 31, 2015		84,930	
Balance, March 31, 2016		84,930	
Exploration and evaluation assets			
Balance, December 31, 2015		19,686	
Balance, March 31, 2016		19,686	
	Julien	Lake George	Total
<b>Mining properties</b>			
Balance, December 31, 2014	47,680	59,930	107,610
Acquisitions	-	25,000	25,000
Balance, March 31, 2015	47,680	84,930	132,610
<b>Exploration and evaluation assets</b>			
Balance, December 31, 2014	856,148	14,040	870,188
Wages, consultant fees	11,819	3,077	14,896
Administration, field expenses	214	-	214
Mining and resource tax credits	-	-	-
Balance, March 31, 2015	868,181	17,117	885,298

# GOLDSTAR MINERALS INC.

---

## CASH FLOWS

Cash from operating activities was \$6,655 during the period ended March 31, 2016 compared to \$687 during the same period of 2015.

Cash used in investing activities was nil during the period ended March 31, 2016 compared to \$40,110 spent during the same period of 2015.

Cash used in financing activities was \$9,567 during the period ended March 31, 2016 compared to nil during the same period of 2015.

## TRANSACTIONS WITH RELATED PARTIES

### Transactions with key management personnel

Benoit Moreau, the President and Chief Executive Officer of the Company, did not render any services during the three months ended March 31, 2016. As at March 31, 2016, the accounts payable include \$1,868 (2015 – \$1,868) payable to this director and officer.

During the three months ended March 31, 2016, general and administrative include \$4,500 (2015 - \$9,000) charged by a company for the services of the Chief Financial Officer, Ercan Ugur. As at March 31, 2016, the accounts payable include \$8,623 (2015 - \$5,749) payable to this company.

On April 17, 2015, a director and officer loaned \$28,744 to the Company. This is a non interest bearing loan that is repayable on demand. As at March 31, 2016, \$28,744 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.

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

As at March 31, 2016 the Company had 14,171,380 shares outstanding.

As at March 31, 2016, 1,020,000 options were outstanding and exercisable at \$0.40.

The following table summarizes the outstanding warrants.

Nature	Issue date	Number of Warrants	Expiry date	Exercise price
Private placement	6-Apr-14	600,000	16-Apr-16	\$0.15
Agent	6-Apr-14	30,000	16-Apr-16	\$0.10
As at March 31, 2016		630,000		

Subsequent to the end of the period, 630,000 warrants have expired.

# GOLDSTAR MINERALS INC.

---

## **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 January 1<sup>st</sup> to March 31<sup>st</sup>, 2016 and 2015. The Company is not subject to externally imposed capital requirements.

## **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;

## **NEW ACCOUNTING STANDARDS AND AMENDMENTS ADOPTED**

The following amendments have been applied in preparing the first quarter 2016 unaudited condensed consolidated interim financial statements and did not have a significant impact on the financial statements:

### 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 financial statement disclosures.

# GOLDSTAR MINERALS INC.

---

## **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.

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.

## **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 March 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 March 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."

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 March 31<sup>st</sup>, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

# GOLDSTAR MINERALS INC.

## FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at September 30, 2015 and December 31, 2014 were as follows:

	Loans and receivables	Assets at fair value through profit or loss	other financial liabilities	total
<b>March 31, 2016</b>				
Cash	9,229			9,229
Amounts receivable	10,221			10,221
Marketable securities		-		-
Accounts payable and accrued liabilities			438,088	438,088
<b>December 31, 2015</b>				
Cash	12,141			12,141
Amounts receivable	9,115			9,115
Marketable securities		-		-
Accounts payable and accrued liabilities			416,174	416,174

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 March 31, 2016 and December 31, 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.

# GOLDSTAR MINERALS INC.

---

## 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 March 31, 2016 and December 31, 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 March 31, 2016, the Company had a cash balance of \$9,229 (December 31, 2015 - \$12,141) to settle current liabilities of \$438,088 (December 31, 2015 - \$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. The Company currently holds investments with an estimated market value of nil as at March 31, 2016 (December 31, 2015 -nil).

## 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.

## OFF BALANCE SHEET ITEMS

The Company does not have any off balance sheet items.

**May 25, 2016**