

# GOLDSTAR MINERALS INC.

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## Management's Discussion and Analysis

For the nine months ended September 30, 2015

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The following Management's Discussion and Analysis ("MD&A") was prepared as at November 12, 2015 and provides a discussion and analysis of the financial condition and results of operations for the period ended September 30, 2015. This discussion should be read in conjunction with the Company's third quarter 2015 unaudited condensed consolidated interim financial statements and accompanying notes, and the audited annual financial statements and accompanying notes for the year ended December 31, 2014 and the related annual MD&A. The Company's third quarter 2015 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**

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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.

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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 Julien Property in Quebec and Lake George Property in New Brunswick as outlined below.

## MINERAL PROPERTIES

### Julien Property

The Julien property is located roughly 100 km east of the town of Matagami, Quebec and access is excellent through a network of logging roads. The Company owns 100% interest in 372 claims totalling 20,570 hectares (206 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 a one-time cash payment of \$500,000.

The Company has completed an airborne geophysical survey (magnetic and EM) over the entire property and several high-priority conductors were outlined. The Company has also completed detailed ground prospecting and an IP survey in the fall 2013, followed by a first phase diamond drilling program of 1,337 metres in the winter of 2014. Goldstar intersected 0.91% Zn, 0.24% Pb and 6 g/t Ag over 10 metres in a quartzo-feldspathic (wacke) sequence in hole JU-14-06. The Company plans a detailed geochemical survey to follow-up on these results. Subject to the completion of a financing a second drilling program is planned for the fall of 2016 with an estimated 2,000 metres.

### 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 property totals 247 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") 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. On August 8, 2015, the agreement was amended to delay the first payment in cash of \$100,000 which was due at the first anniversary of the closing date. 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 and ii) February 14, 2016, \$50,000 on February 14, 2016 and \$100,000 per year starting February 4, 2016 until February 4, 2019 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 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.

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Furthermore, the Company also 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 to Morrissy.

The Company acquired through staking, a 100% interest in 201 claims.

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.

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

<u>Hole #</u>	<u>Depth (m)</u>	<u>Width (m)</u>	<u>WO<sub>3</sub></u>
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%

Subject to successful funding, Goldstar plans a detailed geophysical airborne survey and a first phase diamond drilling program on Lake George consisting of 2,500 metres in the winter 2016.

## **OVERVIEW AND OUTLOOK**

Given the existing difficulties in the capital markets for the junior exploration companies, Goldstar's exploration activities are suspended until the financing and funding efforts becomes fruitful.

## **SUMMARY OF QUARTERLY RESULTS**

	<u>Net Loss (Income)</u>	<u>Basic and diluted loss (income) per share</u>
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
March 31, 2014	(9,194)	(0.01)
December 31, 2013	(20,356)	(0.01)

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## LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, the Company had working capital deficiency of \$367,331 compared to a deficiency of \$249,362 at December 31, 2014. Deficiency in working capital and exploration funding continues to be critical. The Company needs \$450,000 to cover its projected 2015 working capital shortfall and administrative expenses to the end of the year. An additional \$100,000 is required for commitments relating to property option payments. The exploration programme, to be defined, requires funding as well. 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 September 30, 2015 compared to the period ended September 30, 2014:

The Company recorded a loss of \$(98,790) or \$(0.01) per share for the period ended September 30, 2015, compared to a loss of \$(285,706) (excluding non-cash items of \$179,914-other income related to flow-through shares and \$445-change in fair value of marketable securities) or \$(0.01) per share for the period ended September 30, 2014.

Expenses excluding share-based payments (a non cash item) amounted to \$81,140 compared to \$224,679 during the comparable period of 2014 mainly due to a decrease of \$81,244 in professional, consulting, and management fees as well as \$56,452 in general and administrative expenses.

Income during the period totalled nil compared to \$210,087 during the comparable period of 2014. \$179,914 was a non cash item related to flow-through shares. Also, \$445 was a non cash item related to a change in fair value of marketable securities.

The Company wrote off 464,000 ordinary shares of Amseco Exploration Ltd valued at \$4,640 as at December 31, 2014. The valuations of these shares were based on the quoted market price of the shares at the respective dates.

During the period Goldstar spent \$48,028 before write-offs and tax credits (2014 - \$496,677) on mining properties and exploration and evaluation assets. The table below details the nature of expenditures.

	Julien	Lake George	Total
<b>Mining properties</b>			
Balance, December 31, 2014	47,680	59,930	107,610
Acquisitions	-	25,000	25,000
Balance, September 30, 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	16,526	5,646	22,172
Administration, field expenses	857	-	857
Mining and resource tax credits	(15,840)	-	(15,840)
Balance, September 30, 2015	857,691	19,686	877,377

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## CASH FLOWS

Cash used in operating activities was \$60,985 during the period ended September 30, 2015 compared to \$193,504 during the same period of 2014.

Cash used in investing activities was \$29,873 during the period ended September 30, 2015 compared to \$246,556 spent during the same period of 2014.

Cash provided from financing activities was \$28,744 during the period ended September 30, 2015 compared to \$48,786 during the same period of 2014.

## TRANSACTIONS WITH RELATED PARTIES

### Transactions with key management personnel

Benoit Moreau, the President and Chief Executive Officer of the Company, rendered consulting services during nine months ended September 30, 2015 amounting to nil (2014 - \$67,500) for administrative services in the amount of nil (2014 - \$33,750) charged to professional, consulting, and management fees, and geological services in the amount of nil (2014 - \$33,750) capitalized in exploration and evaluation assets. As at September 30, 2015, the accounts payable include \$1,868 (2014 - \$15,000) payable to this director and officer.

During the nine months ended September 30, 2015, professional, consulting and management fees include \$18,000 (2014 - \$27,000) charged by a company for the services of the Chief Financial Officer, Ercan Ugur. As at September 30, 2015, the accounts payable include nil (2014 - \$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 September 30, 2015, \$28,744 loan is still outstanding.

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 September 30, 2015 the Company had 14,171,380 shares outstanding.

As at September 30, 2015, 1,025,000 options were outstanding and exercisable at prices ranging from \$0.40 to \$4.00.

The following table summarizes the outstanding warrants.

Nature	Issue date	Number of Warrants	Expiry date	Exercise price
Private placement	30-Oct-13	3,345,000	30-Oct-15	\$0.12
Brokers	30-Oct-13	384,900	30-Oct-15	\$0.08
Private placement	19-Dec-13	2,300,000	19-Dec-15	\$0.12
Brokers	19-Dec-13	246,000	19-Dec-15	\$0.08
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 September 30, 2015		6,905,900		

Subsequent to the end of the period, 3,729,900 warrants have expired.

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## **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 July 1<sup>st</sup> to September 30<sup>th</sup>, 2015 and 2014. 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;
- Estimation of the fair value of share-based payments;

## **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.

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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 September 30, 2015. 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 September 30, 2015. 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 July 1, 2015 and ended September 30, 2015 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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## 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>September 30, 2015</b>				
Cash	17,995			17,995
Amounts receivable	9,042			9,042
Marketable securities		nil		nil
Accounts payable and accrued liabilities			400,210	400,210
	Loans and receivables	Assets at fair value through profit or loss	other financial liabilities	total
<b>December 31, 2014</b>				
Cash	80,109			80,109
Amounts receivable	38,944			38,944
Marketable securities		4,640		4,640
Accounts payable and accrued liabilities			376,234	376,234

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 September 30, 2015 and December 31, 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.

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## 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 September 30, 2015 and December 31, 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.

(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 September 30, 2015, the Company had a cash balance of \$17,995 (December 31, 2014 - \$80,109) to settle current liabilities of \$400,210 (December 31, 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 September 30, 2015 (December 31, 2014 - \$4,640).

## 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.

**November 12, 2015**