

# **GOLDSTAR MINERALS INC.**

**Condensed Consolidated Interim Financial Statements  
(Unaudited and not reviewed by the Company's  
Independent auditors)**

**For the period ended  
June 30, 2017**

Goldstar Minerals Inc.  
1501 McGill College Avenue, Suite 2900  
Montréal (Québec) H3A 3M8  
Tel.: (514) 228-3965

# GOLDSTAR MINERALS INC.

Condensed Consolidated Interim Statements of Financial Position  
(Unaudited)

	June 30 2017 \$	December 31 2016 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	7,133	33,257
Tax credits and other receivables (note 5)	9,800	49,358
Prepaid expenses	3,052	3,179
	<b>19,985</b>	<b>85,794</b>
<b>Non-current assets</b>		
Mining properties (note 6)	332,060	138,970
Exploration and evaluation assets (note 6)	563,363	501,575
	<b>895,423</b>	<b>640,545</b>
	<b>915,408</b>	<b>726,339</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 7)	246,378	165,279
Due to key management personnel (note 11)	125,000	-
	<b>371,378</b>	<b>165,279</b>
<b>Shareholders' Equity</b>		
Share capital and warrants (note 8)	9,922,776	9,844,237
Contributed surplus	670,251	670,251
Deficit	(10,048,997)	(9,953,428)
	<b>544,030</b>	<b>561,060</b>
	<b>915,408</b>	<b>726,339</b>

Reporting entity and going concern (note 1)

Commitments and contingencies (note 10)

Subsequent events (note 14)

See accompanying notes to condensed consolidated interim financial statements.

# GOLDSTAR MINERALS INC.

Condensed Consolidated Interim Statements of Loss and Other Comprehensive Loss  
(Unaudited)

	For three months ended		For six months ended	
	June 30		June 30	
	2017	2016	2017	2016
	\$	\$	\$	\$
<b>Expenses:</b>				
Professional, consulting, and management fees	30,012	3,515	34,512	3,515
General and administrative expenses	44,216	21,888	71,244	34,244
	<b>74,228</b>	25,403	<b>105,756</b>	37,759
<b>Financial expense (Income)</b>				
Gain on write off of accounts payable	(7,110)	-	(49,217)	-
Interest expense	3,116	-	4,178	-
	<b>(3,994)</b>	-	<b>(45,039)</b>	-
Other income related to flow-through shares	-	(28,405)	-	(28,405)
<b>Loss (income) and other comprehensive loss (income) for the period</b>	<b>70,234</b>	(3,002)	<b>60,717</b>	9,354
Net (loss) earnings per share, basic and diluted (note 13)	(0.01)	0.01	(0.01)	(0.01)
Weighted average number of shares outstanding	48,784,194	25,740,383	48,155,886	19,923,923

See accompanying notes to condensed consolidated interim financial statements.

# GOLDSTAR MINERALS INC.

Condensed Consolidated Interim Statements of Changes in Cash Flows  
(Unaudited)

	For six months ended June 30	
	2017	2016
	\$	\$
<b>Cash flows from operating activities</b>		
Loss and comprehensive loss for the period	(60,717)	(9,354)
Items not involving cash:		
Interest expense	4,178	-
Gain on write off of accounts payable	(49,217)	-
Other income related to flow-through shares	-	(28,405)
Net change in non-cash operating working capital		
Change in sales tax and other receivables	22,058	(24,068)
Change in prepaid expenses	127	875
Change in accounts payable and accrued liabilities	126,138	(6,108)
Interest paid	-	-
<b>Net cash from (used in) operating activities</b>	<b>42,567</b>	<b>(67,060)</b>
<b>Cash flows from investing activities</b>		
Additions to mining properties	(114,551)	(2,280)
Additions to exploration and evaluation assets	(68,288)	(113,620)
Credit on mining duties and resource tax credits	24,000	-
<b>Net cash used in investing activities</b>	<b>(158,839)</b>	<b>(115,900)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	-	300,860
Share issue expenses	(34,852)	(71,427)
Increase in due to key management personnel	125,000	-
<b>Net cash provided from financing activities</b>	<b>90,148</b>	<b>229,433</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(26,124)</b>	<b>46,473</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>33,257</b>	<b>12,141</b>
<b>Cash and cash equivalents, end of period</b>	<b>7,133</b>	<b>58,614</b>
<b>Non-cash transactions :</b>		
Addition to mining properties by issuing shares	78,539	-
Compensation warrants included in share issue expenses	-	5,333
Compensation shares included in share issue expenses	-	10,665

See accompanying notes to condensed consolidated interim financial statements.

# GOLDSTAR MINERALS INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(Unaudited)

	For six months ended June 30	
	2017	2016
	\$	\$
<b>Share capital and warrants (note 8)</b>		
Balance beginning of year	9,844,237	8,856,080
Issue of common shares, property acquisition	78,539	-
Issue of common shares, private placement	-	118,860
Issue of flow-through shares, private placement	-	182,000
Issue of common shares as finder's fee	-	10,665
Liability related to flow-through shares	-	(45,500)
Balance, end of period	9,922,776	9,122,105
<b>Contributed surplus</b>		
Balance beginning of year	670,251	463,033
Share-based payments with respect to finder's fee relating to equity financing	-	5,333
Balance, end of period	670,251	468,366
<b>Deficit</b>		
Balance beginning of year	(9,953,428)	(9,605,498)
Loss and comprehensive loss for the period	(60,717)	(9,354)
Share issue expenses	(34,852)	(87,425)
Balance, end of period	(10,048,997)	(9,702,277)
<b>Total shareholders' equity (deficiency), end of period</b>	<b>544,030</b>	<b>(111,806)</b>

See accompanying notes to condensed consolidated interim financial statements.

# **GOLDSTAR MINERALS INC.**

Notes to Condensed Consolidated Interim Financial Statements  
Six months ended June 30, 2017 and 2016  
(Unaudited)

---

## **1. Reporting entity and going concern:**

Goldstar Minerals Inc. (the "Company" or "Goldstar") is a company domiciled in Canada and was continued under the Canada Business Corporations Act on September 4, 2014. The address of the Company's registered office is 1501 McGill College Avenue, Suite 2900, Montréal, Québec.

The Company is involved in the exploration of mineral properties in the Province of Québec and the Province of New Brunswick. Although the Company has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

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

The Company is in the process of exploring and evaluating its mineral properties and projects and has not yet determined whether its properties and projects contain ore reserves that are economically recoverable. The Company is still in the exploration stage and, as such, no revenue has yet been generated from its operating activities. As at June 30, 2017, the condensed consolidated interim statements of financial position shows a negative working capital of \$351,393. The ability of the Company to meet its commitments as they become due, including the acquisition of mineral properties and the development of projects, is dependent on its ability to obtain necessary financing. The recoverability of amounts shown for mining properties and exploration and evaluation assets is dependent upon the ability of the Company to obtain necessary financing to complete the exploration and development thereof, and upon future profitable production or proceeds from the disposal of properties. If the Company is unable to obtain sufficient additional funding, this could lead to a delay, reduction or elimination of its exploration plans, which could adversely affect the business, its financial condition and its results.

Management believes that it will be able to secure financing in the future. However, as at June 30, 2017, 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 conditions mentioned above indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The condensed consolidated interim financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities that would be necessary if the Company were unable to realize its assets or discharge its obligations in anything other than the ordinary course of operations.

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

---

## 2. Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), including IAS 34, *Interim Financial Reporting*. These unaudited condensed consolidated interim financial statements do not include all the information required for full annual financial statements, and, therefore, should be read in conjunction with the audited annual financial statements and the notes thereto for the year ended December 31, 2016.

## 3. Basis of preparation and significant accounting policies:

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. The basis of preparation, including the use of estimates and judgments, and significant accounting policies are unchanged compared to the ones disclosed in the audited annual financial statements for the year ended December 31, 2016.

## 4. Cash and cash equivalents:

		June 30 2017	December 31 2016
Bank balances	\$	7,133	33,257

## 5. Tax credits and other receivables:

		June 30 2017	December 31 2016
Sales taxes receivable	\$	9,800	31,858
Government grant		-	17,500
Tax credits and other receivables	\$	9,800	49,358

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

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

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

	Lake George property New Brunswick	Julien Property Quebec	Assinica Greenstone property Quebec	Victoria Lake Property New Brunswick	Total
<b>Mining properties</b>					
Balance, December 31, 2016	138,970	-	-	-	138,970
Acquisitions	83,079	7,499	85,112	17,400	193,090
Balance, June 30, 2017	222,049	7,499	85,112	17,400	332,060
<b>Exploration and evaluation assets</b>					
Balance, December 31, 2016	501,575	-	-	-	501,575
Diamond drilling	1,000	-	-	-	1,000
Geophysics, line cutting	52,833	-	-	-	52,833
Compilation, surveying	3,027	-	-	-	3,027
Assays	8,143	-	-	-	8,143
Field expenses	3,285	-	-	-	3,285
Government grants	(6,500)	-	-	-	(6,500)
Balance, June 30, 2017	563,363	-	-	-	563,363

	Lake George property 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
Government grants	(40,000)
Balance, December 31, 2016	501,575

# **GOLDSTAR MINERALS INC.**

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

---

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

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

The Lake George Property consists of a total of 310 claims and is located approximately 40 km west of Fredericton, New Brunswick. The Property is adjacent to the past producing Lake George antimony mine and is close to existing infrastructure. Access to the Property is excellent all year round. The Property comprises a 100% interest in 264 claims covering approximately 5,900 hectares (59 km<sup>2</sup>) which were acquired by staking, and an option on 46 claims (the "Optioned Property") pursuant to the Option Agreement described below.

On February 6, 2014 the Company entered into a Mineral Option and Sale Agreement (Option Agreement) with Charles Morrissy ("Morrissy") to acquire a 90% interest in 46 claims covering an area of 950 hectares (9.5 km<sup>2</sup>). To date Morrissy has received a cash payment of \$100,000 and 1,600,000 shares of Goldstar. Under the Option Agreement, as amended, in order to complete the acquisition of a 90% interest in the Optioned Property, Goldstar will pay Morrissy \$75,000 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 \$400,000 payable in four installments of \$100,000 on February 14 of each year until 2021.

Under the Option Agreement the Company can increase its interest in the Optioned Property to 95% by a further payment of \$1,000,000 upon Commercial Production, and to 100% by an additional payment of \$2,000,000 to be made 24 months following Commercial Production.

The Company has also issued 100,000 shares to Luciano Vendittelli, who acted as a finder in the transaction with Morrissy.

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

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

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

### **(c) Assinica Greenstone Property:**

The Company has acquired, through staking, the Assinica Greenstone Belt Property, which consists of 1,248 claims totaling 68,640 hectares (686.40 km<sup>2</sup>). 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.

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

---

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

### (d) Victoria Lake Property:

On April 14, 2017, the Company 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 1,200 hectares (12 km<sup>2</sup>). The Property is located within the 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 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. 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 7,880 hectares (78.8 km<sup>2</sup>), thus enlarging the property size to 9,080 hectares (90.8 km<sup>2</sup>).

## 7. Accounts payable and accrued liabilities:

		June 30 2017		December 31 2016
Accounts payable	\$	184,858	\$	146,954
Accrued liabilities		61,520		18,325
Accounts payable and accrued liabilities	\$	246,378	\$	165,279

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

## 8. Share capital and warrants:

Authorized:

An unlimited number of common shares without par value

Shares fluctuated as follows during the period:

	June 30 2017		December 31 2016	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	47,213,424	9,844,237	14,171,380	8,856,080
Common shares related to property acquisition	1,570,770	78,539	-	-
Private placement-common shares	-	-	5,943,000	118,860
Rights offering-common shares	-	-	15,115,794	604,632
Private placement-flow-through shares	-	-	9,100,000	182,000
Common shares-finder's fee	-	-	533,250	10,665
Shares for settlement of debt	-	-	1,600,000	80,000
Exercise of warrants	-	-	750,000	37,500
Liability related to flow-through shares	-	-	-	(45,500)
Balance, end of period	48,784,194	9,922,776	47,213,424	9,844,237

On March 14, 2017, the Company issued 1,570,770 Class A Common Shares at a price of \$0.05 per share as an option payment regarding its Lake George Property as described in note 6(a).

On April 11, 2016, the Company completed a 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. At closing, the Company paid 10% of the gross proceeds as a finder's fee for certain subscribers introduced by the finder. 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.

# **GOLDSTAR MINERALS INC.**

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

---

## **8. Share capital and warrants (continued):**

On May 4, 2016, the Company completed a 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. At closing, the Company paid 10% of the gross proceeds as a finder's fee for certain subscribers introduced by the finder. Furthermore, at closing, the Company also issued, as a finder's fee, 533,250 common shares and 533,250 warrants exercisable at \$0.05 until May 4, 2018. The Company accounted for these compensation warrants by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of warrants granted was \$0.01 per warrant for a total value of \$5,333. 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.

The carrying amount of these flow-through shares is presented net of the liability related to flow-through shares of \$45,500 that was recorded when the flow-through shares were issued during the financings on April 11, 2016 and May 4, 2016.

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

On December 22, 2016, the Company issued shares for debt settlement. The Company issued 1,600,000 common shares at a price of \$0.05 per share to extinguish \$80,000 in debt. The President of the Company was involved in the transaction and received 1,000,000 common shares.

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

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

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

	June 30 2017	December 31 2016
Balance, beginning of year	10,276,250	630,000
Warrants issued :		
To shareholders regarding private placement	-	10,493,000
To brokers regarding private placement	-	533,250
Warrants exercised	-	(750,000)
Warrants expired	-	(630,000)
Balance, end of period	10,276,250	10,276,250

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

	June 30 2017	December 31 2016
Risk-free interest rate	-	0.58%
Expected life	-	2 years
Expected volatility	-	141.23%
Expected dividend	-	-
Share price	-	\$0.02
Exercise price	-	\$0.05

As at June 30, 2017, the following share purchase warrants were outstanding:

- 4,943,000 warrants at \$0.05 per warrant expiring April 11, 2018
- 5,333,250 warrants at \$0.05 per warrant expiring May 4, 2018

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

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

---

## 9. Share option plan:

In September 2016, the Company adopted a new stock option plan (the "new plan"). This plan replaces and supersedes the Company's previous plan. The new plan is to be administered by the Directors of the Company. Under the new plan, the Company may grant to directors, officers, employees and service providers, options to purchase shares of the Company.

Options granted under the new plan will be for a term not exceeding five years. The new plan provides that it is solely within the discretion of the Board to determine who should receive share options, in what amounts, and determine vesting terms.

Under the new plan, the Company shall reserve for issuance under the plan a maximum number of 4,037,708 shares of its capital stock. All shares subject to options that have terminated without having been exercised shall be available for any subsequent options under the Plan.

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

On September 27, 2016, the Company granted 4,037,708 share options to directors, officers, and service providers, exercisable at \$0.10 per share. These options vested at the date of the grant and will expire after a period of five years. At the date of the grant, the weighted average fair value of options granted was \$0.05 per option for a total value of \$201,885.

The following weighted average assumptions were used in these calculations:

	June 30, 2017	December 31, 2016
Risk-free interest rate	-	0.59%
Expected life	-	5 years
Expected volatility	-	199.427%
Expected dividend	-	-
Share price	-	\$0.05
Exercise price	-	\$0.10

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

## 9. Share option plan (continued):

The number of stock options outstanding under the Company's plan fluctuated as follows during the period:

	June 30 2017		December 31 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	4,037,708	\$ 0.10	1,020,000	\$ 0.40
Granted	-	-	4,037,708	0.10
Cancelled	-	-	(1,020,000)	0.40
Balance, end of period	4,037,708	0.10	4,037,708	0.10
Exercisable options, end of period	4,037,708	\$ 0.10	4,037,708	\$ 0.10

As at June 30, 2017, the following options were outstanding:

- 4,037,708 options at \$0.10 per share until September 26, 2021

## 10. Commitments and contingencies:

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

The Company was committed to incur eligible exploration and evaluation expenses of \$182,000 by December 31, 2017, related to its flow-through share financings completed in 2016. As at June 30, 2017, the Company had incurred \$182,000 of eligible expenses and has no more obligations in relation to this flow-through financing.

However, there is no guarantee that the funds spent by the Company will qualify as Canadian exploration expenses, even if the Company has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities could have negative tax consequences for investors or the Company. 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.

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

## 11. Related party transactions:

### *Transactions with key management personnel*

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

	June 30 2017	June 30 2016
Management and consulting fees	\$ -	\$ 9,000
Provisions for officers of the Company	32,616	-
Share-based payments	-	-
<b>Total</b>	<b>\$ 32,616</b>	<b>\$ 9,000</b>

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

During the period, a law firm, in which a director of the Company is a partner, rendered legal and consulting services in the amount of \$15,000 (2016 - nil), charged to professional, consulting and management fees, as well as with respect to financing in the amount of \$25,000 (2016 - nil) charged to share issue expenses totaling an aggregate amount of \$40,000 (2016 - nil). As at June 30, 2017, the accounts payable include \$51,303 (2016 - nil) owed to this legal firm.

As at June 30, 2017, the accounts payable includes \$35,639 (2016 - \$1,868) payable to a director and officer.

General and administrative expenses include nil (2016 - \$9,000) charged by a company for the services of the chief financial officer. As at June 30, 2017, the accounts payable includes nil (2016 - nil) payable to this company.

On February 28, 2017, directors loaned \$125,000 to the Company. These loans bear interest at a rate of 10% per annum and are repayable on demand. As at June 30, 2017, interest accrued amounted to \$4,178 and \$125,000 of this loan was still outstanding.

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

# GOLDSTAR MINERALS INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

## 12. Income taxes:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.9% (2016 - 26.9%) as a result of the following:

	June 30 2017	June 31 2016
Loss and comprehensive loss	\$ (60,717)	\$ (9,354)
Computed "expected" tax expense (recovery)	(16,333)	(2,516)
Increase in income taxes resulting from:		
Current year losses not recognized	16,333	-
Tax expense related to flow-through share deduction		30,564
Permanent difference arising from the non-taxable Income related to flow-through shares		(7,641)
Changes in unrecognized deferred income tax assets	(42,393)	
Other	42,393	(20,407)
<b>Total deferred income tax recovery</b>	<b>\$ -</b>	<b>\$ -</b>

As at June 30, 2017, the Company has approximately \$3,465,837 of Canadian development and exploration expenditures, which under certain circumstances may be utilized to reduce the taxable income of future years. In addition, the Company has share issue costs of approximately \$88,000 which have not yet been deducted for income tax purposes. The Company also has \$2,187,000 in available non-capital losses for Canadian income tax purpose which may be carried forward to reduce taxable income in future years. These tax losses expire as follows:

2029	133,000
2030	324,000
2031	30,000
2032	204,000
2033	633,000
2034	348,000
2035	182,000
2036	212,000
2037	23,000
<b>Total</b>	<b>\$ 2,089,000</b>

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

	June 30 2017	December 31 2016
Marketable securities	\$ 44,000	\$ 44,000
Non-capital losses	2,089,000	2,066,000
Mining properties and exploration and evaluation assets	2,547,000	2,626,000
Share issue costs	88,000	109,000
Capital losses	91,000	91,000
<b>Unrecognized deferred tax assets</b>	<b>\$ 4,859,000</b>	<b>\$ 4,936,000</b>

# **GOLDSTAR MINERALS INC.**

Notes to Condensed Consolidated Interim Financial Statements, Continued  
Six months ended June 30, 2017 and 2016  
(Unaudited)

---

## **13. Earnings per share:**

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

## **14. Subsequent Events:**

On July 5, 2017, a director loaned \$15,000 to the Company. This loan bears interest at a rate of 10% per annum and is repayable on demand.

On July 17, 2017, the Company completed a Rights offering. Upon closing of the Rights Offering, the Company issued 22,988,571 common shares of the Company for gross proceeds of \$689,657. Pursuant to the terms of the Rights Offering, each eligible holder of three (3) Common Shares was entitled to two (2) rights. Each right entitled the holder thereof to subscribe for one Common Share at a price of \$0.03. There was no stand-by commitment for the Offering nor did the Company retain any person to organize or participate in the solicitation of the exercise of rights under the Offering. However, the Company will pay to members of the Investment Industry Regulatory Organization of Canada (IIROC) through whom common shares were subscribed under the Offering a fee of 5% per common share subscribed, other than in respect of subscriptions by insiders of the Company.

On July 21, 2017, the Company paid \$75,000 regarding an option payment related to its Lake George property as described in note 6(a).

On July 21, 2017, the Company paid \$20,000 regarding an option payment related to its Victoria Lake property as described in note 6(d).

On July 23, 2017, the Company repaid loans to directors in the amount of \$140,000 plus interest totaling \$5,044.