

# GOLDSTAR MINERALS INC.

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## Management's Discussion and Analysis

For the nine months ended September 30, 2018

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The following Management's Discussion and Analysis ("MD&A") was prepared as at November 26, 2018 and provides a discussion and analysis of the financial condition and results of operations for the period ended September 30, 2018. This discussion should be read in conjunction with the Company's third quarter 2018 unaudited condensed interim financial statements and accompanying notes, and the audited annual financial statements and accompanying notes for the year ended December 31, 2017 and the related annual MD&A. The Company's third quarter 2018 unaudited condensed 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 have not demonstrated economic viability.

## **THE COMPANY**

Goldstar Minerals Inc. is a public Canadian natural resource exploration and development company. The Company is focused on developing deposits that contain gold and technology metals in leading mining jurisdictions in Canada. The Company holds four mining properties, these being the Lake George Property and the Victoria Lake Property located in the Province of New Brunswick, and the Julien and Assinica Greenstone Properties located in the Province of Quebec.

## **OVERVIEW AND OUTLOOK**

On May 8, 2018, the Company completed a rights offering. Upon closing of the rights offering, the Company issued 14,006,548 common shares of the Company for gross proceeds of \$700,327. Pursuant to the terms of the rights offering, each eligible holder of two (2) common shares was entitled to one (1) right. Each right entitled the holder thereof to subscribe for one common share at a price of \$0.05. There was no stand-by commitment for the offering. Management of the Company, including members of the board of directors, subscribed for approximately 76% of the shares issued under the offering.

Proceeds of the rights offering were used for working capital and to carry out the second phase diamond drilling program at the Lake George property.

Concurrently with the closing of the rights offering on May 8, 2018, the Company issued 8,100,000 common shares at a price of \$0.05 per share to a director of the Company in settlement of outstanding loans totaling \$405,000.

## ***LAKE GEORGE PROPERTY:***

### 1) Location and Status

The Lake George Property consists of a total of 283 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. The Property comprises a 100% interest in 237 claims covering approximately 5,186 hectares (51.86 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 918 hectares (9.18 km<sup>2</sup>). To date Morrissy has received cash payments of \$275,000 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 \$300,000 payable in three 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.

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## 2) Local Geology

The Property lies within Silurian metasedimentary rocks that were intruded by Devonian buried granitic bodies as observed and evidenced by numerous outcrops, dykes and structures.

## 3) Mineralization

Initial ground prospecting during the fall of 2016 allowed the discovery of the new Waterloo Lake Fault gold zone from outcrops at the surface, containing finely disseminated sulfides in strongly altered metasediments with chlorite, sericite and hematite.

During its first phase diamond drilling program completed in December 2016, a newly discovered gold-bearing structure, the Coyote Fault Zone, and a historical tungsten area, the Arabica zone, were identified. In particular, Goldstar was able to define a new potential gold zone, the Coyote Fault Zone, based on two gold-bearing intervals in holes LG-16-02 and LG-16-05.

Subsequent prospecting and trenching during the summer of 2017 extended and increased the footprint of both gold and tungsten mineralization that can be described more in details as follows:

### **Gold:**

#### *Coyote Fault 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 over 4.5 m. 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 table below summarizes the best gold-bearing interval:

Table 1: Coyote zone

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

Systematic prospecting has enabled the team to find isolated outcrops in an area that has mostly extensive ground cover. Two (2) outcrops and a proximal boulder were sampled returning gold values respectively of 0.79, 0.31 and 0.78 g/t Au.

The 0.79 g/t Au sample is located approximately 150 metres northwest from the area where hole LG-16-02 intersected 4.5 metres at 0.63 g/t Au from 255 metres. The LG-16-02 intercept is interpreted to be at a vertical depth of approximately 175 m.

Trench LG-T-17-27 was dug to follow up this 0.79 g/t Au sample and confirmed the potential for wider disseminated gold bearing alteration zones by returning 1.04 g/t Au over 4.5 m.

This trench is characterized by mineralization associated with strongly altered metasediments, containing finely disseminated sulfides in a sericitized and hematized matrix. This material is similar in nature to that found in the Waterloo Lake Fault Zone located 1.6 km to the east where outcrops averaged approximately 1.0 g/t.

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Trench LG-T-17-27 shows mineralization over the largest interval to date and the trench is open to the east and the west, and possibly to the north and the south.

Roughly 1,000 metres of diamond drilling, consisting of 5 holes, were drilled in the 2018 second phase program. Assay results are pending.

## *Waterloo Lake Fault Zone:*

A new gold-bearing outcrop zone, the WLF zone, grading 1.0 g/t Au was discovered near the Waterloo Lake fault area, oriented north-south. This zone is also near the major northwest-southeast oriented Coyote Fault Zone. These two zones may intersect in an area roughly 500 metres north.

The WLF zone was initially identified during field work in the fall of 2016. During 2016 and 2017, a total of 16 outcrops were identified. All 16 samples from the zone are characterized by gold bearing mineralization associated with strongly altered metasediments, containing finely disseminated sulfides in a sericitized and hematized matrix. Assays are summarized in the following table:

Table 2: WLF zone

<b>Date Sampling Reported</b>	<b>Grade g/t Au</b>
<b>November 29, 2017 (new)</b>	<b>0.3, 0.8, 1.0, 1.1, 1.3, 0.5, 1.4 and 1.9</b>
October 3, 2017	1.7, 1.2, 0.3 and 0.6
January 25, 2017	0.5, 0.7, 0.7 and 1.4
<b>Average (n=16)</b>	<b>1.0*</b>
<i>*May not add due to rounding</i>	

Sampling of the zone has been systematic and based on available outcrop as constrained by topography. No visible mineralization was evident, and all outcrops present in the zone were individually sampled by collecting random chip samples.

Zone continues to be open in all directions and is now established at 100 m x 25 m

The above samples were taken from an area 100 m by 25 m. The 100 m axis is north/south and is interpreted to be the strike of the mineralization. The dip is interpreted to be 35-40 degrees to the east. Thickness has not been determined as work has been limited to outcropping material. The zone remains open in all directions as prospecting has been limited by thicker overburden, accessibility or other physical constraints.

## New mineralized outcrop discovered 450 m south and on trend with WLF Zone

Late prospecting efforts in the final days of the 2017 field campaign identified 1.8 g/t Au sample from boulders, sub-crops and an outcropping area 450 m south of the WLF zone. The material is of a similar nature to that of the WLF zone, namely mineralization associated with strongly altered metasediments, containing finely disseminated sulfides in a sericitized and hematized matrix.

This result was part of the program targeting areas that had not been previously explored. A total of 22 samples were assayed and 9 returned anomalous gold values (values greater than 30 ppb Au) identifying other potential gold bearing areas.

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Roughly 500 metres of diamond drilling, consisting of 3 holes, were drilled in the 2018 second phase program. Assay results are pending.

**Tungsten:**

*Arabica Tungsten Zone:*

Goldstar has also discovered a new tungsten mineralized zone from the 2016 fall drilling program. An intersection returned 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. This tungsten mineralization is hosted by variably altered metasedimentary rocks and a network of cross-cutting quartz veins and veinlets.

Table 3 – 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.

Preliminary trenching in 2017 confirmed that tungsten mineralization, encountered in the 2016 diamond drilling program, is outcropping at the surface.

In the 2018 second phase diamond drill program, 3 holes totalling approximately 700 metres were drilled within the Arabica zone. Goldstar awaits the assay results.

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## 4) Geological Model

The Company is focusing its efforts on prominent kilometric size structures, supported by geophysics, geochemical anomalies, outcrop assays and field mapping. Goldstar believes that the tungsten zone, as a major pathfinder, supports the presence of possible gold mineralization nearby.

As such, field evidence and various data acquired since 2016, including diamond drilling, suggest that an intrusion related gold system (IRGS) may be present within the Lake George Property. Thus, the Company is always examining with great care both the gold and tungsten mineralization at the same time as either one may lead to the other.

The main focus of Goldstar remains the discovery of large tonnage and low-grade gold and/or tungsten deposits.

### **VICTORIA LAKE PROPERTY:**

#### 1) Location and Status

The Victoria Lake property consists of a total of 391 claims. The property comprises a 100% interest in 343 claims covering approximately 7,780 hectares (77.80 km<sup>2</sup>) which were acquired by staking, and an option on 48 claims (the "Property") pursuant to the Option Agreement described below.

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 1,089 hectares (10.89 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 that was paid at closing on July 21, 2017. To date, the Owners have received cash payments of \$50,000. 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 50% of royalties 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.

#### 2) Local Geology

The Victoria Lake property is underlain by the Late Devonian Mount Douglas Granite, a late phase of the Saint George Batholith, consisting of multiple post-orogenic and high-level intrusions. The Mount Douglas Granite is a prominent intrusion in the eastern region of this batholith with a surface area of over 600 km<sup>2</sup>. Multiple granite phases are known within the Mount Douglas Granite that hosts numerous tin occurrences reported as greisen vein and/or greisen vein swarm systems, some of which are present within the Victoria Lake property.

#### 3) Mineralization

Tin mineralization in float boulders and bedrock is reported in multiple regions of the Victoria Lake property. These include the Mahood Brook and Disappointment Lake tin occurrences in the east region of the property, located along a reported northwest trending geophysics anomaly (VLF-electromagnetic). Two 1983 diamond drill holes (Billiton Canada Ltd.) at the Mahood occurrence, approximately 260 metres apart, were reported to intersect near-surface tin bearing greisen zones. The first hole was

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reported to intersect 0.25% Sn over 17.6 metres (core length). The second hole was reported to intersect 0.12% Sn over 11.6 metres (core length). A channel sample from a trench at this occurrence was reported to return 0.20% Sn over 6 metres. A grab sample from the trench was reported to return 6510 ppm (0.65%) Sn. The Disappointment Lake occurrence is located approximately 1.5 kilometres northwest of the Mahood occurrence along the same VLF anomaly. Grab samples at this occurrence are reported up to 0.53% Sn. Tin bearing boulders were collected east of this VLF anomaly during 2009 with two of the samples reported to return 1.06% and 1.4% Sn.

During 2016, multiple tin bearing boulders were sampled adjacent to a section of dirt road in the southern region of the property, approximately 1 kilometre southeast of the Mahood Brook occurrence. Seven boulder samples along an approximate 150 metre long section of this road were reported to exceed 2000 ppm Sn (0.2%) and up to 5950 ppm Sn (0.595% Sn). Additional tin-bearing boulders were reported further south. This prospecting along with tin mineralization at Mahood Brook and Disappointment Lake indicates a potential north-south to northwest-southeast priority trend approximately 3 kilometres long. Soil and till geochemical anomalies have been reported for tin in multiple areas of the property.

## 2017 Field Work

Initial reconnaissance prospecting was following up some of the numerous historical and previously identified tin occurrences in the eastern region of the property. Highlights of the prospecting are detailed below:

### Samples returned tin and silver at surface

A total of 5 samples were collected within an area roughly 1.5 km by 1.5 km from highly altered granitic rocks, often designated as greisens. Results are as follows:

Table 4 – Tin results

Sample number	Type	Tin (Sn) in %	Silver (Ag) in g/t
E6648188	Outcrop	0.03	1.0
E6648189	Outcrop	0.20	2.0
E6648190	Boulder	0.22	19.0
E6648191	Boulder	0.35	2.0
E6648192	Outcrop	0.32	1.0

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Of note, the sample E6648188 that yielded low tin is characterized by relatively high sulfides content (3-5%) and can then be useful as a discriminant tool for geophysical surveys.

## 2018 Field Work

Approximately 250 outcrop samples were collected from detailed prospecting in the vicinity of Mahood Brook and Disappointment Lake showings area during August 2018. Assay results are pending.

### **JULIEN PROPERTY:**

Goldstar acquired, through staking, a 100% interest in 157 claims covering approximately 8,681 hectares (86.81 km<sup>2</sup>). The Julien Property is located approximately 100 km east of the town of Matagami, Quebec. The Company has completed an airborne geophysical survey (magnetic and EM) over the entire property and several high-priority conductors were outlined. Goldstar 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 winter 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 completed during July 2018 a detailed outcrop sampling in the vicinity of hole JU-14-06 and awaits assay results.

### **ASSINICA PROPERTY:**

Goldstar acquired, through staking, a 100% interest in 1,243 claims covering approximately 67,139 hectares (671.39 km<sup>2</sup>). The Assinica Property stretches over a distance of 100 kilometres between Matagami to the west and Chibougamau to the southeast.

The Company completed during July 2018 a detailed outcrop sampling in the eastern portion of the property at roughly 40 kilometres north of Chibougamau and awaits assay results.

## SUMMARY OF QUARTERLY RESULTS

	Net Loss (income)	Basic and diluted loss (earnings) per share
September 30, 2018	107,923	0.01
June 30, 2018	352,951	0.01
March 31, 2018	143,273	0.01
December 31, 2017	99,202	0.01
September 30, 2017	91,669	0.01
June 30, 2017	70,234	0.01
March 31, 2017	(9,517)	(0.01)
December 31, 2016	27,007	0.01

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## LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations mainly through the sale of its shares.

As at September 30, 2018, the Company had cash and cash equivalents of \$57,741 compared to \$14,503 as at December 31, 2017. There was a working capital deficiency as at September 30, 2018 of (\$346,089) compared to a deficiency of (\$234,944) at December 31, 2017.

The Company completed two financings totalling \$1,105,327. As described under Overview and Outlook, the Company completed a Rights Offering on May 8, 2018 whereby it issued 14,006,548 common shares at \$0.05 per share for gross proceeds of \$700,327. Management of the Company, including members of the board of directors, subscribed for approximately 76% of the shares issued under the offering. In addition, on the same date, the Company issued 8,100,000 common shares at a price of \$0.05 per share to a director of the Company or a holding company controlled by such director in settlement of outstanding loans totaling \$405,000.

As the Company does not have sufficient financial resources to cover its budgeted general administrative expenses for the next twelve months and complete its planned 2018 calendar year exploration budget, the Company intends to raise additional financing in 2018. 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.

## RESULTS OF OPERATIONS

For the period ended September 30, 2018 compared to the period ended September 30, 2017:

The Company recorded a loss of \$604,147 or \$0.01 loss per share for the period ended September 30, 2018, compared to a loss of \$152,386 or \$0.01 loss per share for the corresponding period in the previous year. The incomes recorded at September 30, 2018 and the corresponding period in the previous year were due to non-cash changes in fair value of marketable securities and gain on write-off of accounts payable. There were no revenues for the period ended September 30, 2018 and the corresponding period in the previous year. Expenses for the period amounted to \$590,361, including non-cash share-based payments, compared to \$196,559 for the corresponding period in the previous year.

The increase in expense originates from an increase of \$172,084 in general and administrative expenses as well as professional and consulting fees of \$10,226.

The Company sold 464,000 common shares of Amseco Exploration Ltd. ("Amseco") at a unit price of \$0.01 per share for gross proceeds of \$4,640. The Company no longer holds any shares of Amseco.

During the period, Goldstar spent \$813,507 (2017 - \$461,533), before impairments and tax credits and government grants, on mining properties and exploration and evaluation assets. Mining properties includes nil (2017 - \$78,539), which was a non-cash transaction related to an issuance of shares. The table below details the nature of expenditures.

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	Lake George Property  New Brunswick	Julien Property  Québec	Assinica Greenstone Property  Québec	Victoria Lake Property  New Brunswick	Total
	\$	\$	\$	\$	\$
<b>Mining properties</b>					
Balance, December 31, 2017	297,349	12,305	80,305	38,660	428,619
Acquisitions	104,510	-	-	38,380	142,890
Impairment	(3,981)	-	-	-	(3,981)
Balance, September 30, 2018	397,878	12,305	80,305	77,040	567,528
<b>Exploration and evaluation assets</b>					
Balance, December 31, 2017	845,592	-	158	6,469	852,219
Drilling	256,156	-	-	-	256,156
Geophysics, line cutting	66,115	-	-	16,000	82,115
Trenching	2,375	-	-	-	2,375
Assays	41,758	2,482	4,008	10,871	59,119
Salaries	181,147	10,708	11,406	39,056	242,317
Field expenses	3,662	5,101	5,957	13,815	28,535
Government grants	(12,000)	-	-	(13,019)	(25,019)
Mining and resource tax credits	-	(6,175)	(7,215)	-	(13,390)
Balance, September 30, 2018	1,384,805	12,116	14,314	73,192	1,484,427

	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	158,079	12,306	80,305	38,660	289,350
Balance, September 30, 2017	297,049	12,306	80,305	38,660	428,320
<b>Exploration and evaluation assets</b>					
Balance, December 31, 2016	501,575	-	-	-	501,575
Diamond drilling	1,000	-	-	-	1,000
Geophysics, line cutting	102,233	-	-	-	102,233
Trenching	14,695	-	-	-	14,695
Compilation, surveying	14,830	-	-	1,125	15,955
Assays	20,665	-	-	-	20,665
Salaries	59,898	-	-	755	60,653
Field expenses	35,090	-	-	431	35,521
Government grants	(6,500)	-	-	(12,000)	(18,500)
Balance, September 30, 2017	743,486	-	-	(9,689)	733,797

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## **CASH FLOWS**

Cash flows used in operating activities were \$375,541 during the period ended September 30, 2018 compared to \$97,908 during the same period of 2017.

Cash used in investing activities was \$783,848 during the period ended September 30, 2018 compared to \$425,533 spent during the same period of 2017.

Cash flows from financing activities were \$1,202,627 during the period ended September 30, 2018 compared to \$650,968 during the same period of 2017.

## **TRANSACTIONS WITH RELATED PARTIES**

### **Transactions with key management personnel**

A director of the Company is a partner of Colby Monet L.L.P., a law firm which has rendered legal services to the Company in the amount of \$36,000 (2017 - \$15,000), as well as with respect to financing in the amount of \$25,000 (2017 - \$25,000) totaling an aggregate amount of \$61,000 (2017 - \$40,000).

On January 8, February 2, March 5, and March 19, 2018, a holding company controlled by a director of the Company loaned the respective amounts of \$125,000, \$175,000, \$15,000, and \$15,000 to the Company. These loans bore interest at a rate of 10% per annum. The same director had advanced an additional amount of \$75,000 on November 16, 2017. The parties have settled the full amount of the principal outstanding under these loans (\$405,000) by issuing 8,100,000 common shares at \$0.05 per share. The debt settlement took place concurrently with the closing of the rights offering described under the Overview and Outlook section.

On April 2, April 10, and April 25, 2018, an officer of the Company loaned the respective amounts of \$23,000, \$70,000, and \$20,000 to the Company. These loans bore interest at a rate of 10% per annum. These loans have been repaid, including interest of \$866.

On August 21, and September 18, 2018, a director of the Company loaned the respective amounts of \$150,000 and \$75,000 to the Company. These loans bear interest at a rate of 10% per annum. As at September 30, 2018, interest accrued amounted to \$1,952 and \$225,000 was still outstanding.

On October 4, 2018 and November 5, 2018, a director of the Company loaned the respective amounts of \$75,000 and \$75,000 to the Company. These loans bear interest at a rate of 10% per annum and is repayable on demand.

On February 28, 2017, directors loaned \$125,000 to the Company. On July 5, 2017, a director loaned an additional \$15,000 to the Company. These loans bore interest at a rate of 10% per annum and were repayable on demand. On July 23, 2017, the Company repaid the full \$140,000 plus interest of \$5,044.

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.

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## **OUTSTANDING SHARE DATA**

The authorized share capital of the Company consists of an unlimited number of Class A common shares of which 93,279,313 were issued and outstanding as at November 26, 2018. As of such date, the Company also had outstanding options to purchase a total of 9,325,000 shares at \$0.10 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 July 1<sup>st</sup> to September 30<sup>th</sup> 2018 and 2017. The Company is not subject to externally imposed capital requirements.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of condensed interim 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;
- Recognition and measurement of refundable credits on mining duties and tax credits related to resources;
- Recoverability of mining properties and exploration and evaluation assets;

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## **NEW ACCOUNTING STANDARDS ADOPTED**

### *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 (2014) 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 has adopted IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. Management expects no significant impact resulting from the adoption of this new standard.

### *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.

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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 has adopted IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. 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.

## **FUTURE ACCOUNTING STANDARDS**

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

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 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.

## **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, 2018. 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.

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## 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, 2018. 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 July 1<sup>st</sup>, 2018 and ended September 30<sup>th</sup>, 2018 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 September 30, 2018 and December 31, 2017 were as follows:

<b>September 30, 2018</b>	Loans and receivables	Other financial liabilities	Total
Cash	57,741		57,741
Amounts receivable	50,527		50,527
Accounts payable and accrued liabilities		235,389	235,389
Due to related parties		225,000	225,000

  

<b>December 31, 2017</b>	Loans and receivables	Other financial liabilities	Total
Cash	14,503		14,503
Amounts receivable	10,663		10,663
Accounts payable and accrued liabilities		206,293	206,293
Due to related parties		75,000	75,000

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.

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## 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, 2018 and December 31, 2017, 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 receivables, accounts payable and accrued liabilities and due to related parties on the statement of financial position approximate fair values because of the limited term of these instruments.

The Company sold its marketable securities, which consisted of 464,000 common shares of Amseco Exploration Ltd. The Company holds nil common shares of Amseco Exploration Ltd. (2017 - 464,000).

As at September 30, 2018 and December 31, 2017, 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.

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(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, 2018, the Company had a cash balance of \$57,741 (December 31, 2017 - \$14,503) to settle current liabilities of \$460,389 (December 31, 2017 - \$281,293). 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.

## **OFF BALANCE SHEET ITEMS**

The Company does not have any off balance sheet items.

**November 26, 2018**