

# **GOLDSTAR MINERALS INC.**

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

**For the period ended  
June 30, 2020**

Goldstar Minerals Inc.  
2075 Robert-Bourassa, Suite 600  
Montréal (Québec) H3A 2L1  
Tel.: (514) 228-3965

# GOLDSTAR MINERALS INC.

Condensed Interim Statements of Financial Position  
(Unaudited)

(in Canadian dollars)

	June 30 2020 \$	December 31 2019 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	8,513	75,251
Tax credits and other receivables (note 5)	22,106	47,654
Marketable securities (note 6)	5,129	3,579
Prepaid expenses	3,752	4,942
	<b>39,500</b>	131,426
<b>Non-current assets</b>		
Mining properties (note 7)	678,954	632,541
Exploration and evaluation assets (note 7)	2,057,355	2,034,718
	<b>2,736,309</b>	2,667,259
	<b>2,775,809</b>	2,798,685
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (note 8)	517,282	477,672
Due to related parties (note 14)	436,000	415,000
	<b>953,282</b>	892,672
<b>Non-current liabilities</b>		
Loan Payable (note 9)	40,000	-
	<b>40,000</b>	-
<b>Shareholders' Equity</b>		
Share capital and warrants (note 10)	12,541,760	12,541,760
Contributed surplus	987,502	987,502
Deficit	(11,746,735)	(11,623,249)
	<b>1,782,527</b>	1,906,013
	<b>2,775,809</b>	2,798,685

Reporting entity and going concern (note 1)

Commitments and contingencies (note 12)

Subsequent events (note 17)

See accompanying notes to condensed interim financial statements.

# GOLDSTAR MINERALS INC.

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited)

(in Canadian dollars)

	For three months ended June 30		For six months ended June 30	
	2020 \$	2019 \$	2020 \$	2019 \$
<b>Expenses</b>				
General and administrative expenses (note 13)	19,878	110,618	92,996	222,408
Professional and consulting fees	5,141	22,026	10,644	38,826
	<b>25,019</b>	132,644	<b>103,640</b>	261,234
<b>Financial expense (income)</b>				
Interest income	-	(12)	-	(12)
Interest expense	10,870	10,136	21,396	20,106
Change in fair value of marketable securities	(2,445)	-	(1,550)	-
	<b>8,425</b>	10,124	<b>19,846</b>	20,094
Other income related to flow-through shares	-	(1,305)	-	(1,305)
	-	(1,305)	-	(1,305)
<b>Loss and comprehensive loss for the period</b>	<b>33,444</b>	141,463	<b>123,486</b>	280,023
Net loss per share, basic and diluted (note 16)	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding	113,179,313	97,179,313	113,179,313	96,318,202

See accompanying notes to condensed interim financial statements.

# GOLDSTAR MINERALS INC.

Condensed Interim Statements of Changes in Cash Flows  
(Unaudited)

(in Canadian dollars)

	For six months ended June 30	
	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Loss and comprehensive loss for the period	(123,486)	(280,023)
Items not involving cash:		
Net interest expense	21,396	20,094
Change in fair value of marketable securities (note 6)	(1,550)	-
Other income related to flow-through shares	-	(1,305)
Net change in non-cash operating working capital:		
Change in sales tax and other receivables	11,799	1,866
Change in prepaid expenses	1,190	90
Change in accounts payable and accrued liabilities	13,934	163,808
Interest received	-	12
Interest paid	-	(1,789)
<b>Net cash used in operating activities</b>	<b>(76,717)</b>	<b>(97,247)</b>
<b>Cash flows from investing activities</b>		
Additions to mining properties	(46,413)	(8,140)
Additions to exploration and evaluation assets	(28,608)	(91,421)
Credit on mining duties and resource tax credits and government grants	24,000	18,000
<b>Net cash used in investing activities</b>	<b>(51,021)</b>	<b>(81,561)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of units and shares	-	630,000
Share issue expenses	-	(30,693)
Increase in due to related parties (note 14)	21,000	25,000
Decrease in due to related parties (note 14)	-	(85,000)
Increase in loan payable (note 9)	40,000	-
<b>Net cash provided from financing activities</b>	<b>61,000</b>	<b>539,307</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(66,738)</b>	<b>360,499</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>75,251</b>	<b>41,065</b>
<b>Cash and cash equivalents, end of period</b>	<b>8,513</b>	<b>401,564</b>
<b>Non-cash transactions</b>		
Additions to exploration and evaluations assets included in accounts payable and accrued liabilities	4,280	-
Compensation warrants included in share issue expenses	-	2,357

See accompanying notes to condensed interim financial statements.

# GOLDSTAR MINERALS INC.

Condensed Interim Statements of Changes in Equity  
(Unaudited)

(in Canadian dollars)

	For six months ended June 30	
	2020	2019
	\$	\$
<b>Share capital and warrants (note 10)</b>		
Balance, beginning of year	12,541,760	11,627,760
Issue of common shares, private placements	-	450,000
Issue of flow-through common shares, private placement	-	180,000
Liability related to flow-through shares	-	(36,000)
Balance, end of period	12,541,760	12,221,760
<b>Contributed surplus</b>		
Balance, beginning of year	987,502	979,243
Share-based payments representing compensation warrants	-	2,357
Balance, end of period	987,502	981,600
<b>Deficit</b>		
Balance, beginning of year	(11,623,249)	(11,141,940)
Loss and comprehensive loss for the period	(123,486)	(280,023)
Share issue expenses	-	(33,050)
Balance, end of period	(11,746,735)	(11,455,013)
<b>Total shareholders' equity end of period</b>	<b>1,782,527</b>	<b>1,748,347</b>

See accompanying notes to condensed interim financial statements.

# **GOLDSTAR MINERALS INC.**

Notes to Condensed Interim Financial Statements  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
(in Canadian dollars)

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## **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 2075 Robert-Bourassa, Suite 600, Montréal, Québec.

The Company is involved in the exploration of mineral properties in the Provinces of Québec and 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 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, 2020, the statement of financial position shows a negative working capital of \$913,782. 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 its 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, 2020, 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 2020 calendar year exploration budget. Consequently, the Company will need to obtain additional financing in 2020. 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.

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
(in Canadian dollars)

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## 1. Reporting entity and going concern (continued):

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 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.

## 2. Statement of compliance:

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), including IAS 34, *Interim Financial Reporting*. These unaudited condensed 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, 2019.

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

These condensed 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, 2019.

## 4. Cash and cash equivalents:

		June 30 2020		December 31 2019
Bank balances	\$	8,513	\$	75,251

## 5. Tax credits and other receivables:

		June 30 2020		December 31 2019
Sales taxes receivable	\$	6,064	\$	16,146
Tax credits relating to resources		12,770		4,268
Tax credits on mining duties		2,627		878
Government grants		-		24,000
Other		645		2,362
Tax credits and other receivables	\$	22,106	\$	47,654

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
(in Canadian dollars)

## 6. Marketable securities:

The following table shows the carrying amount of the financial assets which are at level 1 in the fair value hierarchy.

		June 30 2020		December 31 2019
Lucky Minerals Inc. – common shares	\$	5,129	\$	3,579

In December 2019, the Company completed a shares for debt transaction with Lucky Minerals Inc. (“Lucky”) and was issued 178,936 common shares at a price of \$0.05 per share in settlement of outstanding receivables. On June 10, 2020, the 178,936 common shares that the Company holds in Lucky Minerals Inc. were consolidated on a basis of 1 post-consolidated share for every 7.5 pre-consolidated shares. The Company now holds 23,858 post-consolidated shares of Lucky (2019 – 23,858) having a fair value of \$5,129 as at June 30, 2020 (2019 – \$3,579).

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

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

	Lake George Property New Brunswick	Victoria Lake Property New Brunswick	Ancil Property Québec	Nemenjiche Property Québec	Total
	\$	\$	\$	\$	\$
<b>Mining properties</b>					
Balance, December 31, 2019	506,449	121,850	2,284	1,958	632,541
Option payments	-	-	28,767	21,233	50,000
Claim staking and renewal	600	(5,100)	913	-	(3,587)
Balance, June 30, 2020	507,049	116,750	31,964	23,191	678,954
<b>Exploration and evaluation assets</b>					
Balance, December 31, 2019	1,926,984	97,638	9,922	174	2,034,718
Geophysics	-	2,401	-	-	2,401
Assays	1,742	-	-	-	1,742
Salaries	247	-	28,361	-	28,608
Field expenses	137	-	-	-	137
Mining and resource tax credits	-	-	(10,251)	-	(10,251)
Balance, June 30, 2020	1,929,110	100,039	28,032	174	2,057,355

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
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## 7. Mining properties and exploration and evaluation assets (continued):

	Lake George Property New Brunswick	Victoria Lake Property New Brunswick	Ancil Property Québec	Nemenjiche Property Québec	Total
	\$	\$	\$	\$	\$
<b>Mining properties</b>					
Balance, December 31, 2018	401,859	77,040	-	-	478,899
Option payments	100,000	40,000	-	-	140,000
Claim staking and renewal	4,590	4,810	2,284	1,958	13,642
Balance, December 31, 2019	506,449	121,850	2,284	1,958	632,541
<b>Exploration and evaluation assets</b>					
Balance, December 31, 2018	1,430,449	77,664	-	-	1,508,113
Drilling	303,185	-	-	-	303,185
Geophysics	7,363	-	-	-	7,363
Geology	-	999	12,000	-	12,999
Assays	73,492	-	-	-	73,492
Salaries	165,263	18,975	2,979	263	187,480
Field expenses	5,232	-	-	-	5,232
Government grants	(58,000)	-	-	-	(58,000)
Mining and resource tax credits	-	-	(5,057)	(89)	(5,146)
Balance, December 31, 2019	1,926,984	97,638	9,922	174	2,034,718

### (a) Lake George Property:

The Lake George Property consists of a total of 199 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 153 claims covering approximately 3,298 hectares (32.98 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 \$375,000 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 \$200,000 payable in two installments of \$100,000 on the earlier of i) 5 days following the date upon which Goldstar completes a financing of no less than \$500,000 or ii) August 14, 2020 and February 14, 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.

# **GOLDSTAR MINERALS INC.**

Notes to Condensed Interim Financial Statements, Continued

Six months ended June 30, 2020 and 2019

(Unaudited)

(in Canadian dollars)

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

### **(b) Victoria Lake Property:**

The Victoria Lake property consists of a total of 214 claims. The property comprises a 100% interest in 166 claims covering approximately 3,764 hectares (37.64 km<sup>2</sup>) which were acquired by staking, and an option on 48 claims (the "Optioned Property") pursuant to the Option Agreement described below.

On April 14, 2017, the Company entered into a Mineral Option and Sale Agreement ("Option Agreement") with Campfire Resources Ltd and Southfield Resources Ltd (the "Owners") with respect to the Victoria Lake Property, consisting of 48 claims and covering an area of 1,089 hectares (10.89 km<sup>2</sup>). The Optioned Property is located within the Clarendon, Lepreau and Pennfield Parishes of Charlotte County in New Brunswick at approximately 50 km south of Fredericton. The Option Agreement provides for the acquisition of an undivided interest of 100% in the Optioned Property. To date, the Owners have received cash payments of \$90,000. Under the Option Agreement, as amended, in order to complete the acquisition of a 100% interest in the Optioned Property, Goldstar will pay the Owners \$160,000 payable in three installments of \$50,000, \$50,000, and \$60,000 on July 15, 2020, 2021, and 2022.

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 Optioned Property.

### **(c) Anctil and Nemenjiche Properties:**

The Anctil property consists of a total of 66 claims. The property comprises a 100% interest in 35 claims covering approximately 1,953 hectares (19.53 km<sup>2</sup>) which were acquired by staking, and an option on 31 claims (the "Optioned Properties") pursuant to the Option Agreement described below. As per the Option Agreement, since these claims were staked within 5 km of the Optioned Properties, these claims are subject to the agreement.

The Nemenjiche property consists of a total of 72 claims. The property comprises a 100% interest in 30 claims covering approximately 1,679 hectares (16.79 km<sup>2</sup>) which were acquired by staking, and an option on 42 claims (the "Optioned Properties") pursuant to the Option Agreement described below. As per the Option Agreement, since these claims were staked within 5 km of the Optioned Properties, these claims are subject to the agreement.

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
(in Canadian dollars)

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

### (c) Anctil and Nemenjiche Properties (continued):

On December 10, 2019, the Company entered into a Mineral Option and Purchase Agreement ("Option Agreement") with Les Ressources Tectonic Inc. (the "Owner") with respect to the Anctil and Nemenjiche Properties (the "Optioned Properties"). Anctil consists of 31 claims covering an area of approximately 1,731 hectares (17.31 km<sup>2</sup>). Nemenjiche consists of 42 claims covering an area of approximately 2,351 hectares (23.51 km<sup>2</sup>). The Option Agreement provides for the acquisition of an undivided interest of 100% in the Optioned Properties by paying the Owner in the aggregate an amount of \$570,000 in cash payments and by incurring in the aggregate an amount of 2,200,000 in exploration expenditures over a three year period, according to the following schedule, including \$50,000 that was paid at closing on February 15, 2020.

Date	Cash Payments	Exploration expenditures to be incurred
February 15, 2020	\$ 50,000	-
December 10, 2020	\$100,000	\$ 300,000
December 10, 2021	\$120,000	\$ 700,000
December 10, 2022	\$300,000	\$1,200,000
Total	\$570,000	\$2,200,000

Upon exercise of the Option, Goldstar shall grant to the Owner a net smelter return royalty ("NSR") of 2% from production derived from the Properties of which royalty 100% can be purchased back by Goldstar for cancelation at any time by paying to the Owner the amount of \$5,000,000. Until the Option Agreement is exercised or terminated, Goldstar shall solely fund any exploration expenditures on the Properties.

## 8. Accounts payable and accrued liabilities:

		June 30 2020	December 31 2019
Accounts payable	\$	320,402	\$ 300,432
Accrued liabilities		196,880	177,240
Accounts payable and accrued liabilities	\$	517,282	\$ 477,672

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
(in Canadian dollars)

## 9. Loan payable:

An outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the financial statements.

These events are likely to cause significant changes to the assets or liabilities in the coming year or to have a significant impact on future operations. Following these events, the Company has taken and will continue to take action to minimize the impact. However, it is impossible to determine the financial implications of these events for the moment.

On May 11, 2020, the Company received a \$40,000 loan as part of the Canada Emergency Business Account (“CEBA”). The loan is interest free, with a \$10,000 forgiveness benefit if repaid by December 31, 2022. If the loan is not repaid by then, it will be extended an additional 3 years until December 31, 2025 with an interest rate at 5% per annum. It can be repaid at any time.

## 10. Share capital and warrants:

Authorized:

An unlimited number of common shares without par value

Shares fluctuated as follows during the period:

	June 30 2020		December 31 2019	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	113,179,313	12,541,760	93,279,313	11,627,760
Private placements – units	-	-	11,800,000	590,000
Private placements – flow-through shares	-	-	8,100,000	405,000
Liability related to flow-through shares	-	-	-	(81,000)
Balance, end of period	113,179,313	12,541,760	113,179,313	12,541,760

On January 21, 2019, the Company completed a non-brokered private placement financing. The Company issued a total of 2,800,000 units at a price of \$0.05 per unit for gross proceeds of \$140,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one common share at a price of \$0.05 until July 20, 2020. An amount of \$42,000 was allocated to the warrants.

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
(in Canadian dollars)

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

On June 20, 2019, the Company completed a non-brokered private placement financing. The Company issued a total of 6,200,000 units and 3,600,000 flow-through shares, both at \$0.05 each, for aggregate gross proceeds of \$490,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.05 until December 19, 2020. An amount of nil was allocated to the warrants. At closing, the Company paid \$4,000 as a finder's fee for certain subscribers introduced by the finder. Furthermore, at closing, the Company also issued, as a finder's fee, 80,000 warrants to acquire 80,000 common shares exercisable at \$0.05 until December 19, 2020. 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 \$0.03 per warrant for a total value of \$2,357.

On July 24, 2019, the Company completed a non-brokered private placement financing. The Company issued a total of 800,000 units and 2,500,000 flow-through shares, both at \$0.05 each, for aggregate gross proceed of \$165,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.05 until January 23, 2021. An amount of \$4,000 was allocated to the warrants. At closing, the Company paid \$10,000 as a finder's fee for certain subscribers introduced by the finder. Furthermore, at closing, the Company also issued, as a finder's fee, 200,000 warrants to acquire 200,000 common shares exercisable at \$0.05 until January 23, 2021. 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 \$0.03 per warrant for a total value of \$5,902.

On August 15, 2019, the Company completed a non-brokered private placement financing. The Company issued a total of 2,000,000 units and 2,000,000 flow-through shares, both at \$0.05 each, for aggregate gross proceeds of \$200,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$0.05 until February 14, 2021. An amount of \$20,000 was allocated to the warrants.

The carrying amount of these flow-through shares is presented net of the liability related to flow-through shares of \$81,000.

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

	March 31 2020	December 31 2019
Balance, beginning of year	12,080,000	-
Warrants issued:		
To shareholders regarding private placements	-	11,800,000
To finders regarding private placements	-	280,000
Balance, end of period	12,080,000	12,080,000

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued

Six months ended June 30, 2020 and 2019

(Unaudited)

(in Canadian dollars)

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

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

	June 30 2020	December 31 2019
Risk-free interest rate	-	1.54%
Expected life	-	1.5 years
Expected volatility	-	192.67%
Expected dividend	-	-

As at June 30, 2020, the following share purchase warrants were outstanding:

- 2,800,000 warrants at \$0.05 per warrant expiring July 20, 2020
- 6,280,000 warrants at \$0.05 per warrant expiring December 19, 2020
- 1,000,000 warrants at \$0.05 per warrant expiring January 23, 2021
- 2,000,000 warrants at \$0.05 per warrant expiring February 14, 2021

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

## 11. Share option plan:

The Company has a Rolling 10% Stock Option Plan (the "Plan") for the benefit of the directors, officers, employees, and service providers of the Company. The maximum number of common shares which may be issued under the Plan is 10% of the Company's issued and outstanding share capital at the date of the grant. The Plan has a "rolling" limit, as the number of shares reserved for issuance pursuant to the grant of stock options will automatically increase as the Company's issued and outstanding share capital increases. The limit includes outstanding stock options previously granted. All shares subject to options that have terminated without having been exercised shall be available for any subsequent options under the plan. Options granted under the plan will be for a term not exceeding five years. The 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. The plan is subject to shareholders' approval yearly at the Company's annual meeting of shareholders.

On June 18, 2020, 500,000 options issued under the Company's share option plan expired.

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
(in Canadian dollars)

## 11. Share option plan (continued):

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

	June 30 2020		December 31 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	9,325,000	\$ 0.10	9,325,000	\$ 0.10
Granted	-	-	-	0.10
Expired	(500,000)	0.10	-	-
Balance, end of period	8,825,000	0.10	9,325,000	0.10
Exercisable options, end of period	8,825,000	\$ 0.10	9,325,000	\$ 0.10

As at June 30, 2020, the following options were outstanding:

- 750,000 options at \$0.10 per share until August 6, 2020
- 3,100,000 options at \$0.10 per share until October 6, 2020
- 2,362,708 options at \$0.10 per share until September 26, 2021
- 2,612,292 options at \$0.10 per share until May 16, 2023

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

## 12. Commitments and contingencies:

The Company has commitments under the terms of operating leases for its premises. Minimum lease payments are as follows:

	June 30 2020		December 31 2019	
One year and less	\$	4,668	\$	18,672

The lease contract is a standard industry contract. The lease for the premises is based on square footage.

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.

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued

Six months ended June 30, 2020 and 2019

(Unaudited)

(in Canadian dollars)

## 13. General and administrative expenses:

	For three months ended		For six months ended	
	June 30		June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
Corporate salaries	2,898	82,236	56,619	168,103
Investor and shareholder relations	2,298	13,054	8,229	25,523
Rent	7,002	6,798	14,004	13,596
Insurance	1,894	1,805	3,788	3,605
Taxes, licenses, and fees	1,779	1,979	1,844	2,469
Miscellaneous	4,007	4,746	8,512	9,112
Total	19,878	110,618	92,996	222,408

## 14. Related party transactions:

### *Transactions with key management personnel*

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

	June 30	June 30
	2020	2019
Short-term employee benefits	\$ 52,121	\$ 96,527
Total	\$ 52,121	\$ 96,527

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 nil (2019 - nil), charged to professional and consulting fees, as well as with respect to financing in the amount of nil (2019 - \$19,585) charged to share issue expenses totaling an aggregate amount of nil (2019 - \$19,585). As at June 30, 2020, the accounts payable include \$66,165 (2019 - \$43,707) owed to this legal firm.

On February 18, March 2, and March 6, 2020, a director of the Company loaned the respective amounts of \$5,000, \$6,000 and \$10,000 to the Company. These loans bear interest at a rate of 10% per annum and are repayable on demand.

As at June 30, 2020, outstanding loans from directors of the Company, due on demand, totaled \$436,000 and interest accrued amounted to \$70,670.

On January 21, 2019, the Company repaid \$40,000 of the outstanding loans to directors of the Company plus interest in the amount of \$362. These loans bore interest at a rate of 10% per annum.

On May 2, 2019, a director of the Company loaned \$25,000 to the Company. This loan bears interest at a rate of 10% per annum and is repayable on demand.

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued  
Six months ended June 30, 2020 and 2019  
(Unaudited)  
(in Canadian dollars)

## 14. Related party transactions (continued):

On June 27, 2019, the Company repaid \$45,000 of the outstanding loans to a director of the Company plus interest in the amount of \$1,427. These loans bore interest at a rate of 10% per annum.

On September 18, 2019, a director of the Company loaned \$40,000 to the Company. This loan bears interest at a rate of 10% per annum and is repayable on demand.

As at December 31, 2019, outstanding loans from directors of the Company, due on demand, totalled \$415,000 and interest accrued amounted to \$49,274.

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.

## 15. Income taxes:

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 26.5% (2019 - 26.6%) as a result of the following:

	June 30 2020	June 30 2019
Loss and comprehensive loss	\$ (123,486)	\$ (280,023)
Computed "expected" tax (recovery) expense	(32,724)	(74,486)
Increase in income taxes resulting from:		
Current year losses not recognized and changes in unrecognized deferred income tax assets	27,104	72,403
Impact of change of tax rates	-	1,126
Tax expense related to E&E assets financed through issuance of flow-through shares	-	1,736
Permanent difference arising from the non-taxable income related to flow-through shares	-	(347)
Other	5,620	(432)
Total deferred income tax recovery	\$ -	\$ -

The decrease in the combined federal and provincial statutory tax rate is due to a 0.1% decrease in the Québec income tax rate from 11.6% to 11.5%.

# GOLDSTAR MINERALS INC.

Notes to Condensed Interim Financial Statements, Continued

Six months ended June 30, 2020 and 2019

(Unaudited)

(in Canadian dollars)

## 15. Income taxes (continued):

As at June 30, 2020, the Company has approximately \$5,102,000 (2019 - \$4,833,000) 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 \$63,000 (2019 - \$92,000) which have not yet been deducted for income tax purposes. The Company also has \$3,590,000 (2019 - \$3,115,000) 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	\$	112,000
2030		345,000
2031		22,000
2032		212,000
2033		633,000
2034		317,000
2035		186,000
2036		216,000
2037		300,000
2038		556,000
2039		543,000
2040		148,000
Total	\$	3,590,000

Deferred tax assets have not been recognized in respect of the following items:

	June 30 2020	December 31 2019
Non-capital losses	\$ 3,590,000	\$ 3,442,000
Capital losses	96,000	96,000
Mining properties and exploration and evaluation assets	2,364,000	2,363,000
Share issue costs	63,000	111,000
Unrecognized temporary differences	\$ 6,113,000	\$ 6,012,000

## 16. 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.

# **GOLDSTAR MINERALS INC.**

Notes to Condensed Interim Financial Statements, Continued

Six months ended June 30, 2020 and 2019

(Unaudited)

(in Canadian dollars)

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## **17. Subsequent events:**

On July 8, 2020, a director of the Company loaned \$3,000 to the Company. This loan bears interest at a rate of 10% per annum and is repayable on demand.

On July 14, 2020, the Company amended its option agreement on the Victoria Lake property described in note 7(b). Under the Option Agreement, as amended, in order to complete the acquisition of a 100% interest in the Optioned Property, Goldstar will pay the Owners \$160,000 payable in three installments of \$50,000 on November 15, 2020, \$50,000 on July 15, 2021, and \$60,000 on July 15, 2022.

On July 20, 2020, 2,800,000 warrants have expired.