

Financial Statements of

GOLDSTAR MINERALS INC.

Years ended December 31, 2020 and 2019

GOLDSTAR MINERALS INC.

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Independent Auditor's Report

To the Shareholders of
Goldstar Minerals Inc.

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Opinion

We have audited the financial statements of Goldstar Minerals Inc. (hereafter "the Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss and comprehensive loss, the statements of changes in equity and the statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 to the financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Karine Desrochers.

Raymond Chabot Grant Thornton LLP¹

Montréal
April 15, 2021

¹ CPA auditor, CA public accountancy permit no. A127023

GOLDSTAR MINERALS INC.

Statements of Financial Position

As at December 31, 2020 and 2019
(in Canadian dollars)

	2020	2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (note 5)	296,039	75,251
Tax credits and other receivables (note 6)	31,692	47,654
Marketable securities (note 7)	2,505	3,579
Prepaid expenses	3,694	4,942
	333,930	131,426
Non-current assets		
Mining properties (note 8)	243,038	632,541
Exploration and evaluation assets (note 8)	418,951	2,034,718
	661,989	2,667,259
	995,919	2,798,685
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities (note 9)	177,141	477,672
Due to related parties (note 17)	-	415,000
	177,141	892,672
Non-current liabilities		
Loan Payable (note 10)	24,582	-
	24,582	-
Shareholders' Equity		
Share capital and warrants (note 11)	14,461,606	12,541,760
Contributed surplus	1,048,648	987,502
Deficit	(14,716,058)	(11,623,249)
	794,196	1,906,013
	995,919	2,798,685

Reporting entity and going concern (note 1)

Commitments and contingencies (note 13)

Subsequent events (note 20)

See accompanying notes to financial statements.

On behalf of the Board:

(s) David Crevier _____ Director

(s) François Perron _____ Director

GOLDSTAR MINERALS INC.

Statements of Loss and Comprehensive Loss

Years ended December 31, 2020 and 2019

(in Canadian dollars)

	2020	2019
	\$	\$
Expenses		
General and administrative expenses (note 16)	185,778	399,194
Professional and consulting fees	34,279	55,426
Write-off of mining properties (note 8)	623,799	-
Write-off of exploration and evaluation assets (note 8)	2,029,149	-
	2,873,005	454,620
Financial expense (income)		
Interest income	(18)	(51)
Interest expense	29,208	40,160
Change in fair value of marketable securities	1,074	5,368
Accretion expense (note 10)	1,579	-
	31,843	45,477
Other income		
Other income related to flow-through shares	-	(81,000)
Government assistance (note 10)	(16,997)	-
	(16,997)	(81,000)
Loss and comprehensive loss for the year	2,887,851	419,097
Net loss per share, basic and diluted (note 19)	(0.20)	(0.04)
Weighted average number of common shares outstanding	14,801,808	10,411,832

See accompanying notes to financial statements.

GOLDSTAR MINERALS INC.

Statements of Cash Flows

Years ended December 31, 2020 and 2019
(in Canadian dollars)

	2020	2019
	\$	\$
Cash flows from operating activities		
Net loss for the year	(2,887,851)	(419,097)
Items not involving cash:		
Net interest expense	29,190	40,109
Other income related to flow-through shares	-	(81,000)
Change in fair value of marketable securities (note 7)	1,074	5,368
Accretion expense (note 10)	1,579	-
Government assistance	(6,997)	-
Write-off of mining properties	623,799	-
Write-off of exploration and evaluation assets	2,029,149	-
Net change in non-cash operating working capital:		
Change in sales tax and other receivables	611	(5,161)
Change in prepaid expenses	1,248	(237)
Change in accounts payable and accrued liabilities	(184,601)	246,269
Interest received	18	51
Interest paid	(546)	(1,789)
Net cash used in operating activities	(393,327)	(215,487)
Cash flows from investing activities		
Additions to mining properties	(194,296)	(153,642)
Additions to exploration and evaluation assets	(423,833)	(565,527)
Credit on mining duties and resource tax credits and government grants	29,146	47,795
Net cash used in investing activities	(588,983)	(671,374)
Cash flows from financing activities		
Proceeds from issuance of units and shares	1,300,000	995,000
Share issue expenses	(133,966)	(53,953)
Increase in due to related parties (note 17)	24,000	65,000
Decrease in due to related parties (note 17)	(16,936)	(85,000)
Increase in loan payable (note 10)	30,000	-
Net cash provided from financing activities	1,203,098	921,047
Net increase in cash and cash equivalents	220,788	34,186
Cash and cash equivalents, beginning of year	75,251	41,065
Cash and cash equivalents, end of year	296,039	75,251
Non-cash transactions		
Additions to mining properties by issuance of shares (note 8)	40,000	-
Additions to exploration and evaluation assets included in accounts payable and accrued liabilities	27,568	24,224
Compensation warrants included in share issue expenses (note 11)	61,146	8,259
Compensation shares included in share issue expenses (note 11)	9,846	-
Accounts payable paid in shares (note 11)	70,000	-
Due to related parties paid in shares (notes 11 and 17)	422,064	-
Interest paid in shares (notes 11 and 17)	77,936	-
Amounts receivable received in shares in lieu of cash (note 7)	-	8,947

See accompanying notes to financial statements.

GOLDSTAR MINERALS INC.

Statements of Changes in Equity

Years ended December 31, 2020 and 2019

(in Canadian dollars)

	2020	2019
	\$	\$
Share capital and warrants (note 11)		
Balance, beginning of year	12,541,760	11,627,760
Issue of units, private placements	700,000	590,000
Issue of flow-through common shares, private placements	600,000	405,000
Liability related to flow-through shares	-	(81,000)
Issue of common shares, property acquisition	40,000	-
Issue of common shares for settlement of debt	570,000	-
Issue of common shares for finder's fees	9,846	-
Balance, end of year	14,461,606	12,541,760
Contributed surplus		
Balance, beginning of year	987,502	979,243
Share-based payments representing compensation warrants	61,146	8,259
Balance, end of year	1,048,648	987,502
Deficit		
Balance, beginning of year	(11,623,249)	(11,141,940)
Loss and comprehensive loss for the year	(2,887,851)	(419,097)
Share issue expenses	(204,958)	(62,212)
Balance, end of year	(14,716,058)	(11,623,249)
Total shareholders' equity end of year	794,196	1,906,013

See accompanying notes to financial statements.

GOLDSTAR MINERALS INC.

Notes to Financial Statements

Years ended December 31, 2020 and 2019
(in Canadian dollars)

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, New Brunswick and Newfoundland. 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 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 December 31, 2020, the statement of financial position shows a working capital of \$156,789 (negative working capital of \$761,246 as at December 31, 2019). 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 December 31, 2020, 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 2021 calendar year exploration budget. Consequently, the Company will need to obtain additional financing in 2021. 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 Financial Statements, Continued

Years ended December 31, 2020 and 2019

1. Reporting entity and going concern (continued):

In 2020, 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. The impact of this crisis on the Company's activities are described in note 8.

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.

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 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 financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS").

These financial statements were reviewed, approved and authorized for issue by the Board of Directors on April 15, 2021.

3. Basis of preparation:

a) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for share-based compensation transactions which are measured pursuant to IFRS 2 and for marketable securities which are measured at fair value through profit or loss.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

(c) Share Consolidation

On December 16, 2020, the Company completed a ten to one share consolidation. All references to share and per share amounts in the financial statements and accompanying notes to the financial statements have been retroactively restated to reflect the ten to one share consolidation.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

3. Basis of preparation (continued):

(d) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in Note 4 and consists in the determination of capitalizable costs as exploration and evaluation assets, the recognition and measurement of refundable credits on mining duties and tax credits related to resources.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 1 - going concern;
- Notes 4 and 6 – recognition and measurement of refundable credits on mining duties and tax credits related to resources;
- Notes 4 and 8 - recoverability of mining properties and exploration and evaluation assets;
- Note 11 – measurement of the compensation warrants;
- Note 12 – measurement of share-based payments;

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Financial instruments:

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVPL"), directly attributable transaction costs. Financial instruments are recognized when the Company becomes party to the contracts that give rise to them and are classified as amortized cost, FVPL or fair value through other comprehensive income ("FVOCI"), as appropriate. The Company considers whether a contract (other than a financial asset) contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. The Company has no financial assets at FVOCI.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

4. Significant accounting policies (continued):

(a) Financial instruments (continued):

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash and cash equivalents and other receivables are classified as and measured at amortized cost.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions. Marketable securities are classified and measured at FVTPL.

Financial liabilities

Financial liabilities are recognized initially at fair value, net of transaction costs. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, due to related parties and loan payable are classified as and measured at amortized cost.

Fair value measurement

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.

(b) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining permits and claims which include the rights to explore for mining, extracting and selling all minerals from such claims.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

4. Significant accounting policies (continued):

(b) Mining properties and exploration and evaluation assets (continued):

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

The expenditures that are included in the measurement of exploration and evaluation assets include those related to acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Mining properties and exploration and evaluation assets are carried at historical cost less any impairment losses recognized.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Company stops capitalizing mining properties and exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

(c) Impairment:

Non-financial assets

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances apply:

- Exploration rights have or will expire in the near future.
- No future substantive exploration expenditures are budgeted.
- No commercially viable quantities are discovered and exploration and evaluation activities will be discontinued.
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

4. Significant accounting policies (continued):

(c) Impairment (continued):

Non-financial assets (continued)

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”). The level identified by the Company for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

(d) Share capital:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as an increase to deficit, net of any tax effects.

Units placements

Unit issue proceeds are allocated between the shares and warrants issued using the residual method. Proceeds are first applied to shares according to the quoted price at the time of issuance and any residual proceeds are allocated to the warrants.

Flow-through shares

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company may finance a portion of its exploration programs with flow-through shares.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as liabilities related to flow-through shares. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

4. Significant accounting policies (continued):

(d) Share capital (continued):

Flow-through shares (continued)

The Company may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “look-back” method.

When tax deductions are being renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge to income tax expense. The obligation is reduced, with a corresponding income recorded.

When tax deductions are being renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced, with a corresponding income recorded.

Warrants

Warrants are classified as equity when they are derivatives over the Company’s own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company’s own equity instruments.

(e) Share-based payments:

The grant date fair value of share-based payment awards granted to employees, directors, officers, and service providers is recognized as an expense, with a corresponding increase in contributed surplus, over the period that the employees, directors, officers, and service providers unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

(f) Finance income and finance costs:

Interest income and interest expense are recognized as they accrue, using the effective interest method.

Interest received and interest paid is classified under operating activities in the statements of cash flows.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

4. Significant accounting policies (continued):

(g) Refundable tax credit related to resources and refundable credit on mining duties:

The Company is eligible for a refundable resource tax credit on Canadian Exploration Expenditures, financed by treasury funds, other than flow-through shares financings, of up to 28% of the amount of eligible expenses incurred in the province of Québec. This credit is recorded as a government grant against mining properties and exploration and evaluation assets.

The Company is also entitled to a refundable tax credit on mining duties under the Québec *Mining Tax Act*. The accounting treatment for refundable credit on mining duties depends on management's intention to either go into production in the future or to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*. At the same time a deferred tax liability and deferred tax expense are recognized because the exploration and evaluation assets lose their tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

Management's current intention is to sell the mining properties in the future, and, therefore, the credit on mining duties is recorded as a government grant against mining properties and exploration and evaluation assets. The Company records the credit at the rate of 16% applicable on 50% of the eligible expenses.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the credits.

(h) Income tax:

Income tax expense comprises current and deferred taxes. Current income taxes and deferred income taxes are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

4. Significant accounting policies (continued):

(h) Income tax (continued):

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Earnings (loss) per share:

The Company presents basic and diluted earnings (loss) per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to directors and employees.

(j) Segment reporting:

The Company determined that it only has one operating segment, i.e. mining exploration.

(k) Government assistance:

Government assistance related to current expenses is accounted for as other income while assistance related to the acquisition of exploration and evaluation assets is accounted for as a reduction of the related exploration and evaluation assets. Government assistance is accrued in the year in which the current expenses or the capital expenditures are incurred, provided that the Company is reasonably certain that it will be received.

The loan from a government body, which contains a clause exempting the Company from making repayments as long as it satisfies the terms and conditions specified at the time the loan was granted, is accounted for using the previously described accounting policy, depending on whether the loan relates to current expenses or the acquisition of exploration and evaluation assets. Any debt resulting from the obligation to repay this government assistance is accounted for in the year during which the terms and conditions resulting in repayment occur.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

4. Significant accounting policies (continued):

(l) Accounting standards issued but not yet applied:

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than December 31, 2020. These updates are not expected to have a significant impact on the Company and are therefore not discussed herein.

5. Cash and cash equivalents:

	2020	2019
Bank balances	\$ 296,039	\$ 75,251

6. Tax credits and other receivables:

	2020	2019
Sales taxes receivable	\$ 16,402	\$ 16,146
Tax credits relating to resources	11,441	4,268
Tax credits on mining duties	2,354	878
Government grants	-	24,000
Other	1,495	2,362
Tax credits and other receivables	\$ 31,692	\$ 47,654

7. Marketable securities:

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

	2020	2019
Lucky Minerals Inc. – common shares	\$ 2,505	\$ 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 \$2,505 as at December 31, 2020 (2019 – \$3,579).

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

8. Mining properties and exploration and evaluation assets:

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

	Lake George Property	Victoria Lake Property	Ancil Property	Nemenjiche Property	Fortune Property	Panache North Property	Prince Property	Total
	New Brunswick	New Brunswick	Québec	Québec	Québec	Québec	Newfoundland	
	\$	\$	\$	\$	\$	\$	\$	\$
Mining properties								
Balance, December 31, 2019	506,449	121,850	2,284	1,958	-	-	-	632,541
Acquisition costs	-	-	-	-	49,073	21,810	10,905	81,788
Option payments	-	-	63,699	86,301	-	-	-	150,000
Claim staking and renewal	600	(5,100)	913	-	6,095	-	-	2,508
Write-off	(507,049)	(116,750)	-	-	-	-	-	(623,799)
Balance, December 31, 2020	-	-	66,896	88,259	55,168	21,810	10,905	243,038
Exploration and evaluation assets								
Balance, December 31, 2019	1,926,984	97,638	9,922	174	-	-	-	2,034,718
Geophysics	-	2,401	93,648	84,283	-	-	-	180,332
Assays	1,742	-	3,004	3,401	-	-	-	8,147
Salaries and consultant fees	247	-	62,365	110,636	-	-	-	173,248
Field expenses	137	-	24,215	28,598	-	-	-	52,950
Studies	-	-	12,500	-	-	-	-	12,500
Mining and resource tax credits	-	-	(13,795)	-	-	-	-	(13,795)
Write-off	(1,929,110)	(100,039)	-	-	-	-	-	(2,029,149)
Balance, December 31, 2020	-	-	191,859	227,092	-	-	-	418,951

	Lake George Property New Brunswick	Victoria Lake Property New Brunswick	Ancil Property Québec	Nemenjiche Property Québec	Total
	\$	\$	\$	\$	\$
Mining properties					
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
Exploration and evaluation assets					
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

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

8. Mining properties and exploration and evaluation assets (continued):

(a) Lake George Property:

In May 2019, the Company abandoned 84 claims of which it had a 100% interest in, totaling 1,888 hectares (18.88 km²) on its 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 km²) 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 km²). 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 should pay Morrissy \$200,000 payable in two installments of \$100,000 on March 31, 2021 and March 31, 2022.

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.

Due to the Covid-19 pandemic, and not having access to the property in 2020, the Company has decided, as at December 31, 2020, to not renew the claims and the Option Agreement coming to terms on March 31, 2021; therefore a write-off totaling \$2,436,159 was recorded in 2020.

(b) Victoria Lake Property:

In April 2019, the Company acquired, through staking, a 100% interest in 36 claims for \$2,160, totaling 816 hectares (8.16 km²) on its Victoria Lake Property.

In May 2019, the Company abandoned 213 claims of which it had a 100% interest in, totaling 4,832 hectares (48.32 km²) on its 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 km²) which were acquired by staking, and an option on 48 claims (the "Optioned Property") pursuant to the Option Agreement described below.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

8. Mining properties and exploration and evaluation assets (continued):

(b) Victoria Lake Property (continued):

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 km²). 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 March 31, 2021, July 15, 2021, and July 15, 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.

Due to the Covid-19 pandemic, and not having access to the property in 2020, the Company has decided, as at December 31, 2020, to not renew the claims and the Option Agreement coming to terms on March 31, 2021; therefore a write-off totaling \$216,789 was recorded in 2020.

(c) Ancil and Nemenjiche Properties:

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 Ancil and Nemenjiche Properties (the "Optioned Properties"). 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. To date, the Owner has received cash payments of \$150,000 and the Company has incurred its minimum commitment of \$300,000 of exploration expenditures.

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

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

8. Mining properties and exploration and evaluation assets (continued):

(c) Anctil and Nemenjiche Properties (continued):

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.

Anctil:

The Anctil property consists of 31 claims, covering an area of 1,731 hectares (17.31 km²). It is located approximately 45 km southwest of the town of Chapais in Québec. In December 2019, the Company acquired, through staking, an additional 35 claims on its Anctil Property covering approximately 1,953 hectares (19.53 km²) for \$2,284. These claims are 100% owned by the Company. As per the Option Agreement, since these claims were staked within 5 km of the optioned property, these claims are subject to the agreement.

Nemenjiche:

The Nemenjiche property consists of 42 claims, covering an area of 2,351 hectares (23.51 km²). It is located approximately 60 km south of the town of Chibougamau in Québec. In December 2019, the Company acquired, through staking, an additional 30 claims on its Nemenjiche Property covering approximately 1,679 hectares (16.79 km²) for \$1,958. These claims are 100% owned by the Company. As per the Option Agreement, since these claims were staked within 5 km of the optioned property, these claims are subject to the agreement.

(d) Fortune Property:

On December 7, 2020, the Company entered into a Purchase and Sale Agreement with Claimhunt Inc. with respect to the Fortune, Panache North, and Prince properties for the acquisition of 100% interest in the properties. In consideration for these properties, the Company paid \$30,000 cash and issued 200,000 common shares at a price of \$0.20 per share.

The Fortune acquisition consisted of 9 claims, covering an area of 509 hectares (5.09 km²). On a pro rata basis, the purchase price of the Fortune property was \$18,000 cash and 120,000 common shares.

In December 2020, the Company acquired, through staking, a 100% interest in 92 claims for a total of \$6,095, totaling 5,205 hectares (52.05 km²).

The Fortune property comprises a 100% interest in a total of 101 claims covering 5,714 hectares (57.14 km²).

The Fortune property is located in the Gaspé Peninsula of Québec, with direct access to most of the property by Highway 132 and a network of maintained roads.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

8. Mining properties and exploration and evaluation assets (continued):

(e) Panache North Property:

On December 7, 2020, the Company entered into a Purchase and Sale Agreement with Claimhunt Inc. with respect to the Fortune, Panache North, and Prince properties for the acquisition of 100% interest in the properties. In consideration for these properties, the Company paid \$30,000 cash and issued 200,000 common shares at a price of \$0.20 per share.

The Panache North acquisition consisted of 4 claims, covering an area of 225 hectares (2.25 km²). On a pro rata basis, the purchase price of the Panache North property was \$8,000 cash and 53,333 common shares.

The Panache North property is located in the Windfall Lake (Urban Barry) area of Québec.

(f) Prince Property:

On December 7, 2020, the Company entered into a Purchase and Sale Agreement with Claimhunt Inc. with respect to the Fortune, Panache North, and Prince properties for the acquisition of 100% interest in the properties. In consideration for these properties, the Company paid \$30,000 cash and issued 200,000 common shares at a price of \$0.20 per share.

The Prince acquisition consisted of 2 licences, covering an area of 125 hectares (1.25 km²). On a pro rata basis, the purchase price of the Panache North property was \$4,000 cash and 26,667 common shares.

The Prince property is located in Newfoundland.

9. Accounts payable and accrued liabilities:

		2020		2019
Accounts payable	\$	95,725	\$	300,432
Accrued liabilities		81,416		177,240
Accounts payable and accrued liabilities	\$	177,141	\$	477,672

10. Loan payable:

		2020		2019
Loan, capital of \$30,000, secured by the Government of Canada, non-interest bearing until December 31, 2022	\$	24,582	\$	-

The Company received a \$40,000 loan under the Canada Emergency Business Account program. If the Company repays \$30,000 of the loan by December 31, 2022, no other amount will be payable. Otherwise, the loan balance will bear interest at 5% and may either be repaid in 36 monthly instalments of capital and interest or repaid at maturity on December 31, 2025.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

10. Loan payable (continued):

Since \$10,000 of the government assistance is forgivable if the Company repays \$30,000 by December 31, 2022, the amount was recognized in earnings at the time the government assistance was granted. Additionally, the carrying amount of the loan at the time it was granted has been reduced by an amount equivalent to the variance between fair value, determined using a present value technique at a rate of 10%, and the par value of the loan. Since the loan which gave rise to the variance is a form of government assistance for working capital, the consideration was applied to earnings at the time it was granted. An accretion expense was then charged to earnings as interest expenses on long-term debt using the straight-line method over the initial lease term.

11. Share capital and warrants:

Authorized:

An unlimited number of common shares without par value

Shares fluctuated as follows during the year:

	2020		2019	
	Number of shares	\$	Number of shares	\$
Balance, beginning of year	11,317,930	12,541,760	9,327,930	11,627,760
Private placements – units	4,666,663	700,000	1,180,000	590,000
Private placements – flow-through shares	3,000,000	600,000	810,000	405,000
Liability related to flow-through shares	-	-	-	(81,000)
Units-finder's fee	178,000	9,846	-	-
Units for settlement of debt	350,000	70,000	-	-
Shares for settlement of debt	2,500,000	500,000	-	-
Property acquisition	200,000	40,000	-	-
Balance, end of year	22,212,593	14,461,606	11,317,930	12,541,760

On September 2, 2020, the Company completed a share settlement transaction with a creditor to partially settle a debt in the amount of \$70,000. On September 18, 2020, the Company issued 350,000 units at a price of \$0.20 per unit. Each unit is comprised 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 \$0.50 until September 17, 2023.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

11. Share capital and warrants (continued):

On September 3, 2020, the Company completed a non-brokered private placement financing. The Company issued a total of 4,666,663 units at a price of \$0.15 per unit and 3,000,000 flow-through shares at a price of \$0.20 per share for aggregate gross proceeds of \$1,300,000. 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 \$0.20 until September 2, 2023. At closing, in respect to the subscriptions of units, the Company paid a cash finder's fee of \$34,839 and issued finder's warrants exercisable to acquire 232,261 units at a price of \$0.15 per unit until September 2, 2023. 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 \$0.15238 per warrant for a total value of \$35,392. At Closing, in respect to the subscriptions of flow-through shares, the Company issued 178,000 finders' units, each comprised of one common share and one warrant exercisable to acquire 178,000 common shares at a price of \$0.20 per share until September 2, 2023. The Company accounted for these finders' units using the residual method. The fair value of the compensation warrants is calculated by using the Black-Scholes pricing model. At the date of the grant, the weighted average fair value of the common shares was \$0.05532 per share for a total value of \$9,846, and the weighted average fair value of the warrants granted was \$0.14468 per warrant for a total value of \$25,754.

On September 3, 2020, the Company completed a share settlement transaction with an insider pursuant to which the Company issued 2,500,000 common shares at a price of \$0.20 per share in settlement of the debt in the amount of \$500,000.

On December 7, 2020, the Company acquired 100% interest in the Fortune, Panache North, and Prince properties for \$30,000 cash and the issuance of 200,000 common shares at a price of \$0.20 per share (Note 8(d-f)).

On December 16, 2020, the Company completed a share consolidation on the basis of one (1) post-consolidated share for every ten (10) pre-consolidated shares. As a result of the consolidation, the issued and outstanding shares have been reduced to 22,212,593. The number of post-consolidated shares were rounded down to the nearest whole number. Each shareholder received a whole number of consolidated common shares. Fractional shares were disregarded and cancelled without any repayment of capital or other compensation.

On January 21, 2019, the Company completed a non-brokered private placement financing. The Company issued a total of 280,000 units at a price of \$0.50 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 \$0.50 until July 20, 2020. An amount of \$42,000 was allocated to the warrants.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

11. Share capital and warrants (continued):

On June 20, 2019, the Company completed a non-brokered private placement financing. The Company issued a total of 620,000 units and 360,000 flow-through shares, both at \$0.50 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 \$0.50 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, 8,000 warrants to acquire 8,000 common shares exercisable at \$0.50 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 \$0.30 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 80,000 units and 250,000 flow-through shares, both at \$0.50 each, for aggregate gross proceeds 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 \$0.50 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, 20,000 warrants to acquire 20,000 common shares exercisable at \$0.50 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 \$0.30 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 200,000 units and 200,000 flow-through shares, both at \$0.50 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 \$0.50 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.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

11. Share capital and warrants (continued):

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

	2020	2019
Balance, beginning of year	1,208,000	-
Warrants issued:		
To shareholders regarding private placements	4,666,663	1,180,000
To finders regarding private placements	410,261	28,000
To creditors in settlement of debt	350,000	-
Warrants expired	(908,000)	-
Balance, end of year	5,726,924	1,208,000

As a result of the Company's share consolidation, the exercise price and the number of issued and outstanding warrants are proportionately adjusted to reflect the consolidation. The number of post-consolidated warrants were rounded down to the nearest whole number. Fractional shares were disregarded and cancelled without any repayment of capital or other compensation.

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

	2020	2019
Exercise price	\$0.17	\$0.50
Stock price	\$0.20	\$0.40
Risk-free interest rate	1.04%	1.54%
Expected life	3 years	1.5 years
Expected volatility	124.50%	192.67%
Expected dividend	-	-

The volatility has been estimated based on the historical share prices of the Company over the expected average life of the warrants.

As at December 31, 2020, the following share purchase warrants were outstanding:

- 100,000 warrants at \$0.50 per warrant expiring January 23, 2021
- 200,000 warrants at \$0.50 per warrant expiring February 14, 2021
- 4,844,663 warrants at \$0.20 per warrant expiring September 2, 2023
- 232,261 warrants at \$0.15 per warrant expiring September 2, 2023
- 350,000 warrants at \$0.50 per warrant expiring September 17, 2023

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

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

12. 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.

As a result of the Company’s share consolidation, the exercise price and the number of issued and outstanding options are proportionately adjusted to reflect the consolidation. The number of post-consolidated options were rounded down to the nearest whole number. Fractional shares were disregarded and cancelled without any repayment of capital or other compensation.

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

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	932,497	\$ 1.00	932,497	\$ 1.00
Expired	(435,000)	1.00	-	-
Balance, end of year	497,497	1.00	932,497	1.00
Exercisable options, end of year	497,497	\$ 1.00	932,497	\$ 1.00

As at December 31, 2020, the following options were outstanding:

- 236,269 options at \$1.00 per share until September 26, 2021
- 261,228 options at \$1.00 per share until May 16, 2023

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

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

13. Commitments and contingencies:

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

		2020	2019
One year and less	\$	-	\$ 18,672

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 is committed to incur eligible exploration and evaluation expenses of \$600,000 by December 31, 2021, related to its flow-through share financings completed in 2020. As at December 31, 2020, the Company has incurred \$381,790 of eligible expenses.

The Company is committed to incur eligible exploration and evaluation expenses of \$405,000 by December 31, 2020, related to its flow-through share financings completed in 2019. As at December 31, 2019, the Company has incurred \$405,000 of eligible expenses.

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.

14. Financial instruments and financial risk management:

Risk management

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 financial risk exposure and its financial risk management policies are as follows:

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

14. Financial instruments and financial risk management (continued):

(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 judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash and cash equivalents, other receivables, accounts payable and accrued liabilities, and due to related parties on the statements of financial position approximate fair values because of the short-term nature of these instruments. The fair value of the loan payable, classified as level 2 within the fair value hierarchy, is based on the discounted cash flows and is not materially different from its carrying value since there was no material change in the assumptions used for fair value determination at inception.

As at December 31, 2020, the Company held marketable securities consisting of 23,858 (2019 – 23,858) common shares of Lucky Minerals Inc. carried at a fair value of \$2,505 (2019 - \$3,579). These marketable securities were classified as Level 1 within the fair value hierarchy.

(b) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. Cash is maintained with high-credit, quality financial institutions.

(c) Liquidity risk:

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2020, the Company has a cash balance of \$296,039 (2019 - \$75,251) to settle current liabilities of \$177,141 (2019 - \$892,672). The Company's accounts payable and accrued liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms. Refer to note 10 for the maturity of the loan payable.

15. Capital disclosures:

The Company's objectives when managing its capital are to safeguard the Company's ability to continue as a going concern in order to support ongoing exploration programs and development of its mining assets, to provide sufficient working capital to meet its ongoing obligations and to pursue potential investments.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

15. Capital disclosures (continued):

The Company manages its capital structure and makes adjustments to it in accordance with the aforementioned objectives, as well as in light of changes in economic conditions and the risk characteristics of the underlying assets. In the management of capital, the Company includes the components of shareholders' equity. In order to maintain or adjust its capital structure, the Company may issue new shares and warrants, acquire or dispose of assets or adjust the amount of cash and cash equivalents and marketable securities. There is no dividend policy. The Company is not subject to externally imposed capital requirements. The Company's management of capital remained unchanged since the last year.

16. General and administrative expenses:

	2020	2019
Corporate salaries	\$ 92,030	\$ 301,849
Investor and shareholder relations	30,922	42,628
Rent	18,672	27,464
Share consolidation	15,005	-
Insurance	7,502	7,348
Taxes, licenses, and fees	2,766	1,141
Miscellaneous	18,881	18,764
Total	\$ 185,778	\$ 399,194

17. Related party transactions:

Transactions with key management personnel

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

	2020	2019
Short-term employee benefits	\$ 82,070	\$ 344,622
Share-based payments	-	-
Total	\$ 82,070	\$ 344,622

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 year, a law firm, in which an officer and a director of the Company is a partner, rendered legal and consulting services in the amount of \$12,412 (2019 - \$28,000), charged to professional and consulting fees, \$84,565 (2019 - \$26,810) with respect to financing charged to share issue expenses, \$11,293 (2019 - nil) with respect to the share consolidation charged to general and administrative expenses, and \$11,789 (2019 - nil) with respect to mining properties totaling an aggregate amount of \$120,059 (2019 - \$54,810). As at December 31, 2020, the accounts payable include \$30,352 (2019 - \$66,165) owed to this legal firm.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

17. Related party transactions (continued):

On February 18, March 2, March 6, 2020, and July 8, 2020, a director of the Company loaned the respective amounts of \$5,000, \$6,000, \$10,000 and \$3,000 to the Company. These loans bore interest at a rate of 10% per annum and were repayable on demand. Outstanding loans from a director of the Company, due on demand, totaled \$439,000 and interest accrued amounted to \$78,482. On September 3, 2020, the Company settled the outstanding loans to a director by completing a share settlement transaction pursuant to which the Company issued 2,500,000 common shares at a price of \$0.20 per share in settlement of the debt in the amount of \$500,000. Furthermore, the Company repaid \$16,936 of the remaining loans plus \$546 of interest. As at December 31, 2020, there is nothing owing to this director.

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.

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.

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

18. 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:

	2019	2019
Loss and comprehensive loss	\$ (2,887,851)	\$ (419,097)
Computed "expected" tax (recovery) expense	(765,281)	(111,480)
Increase in income taxes resulting from:		
Non-deductible share-based payments	-	-
Tax impact of flow-through shares	101,174	107,730
Permanent difference arising from the non-taxable income related to flow-through shares	-	(21,546)
Current year losses not recognized and changes in unrecognized deferred income tax assets	664,449	38,069
Other	(342)	(12,773)
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%.

As at December 31, 2020, the Company has approximately \$5,299,000 (2019 - \$5,032,000) 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 \$171,000 (2019 - \$111,000) which have not yet been deducted for income tax purposes. The Company also has \$3,741,000 (2019 - \$3,442,000) 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		299,000
Total	\$	3,741,000

GOLDSTAR MINERALS INC.

Notes to Financial Statements, Continued

Years ended December 31, 2020 and 2019

18. Income taxes (continued):

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

	2019	2019
Non-capital losses	\$ 3,741,000	\$ 3,442,000
Capital losses	96,000	96,000
Mining properties and exploration and evaluation assets	4,635,000	2,363,000
Share issue costs	171,000	111,000
Unrecognized temporary differences	\$ 8,643,000	\$ 6,012,000

Additionally, non-refundable investment tax credits are not recorded in the financial statements. These credits amount to \$74,118 and can be carried over a 20-year period from the date they are earned.

19. 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.

20. Subsequent events:

On January 13, 2021, the Company granted 1,015,000 stock options to directors, officers, employees and service providers exercisable at \$0.16 per share. These options vested immediately at the date of the grant and will expire after a period of five years. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of options granted was \$0.1377139 per option for a total value of \$139,780.

On January 23, 2021, 100,000 warrants, exercisable at \$0.50, expired without being exercised.

On February 14, 2021, 200,000 warrants, exercisable at \$0.50, expired without being exercised.

On March 9, 2021, the Company received an additional \$20,000 loan as part of the Canada Emergency Business Account. This 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 of 5% per annum. It can be repaid at any time. The Company has received an aggregate of \$60,000 under the Canada Emergency Business Account.

On March 24, 2021, the Company granted 200,000 stock options to a director exercisable at \$0.16 per share. These options vested immediately at the date of the grant and will expire after a period of five years. The fair value of each option was determined using the Black-Scholes option pricing model. At the date of the grant, the weighted average fair value of options granted was \$0.116281 per option for a total value of \$23,256.