



***MANAGEMENT'S DISCUSSION AND  
ANALYSIS***

***Three- month period ended March 31, 2019***

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis (MD&A) presents an analysis of the financial position and results of operations of Vanstar Mining Resources Inc. ("Vanstar" or the "Company") for the three months ended March 31, 2019 and is complementary to the unaudited interim financial statements. It should be read in conjunction with the annual financial statements for the year ended December 31, 2018 and the accompanying notes. Monetary values in the financial statements are in Canadian dollars.

The Company's interim financial statements for the period ended March 31, 2019 were prepared in accordance with IAS 1, *Presentation of Financial Statements* and IAS 34, *Interim Financial Reporting*. They have not been reviewed by the Company's independent auditors. The principal accounting policies used in their preparation are summarized in Note 4 to the annual financial statements of the Company as at December 31, 2018.

This MD&A also includes a review of exploration activities, providing a brief summary of the work carried out and the progress made on projects underway. This review must also be read in conjunction with the financial statements and accompanying notes.

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) in the section containing documents filed by Vanstar Mining Resources Inc. or on the Company's website [www.vanstarmining.com](http://www.vanstarmining.com).

## **FORWARD-LOOKING INFORMATION**

This document contains forward-looking statements that reflect the Company's current expectations regarding future operations. To the extent that statements in this document contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements involve risk, uncertainty and other factors that could cause actual results that differ from the results anticipated or implied by such forward-looking statements.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable securities legislation.

## **CONSTITUTION AND NATURE OF BUSINESS**

The Company was incorporated in 2007 under the Canada Business Corporations Act. The capital stock consists of an unlimited number of common shares without par value, of which 47,913,328 were issued and outstanding as at the date of this MD&A. The Company's shares are listed on the TSX Venture Exchange under the symbol VSR and on the Frankfurt Exchange under the symbol 1V8.

The activities of Vanstar consist of acquiring, exploring, appraising, and, if applicable, developing mining mineral properties. In addition, in line with achieving its objectives, the Company could be required to sign various agreements specific to the mining industry, such as purchase or option agreements for mining claims and joint venture agreements.

## **PERIOD HIGHLIGHTS**

Net income for the three-month period ended March 31, 2019, amounted to \$273,234, compared to \$1,617,947 for the same period ended in 2018. The latter amount includes a gain of \$1,699,071 resulting from the partial sale of the Nelligan mining project.

In accordance with the February 2018 amended agreement related to the Nelligan project, IAMGOLD Corporation (Iamgold) holds an option to earn a further 24% undivided interest in exchange for cash payments totaling \$2,750,000 to Vanstar and the delivery of an NI 43-101 compliant Resource Estimate Technical Report before March 2022. In this regard, a \$400,000 payment was made by Iamgold to Vanstar in February 2019.

During the three-month period ended March 31, 2019, a total of 500,000 stock options were issued to consultants, with exercise prices of \$0.17 and \$0.235.

During the three-month period ended March 31, 2019, 2,032,000 warrants and 1,736,000 stock options have been exercised. As a result, a total of \$340,940 was received by the Company.

## **INFORMATION ON MINING PROPERTIES**

### ***NELLIGAN PROJECT***

This project is located 50 km to the south of Chapais. Access to the property is easy by the paved highway 113 N that links Chapais to Chibougamau and by forestry gravel roads reaching to the center of the property.

In February 2017, a 2% NSR royalty was acquired from the original prospectors in return of the issuance of 1,200,000 common shares of the Company and two \$37,500 convertible debentures maturing in 2020. In April 2019, the debentures were converted into 340,908 common shares at a unit price of \$0.22.

Following an original agreement signed on November 12<sup>th</sup> 2104, IAMGOLD had the option to acquire up to an 80% interest in the Nelligan project. On February 22<sup>nd</sup>, 2018, the original agreement was replaced by an Amending Agreement where Vanstar granted IAMGOLD an exclusive and irrevocable first option to acquire an undivided 51% interest in the Nelligan project by paying to Vanstar an additional amount of \$2,150,000 on the date of the Amending Agreement.

Following the exercise of the first option of the Amending Agreement, IAMGOLD holds an option to earn a further 24% undivided interest in exchange for cash payments totaling C\$2,750,000 to Vanstar and the delivery of an NI 43-101 compliant Resource Estimate Technical Report before March 2022. The \$2,750,000 sum will be paid out in 3 annual payments of \$400,000 and a final amount of \$1,550,000 on or before the 4th anniversary of the acquisition of the 51% interest. Upon the fulfillment of those conditions, Vanstar will cancel 50 % of a 2% NSR royalty acquired in 2017 from the original prospectors and will retain a 1% NSR as well as a 25 % interest on the Nelligan project.

Once vested to an undivided 75% interest, IAMGOLD will have a further option to acquire an additional interest of 5%, to hold an 80% interest in the Nelligan project by completing and delivering a Feasibility Study. Vanstar would then retain a 20% undivided non-contributory carried interest until the commencement of commercial production, after which: (1) the 20% undivided interest becomes participating; and (2) Vanstar will pay its attributable portion of the total development and construction costs to the commencement of commercial production from 80% of its share of any ongoing distributions from the Joint Venture. Vanstar will also retain a 1% NSR royalty on selected claims of the project.

The Nelligan project currently includes the blocks of claims Emile and Miron contiguous to the original Nelligan property, for a total of 158 mining map-designated cells and 8,216 hectares for the entire project. It is located in a favorable geological environment where there are several important gold showings, in particular the Joe Mann mine (3.35 mT at 9.1 g/t Au), the Philibert deposit (1.5 mT at 5.4 g/t Au) and the Meston Lake deposit (1.22mT at 6.35 g/t Au).

The central part is occupied by a volcano-sedimentary band of 1 to 2 km oriented ENE which is associated with the Obatogamau Formation. Mineralization is located near large deformation corridors EW to ENE part of the Guercheville-Fancamp system. The geological and structural environment of the Lake d'Eushowing favors the emplacement of vein-type mesothermal and replacement gold mineralization. These same contexts are found at the Joe Mann Mine and the Philibert and Chevrier Indices. The historical holes revealed grades of 2.17 g / t Au and 3.5 g / t Au (holes 94-13 and 95-01) over widths of 4.4 and 10 meters respectively.

The gold showings can be grouped according to their mineralization style: vein-structure type mineralization (Lac d'Eu) and disseminated pyrite mineralization. At the local level, the Nelligan Project contains several interesting gold showings, including Liam, Dan, 36 and Renard.

These important gold showings have been discovered and worked by drilling during the various drilling campaigns carried out on this project since 2013. These new gold-bearing structures have been intersected to this day over a length ranging from 400 to 2,000 meters (Renard zone) and a depth of more than 300 meters and widths varying on average from 15 meters to more than 100 meters. The presence of gold is constant throughout the drilling. Native gold has been noted in several places, particularly in the Liam zone. These zones remain open both laterally and at depth and appear to be located in a large gold-bearing corridor several kilometers long associated with a series of structural folds and magnetic anomalies of great amplitude.

### **2018 Work program**

A drilling program totaling 13,362 meters was completed in 2018 for a total of 32 holes. The result of this drilling will be used to establish an initial estimate (43-101) of the gold resource in place, as stipulated in the new agreement with IAMGOLD Corporation in February 2018.

All 2018 drilling was done in the Renard Zone. Results from the first 23 drill holes of the 2018 campaign were published by press releases on September 11 and November 16, 2018. Results for the last 9 drill holes were published on January 10, 2019.

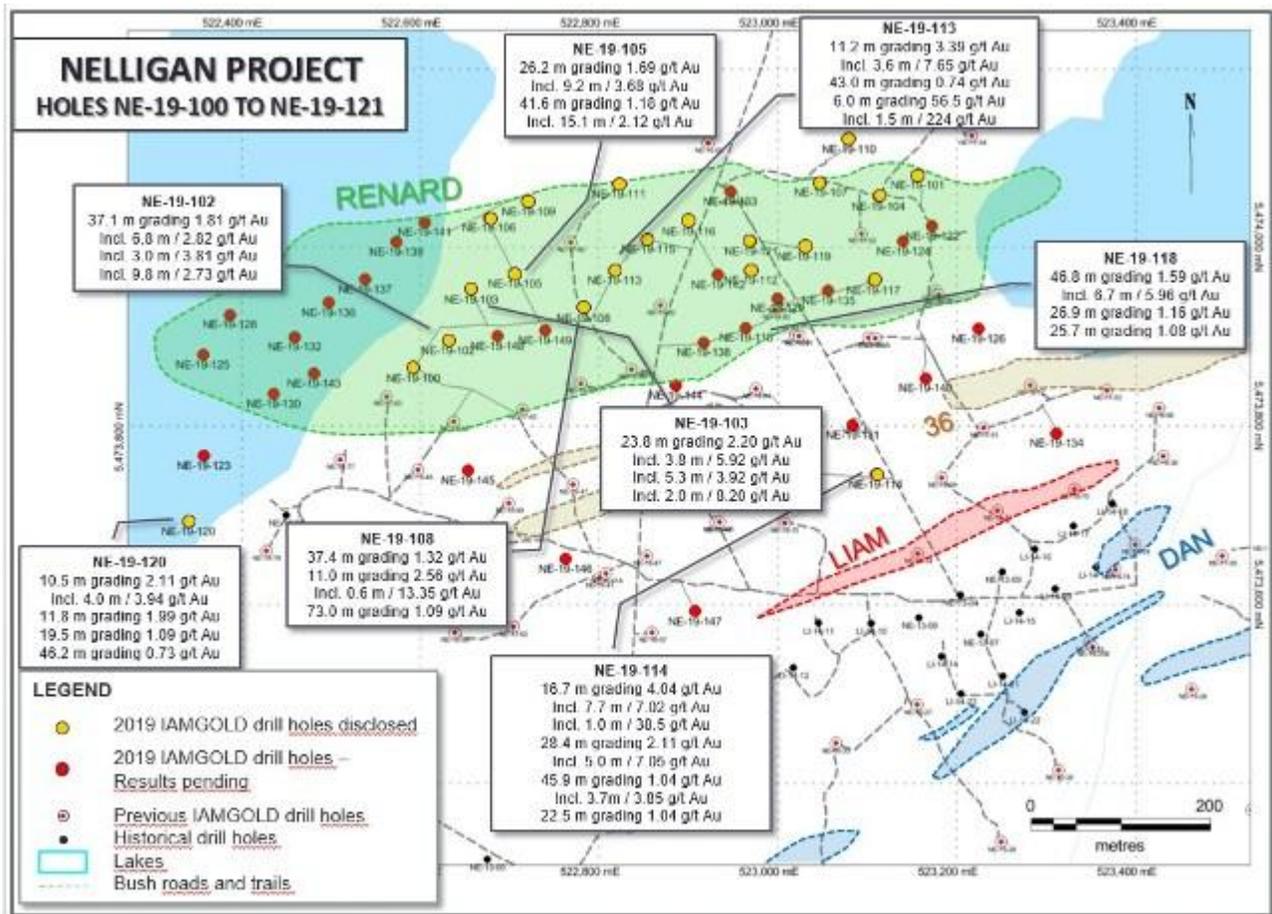
### **2019 Work program**

Another major drilling campaign of more than 17,000 meters, started in mid-January 2019, is now complete. All drilling was essentially done in the Renard Zone. Results from the first 22 drill holes of the 2019 campaign were published by press release on May 30, 2019.

The aim of this campaign was to have a better overview of the Renard area, including defining its northern limit, defining the known gold zones and verifying its westward extension potential. The results will also be used to model the Renard deposit and complete a first 43-101 evaluation report of the existing resource.

The management of Vanstar is very satisfied with the first results from the 2019 drilling campaign carried out by its partner IAMGOLD Corporation. Most holes show a constant auriferous presence in a large altered and mineralized hydrothermal system. The Renard zone remains open both laterally and at depth. It is interesting to note that the potential for westward extension seems to be in place. Hole NE-19-120 demonstrates this well. However, further drilling will be needed to confirm this hypothesis.

**(See below a map showing the location of the drill holes NE-19-100 to NE-19-121 performed in 2019 on the Nelligan project)**



## EXPLORATION ACTIVITY FOR 2019

In 2019, all exploration work on the Nelligan project will be done by IAMGOLD Corporation. The Company does not plan any exploration activity during the year 2019.

## OVERALL PERFORMANCE

Net income for the three- month period ended March 31, 2019, amounted to \$273,234 (\$0.006 per share), compared to \$1,617,947 (\$0.04 per share) for the same period ended in 2018. The latter amount includes a gain of \$1,699,071 resulting from the partial sale of the Nelligan mining project.

Net income for the period ended March 31, 2019 includes an amount of \$400,000 received from IAMGOLD Corporation in connection with the February 2018 agreement.

**Summary of quarterly results :**

	<u>2019</u>	<u>2018</u>
	\$	\$
Comprehensive and net income	273,234	1,617,947
Net income per share	0.006	0.04
Gain on disposal of mining exploration assets	-	1,699,071
Gain resulting from payment received in connection with the Nelligan project agreement	400,000	-
Share-based compensation	27,000	-

**Main administrative expenses:**

Consulting and professional fees	43,192	12,750
Management fees	22,500	10,000
Salaries and employee benefits	29,564	45,818

Consulting and professional fees for the first quarter of 2019 include costs for mandates granted by the Company for marketing services and project analysis related to business development.

The 2018 salaries include a bonus granted to an officer in March 2018.

The increase in management fees reflects the appointment of a new officer in January 2019.

**RÉSUMÉ DES RÉSULTATS TRIMESTRIELS**

	2019				2018				2017	
	T1	T4	T3	T2	T1	T4	T3	T2		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Gain related to disposal of mining assets</b>	400,000	-	-	-	1,699,071	-	-	-		
<b>Share-based compensation</b>	27,000	-	59,420	18,920	-	27,225	149,222	-		
<b>Net result before income taxes</b>	273,234	(122,122)	(161,191)	(153,523)	1,617,947	(90,803)	(210,175)	(113,647)		
<b>Net result per share before income taxes</b>	0.006	(0.003)	(0.004)	(0.004)	0.04	(0.002)	(0.005)	(0.003)		

## FINANCIAL POSITION

	March 31	December 31
	<u>2019</u>	<u>2018</u>
	\$	\$
Cash and cash equivalents	, 2,745,901	76,969
Investments	20,500	2,011,750
Exploration assets	434,838	434,838
Total assets	3 303,041	2,651,552
Share capital	3 793,329	3,284,930
Cash flow	2 687,239	2,073,798

## WORKING CAPITAL

Excluding the convertible debentures converted into common shares in April 2019, working capital amounted to \$2,762,239 as at March 31, 2019.

## SHARE CAPITAL

Authorized : Unlimited number of common shares without par value, voting, participating.

Issued :

	<u>Number of shares</u>	<u>\$</u>
Outstanding at beginning	43,154,420	3,284,930
Exercise of warrants	2,032,000	293,392
Exercise of stock options	<u>1,736,000</u>	<u>215,007</u>
Outstanding at end of period	43,154,420	3,793,329

During the three-month period ended March 31, 2019, 2,032,000 warrants were exercised. An amount of \$203,200 was received. An amount of \$90,192 representing the fair value of the warrants, was recorded as an increase in share capital.

During the three-month period ended March 31, 2019, 1,736,000 stock options were exercised. An amount of \$137,740 was received. An amount of \$77,267 representing the fair value of the options at the time of the issue, was recorded as an increase in share capital.

## WARRANTS

### Issued to shareholders :

	<u>Number</u>	<u>Exercise price</u>
Outstanding as at January 1st, 2019	2,350,000	\$0.10
Exercised	<u>(1,950,000)</u>	\$0.10
Outstanding as at March 31, 2019	<u><u>400,000</u></u>	\$0.10

The 400,000 warrants outstanding will expire in June 2020.

### Issued to broker:

The 82,000 warrants outstanding as at December 31, 2018 were exercised in March 2019.

## SHARE-BASED PAYMENTS

The Company has a share-based payments plan for eligible directors, officers, employees and consultants. The maximum number of shares that may be issued under the plan is 7,600,000.

### Stock options - Information relating to the three-month period ended March 31, 2019:

	<u>Number</u>	<u>Exercise price</u>
		<u>\$</u>
Outstanding as at January 31, 2019	6,461,000	0.09
Granted	500,000	0.196
Exercised	<u>(1,736,000)</u>	0.08
Outstanding as at March 31, 2019	<u><u>5,225,000</u></u>	0.10

The weighted average fair value of stock options granted is \$0.05. The value was determined using the Black & Scholes option pricing model. An amount of \$27,000 was charged to earnings as share-based compensation.

During the period ended March 31, 2019, 1,736,000 stock options were exercised. An amount of \$137,740 was received.

## SHARE-BASED PAYMENTS (continued)

In March 2019, a total of 500,000 stock options was granted to some consultants, with exercise prices ranging from \$0.17 to \$0.235, expiring in March 2020.

### Stock options outstanding as at March 31, 2019:

<u>Exercise price</u>	<u>Number</u>	<u>Expiration date</u>
0.12	500,000	August 2019
0.17	300,000	March 2020
0.235	200,000	March 2020
0.10	400,000	April 2020
0.05	200,000	October 2020
0.055	550,000	January 2021
0.07	75,000	January 2021
0.06	150,000	April 2021
0.06	400,000	January 2022
0.12	1 200,000	March 2022
0.08	250,000	November 2022
0.08	200,000	May 2023
0.12	800,000	August 2023

## RELATED PARTY TRANSACTIONS

During the three-month periods ended March 31, 2018 and 2019, the Company incurred the following transactions with some officers and companies owned by directors. These transactions occurred in the normal course of business and were measured at the exchange amount, which is the consideration established and agreed by the parties.

	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Administrative expenses :</b>		
Salary paid to an officer	21,888	43,241
Management fees paid to officers	22,500	10,000
Consulting fees paid to a company owned by a director	5,800	-
Rent paid to an officer	1,800	1,800
<b>Other receivable:</b>		
Companies controlled by a director	9,314	-

## **ACCOUNTING POLICIES**

For a description of the Company's principal accounting policies, see Note 4 to the annual financial statements and Notes 4 and 6 to the interim financial statements as at March 31, 2019.

## **OFF-BALANCE SHEET ARRANGEMENTS**

As of March 31, 2019, the Company had no off-balance sheet arrangements.

## **COMMITMENTS**

1- In February 2017, a 2% NSR royalty on some mining titles included in the Nelligan project was acquired from the original prospectors in return of the issuance of 1,200,000 common shares of the Company and two \$37,500 convertible debentures maturing in 2020. In April 2019, the debentures were converted into 340,908 common shares at a unit price of \$0.22.

2- A 1% royalty on net smelter return is payable to a third party in the event of commercial production on 21 cells of the Emile block of claims.

3- Following an original agreement signed on November 12<sup>th</sup> 2104, IAMGOLD had the option to acquire up to an 80% interest in the Nelligan project. On February 22<sup>nd</sup>, 2018, the original agreement was replaced by an Amending Agreement where Vanstar granted IAMGOLD an exclusive and irrevocable first option to acquire an undivided 51% interest in the Nelligan project by paying to Vanstar an additional amount of \$2,150,000 on the date of the Amending Agreement.

Following the exercise of the first option of the Amending Agreement, IAMGOLD holds an option to earn a further 24% undivided interest in exchange for cash payments totaling C\$2,750,000 to Vanstar and the delivery of an NI 43-101 compliant Resource Estimate Technical Report before March 2022. The \$2,750,000 sum will be paid out in 3 annual payments of \$400,000 and a final amount of \$1,550,000 on or before the 4th anniversary of the acquisition of the 51% interest. Upon the fulfillment of those conditions, Vanstar will cancel 50 % of a 2% NSR royalty acquired in 2017 from the original prospectors and will retain a 1% NSR as well as a 25 % interest on the Nelligan project.

Once vested to an undivided 75% interest, IAMGOLD will have a further option to acquire an additional interest of 5%, to hold an 80% interest in the Nelligan project by completing and delivering a Feasibility Study. Vanstar would then retain a 20% undivided non-contributory carried interest until the commencement of commercial production, after which: (1) the 20% undivided interest becomes participating; and (2) Vanstar will pay its attributable portion of the total development and construction costs to the commencement of commercial production from 80% of its share of any ongoing distributions from the Joint Venture. Vanstar will also retain a 1% NSR royalty on selected claims of the project.

4- The employment contract between the Chief executive officer and the Company contains an allowance clause in the event of employment termination without serious cause or a change in company's control. If one of these situations had occurred on March 31, 2019, the amount to be paid would have been \$250,000. The employment contract also contains a clause providing for an annual performance premium to be determined by the board of directors, of up to 50% of the salary.

The contract also provides for a \$150,000 payment to the Chief executive officer in the event of the reception by the Company of a 43-101 resource report on the Nelligan project confirming 150,000 ounces of gold. Moreover, in the event of a commercial production on the Nelligan project, the officer will be allowed to receive \$0.60 per ounce of gold produced.

## **FINANCIAL INSTRUMENTS**

### **Accounting and derecognition**

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets and financial liabilities are measured initially at fair value adjusted for transaction costs, if necessary.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expired.

### **Classification and initial measurement of financial assets**

Financial assets are classified into the following categories:

- amortized cost;
- fair value through profit or loss;
- fair value through other comprehensive income.

Investments in listed shares are categorised as fair value through profit or loss.

### **Classification and measurement of financial liabilities**

The Corporation financial liabilities include trade and other payables. They are measured subsequently at amortized cost using the effective interest method.

### **Fair value:**

The estimated fair value is established on the statement of financial position date, based on relevant market information and other reference on financial instruments.

The fair value of cash and cash equivalents, term deposit, other accounts receivable and accounts payable and accrued liabilities approximates fair value due to the short-term maturity.

## **RISKS AND UNCERTAINTIES**

The Company is exposed to different risks which could materially affect its activities. The most significant financial risks to which the Company is exposed are described below.

The Company does not actively engage in the trading of financial instruments for speculative purposes.

### *Liquidity risk:*

The Company's properties are at the exploration stage. It has no history of earnings or return on investment and, in the future, there is no assurance that it will generate income or operate profitably. Eventually, the Company will require additional funds to finance exploration or development work, continue its operations and meet its obligations. The sources of future funds are either the issuance of additional capital stock or the borrowing of funds. There is no assurance that such financing will be available to the Company.

As at March 31, 2019, the Company's cash-flow situation is sufficient to respect obligations associated with financial liabilities.

### *Credit risk:*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk arising from cash and cash equivalents and term deposit. The Company manages credit risk by investing cash and cash equivalent and term deposit with major Canadian financial institutions.

### *Interest rate risk:*

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates.

### *Market price risk:*

The Company is exposed to market risk with respect to metal prices. It is also exposed to fluctuations in market price with regard to its investments in public companies.

### *Risk related to government regulations:*

The Company's activities must comply with a variety of legislation governing exploration and development, environmental protection and the overall approval of mining operations. The Company is of the opinion that it is in compliance with the material aspects of such legislation. Any changes in legislation could have an adverse effect on its activities.

## **RISKS AND UNCERTAINTIES (continued)**

### *Risk related to taxation:*

There can be no assurance that Canadian or Quebec taxation authorities will agree that the Company's expenditures qualify as Canadian Exploration Expenses.

### *Risks related to mineral exploration:*

Mineral exploration involves a high degree of risk. Few properties explored are put into production. Exploratory search for ore may require permits from various government authorities. There can be no assurance that the Company will obtain all the permits and licenses that may be required for exploration and development of its projects.

## **SUBSEQUENT EVENTS**

1. On April 29, 2019, the convertible debentures amounting to \$75,000 were converted into 340,908 common shares at a unit price of \$0.22.
2. During the months of April and May, the Company received a total of \$20,250 resulting from the exercise of 350,000 stock options.
3. The Company entered into a one-year agreement with a consultant in relation to the development and execution of public relations strategies, starting April 2019. Either party may terminate the agreement with a thirty days written notice. A monthly fee of \$7,500 will be paid to the consultant.
4. In May 2019, a termination payment of \$154,000 was made to a former officer.

## **MANAGEMENT'S RESPONSIBILITY**

As an emerging company, the Company's management is composed of a limited number of key people, creating a situation where the division of labor is limited and must be compensated by more effective supervision by the CEO and CFO. Management will continue to closely monitor all the Company's financial activities and will continue its oversight in key areas.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations in the certification of disclosure in the annual and interim filings.

The Company's management is responsible for the financial statements as of March 31, 2019, and other information in this report. They were approved by the Board of Directors. These financial statements include certain amounts based on the use of estimates and judgments. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

La Prairie, May 30, 2019

**(S) GUY MORISSETTE**

Guy Morissette  
Chief executive officer

**(S) MICHEL PERRON**

Michel Perron  
Chief financial officer