



**HELIOSTAR METALS LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED JUNE 30, 2022**

**OVERVIEW AND INTRODUCTION**

Heliostar Metals Ltd. ("Heliostar" or the "Company") is an exploration stage company engaged in the acquisition, exploration, and development of mineral properties in North America. The Company is incorporated and domiciled in Canada under the Business Corporations Act (British Columbia), and its registered office is 900-885 West Georgia Street, Vancouver, BC, V6C 3H1. The Company is focused on High-Grade Gold Projects. The Company is currently listed on the TSX Venture Exchange under the symbol "HSTR" and on the OTCQX under the trading symbol "HSTXF".

This MD&A is dated August 15, 2022, and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed interim consolidated financial statements and the related notes for the three months ended June 30, 2022, and the Company's audited consolidated financial statements for the year ended March 31, 2022, and the related notes thereto. The audited consolidated financial statements, unaudited condensed interim consolidation financial statements and MD&A - Quarterly Highlights have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The statements and any summary of results presented in the MD&A - Quarterly Highlights were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials, including the technical reports filed with respect to the Company's mineral properties.

**MAJOR OPERATING MILESTONES DURING THE THREE MONTHS ENDED JUNE 30, 2022:**

- The Company announced a private placement of \$3,000,000 which was closed subsequently to the quarter.
- The Company completed a 5,000-metre drill program at the Cumaro property in Mexico and reported Maiden Drilling results on February 28, 2022.
- The Company is reviewing the results of the 2021 program at the Unga property in Alaska in anticipation of a follow-up program.

**SUBSEQUENT FINANCING**

On August 2, 2022, the Company closed a private placement and issued 12,020,000 Units at a price of \$0.25 per Unit for gross proceeds of \$3,005,000.

Each Unit will consist of one common share in the capital of the Company (each a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant shall initially entitle the holder to purchase one additional Common Share at an exercise price of \$0.50 per Common Share until the date that is six months following the Closing Date (the "Transition Date"). On the Transition Date, each outstanding Warrant shall automatically (without any need for notice or action) convert into a half-warrant (each, a "Half-Warrant") and thereafter the holder will only be entitled to purchase one Common Share upon the exercise of two Half-Warrants at an aggregate exercise price of \$0.75 per Common Share. The Half-Warrants will expire eighteen months after the Transition Date.



## EXPLORATION AT THE UNGA PROJECT

The Unga gold-silver project covers 250 square kilometers of neighbouring Unga and Popof Islands, near the Alaska Peninsula and approximately 900 kilometres southwest of Anchorage, Alaska. The property consists of two tracts of subsurface mineral tenure, one on Popof Island and the other on adjacent Unga Island. Both are 100% controlled by Heliostar under an exploration agreement and Mining Lease option with the Aleut Corporation ("AC"), an Alaska Native Regional Corporation. These two tracts surround six State of Alaska mining claims at the Shumagin deposit and 16 patented U.S. federal mining claims at the Apollo-Sitka prospect, all owned 100% by Heliostar.

On July 14, 2021, the Company announced the results from nineteen additional drill holes completed at the Apollo target at the Unga project in 2021. Highlights included:

- SKRC21-10
  - 9.81 g/t gold over 1.52 m from 89.9 m downhole
- APSRC21-06
  - 7.00 g/t gold over 1.52 m from 68.6 m downhole
- APSRC21-08
  - 2.04 g/t gold equivalent ("AuEq") over 22.9 m from 93.0 metres downhole including;
    - 5.63 g/t Aueq over 3.05 m from 109.7 m downhole
- SKRC21-04
  - 7.07 g/t AuEq over 1.52 m from 39.6 m downhole and;
  - 4.32 g/t AuEq over 1.52 m from 54.9 m downhole
- Intervals reported are drilled lengths and true thicknesses are not known. Gold equivalent is calculated using the following formula:  $\text{gold equivalent} = ((\text{Au\_g/t} \times 48.23) + (\text{Ag\_g/t} \times 0.6431) + (\text{Pb\_ppm} \times 0.0019) + (\text{Zn\_ppm} \times 0.0021)) / 48.23$ . Metal price assumptions are US\$1,500 per ounce gold, US\$20 per ounce silver, US\$0.85 per pound lead and US\$0.95 per pound zinc.

On September 7, 2021, the Company announced the results from seven drill holes completed at the Aquila target at the Unga project in 2021. Highlights included:

- AQRC21-09
  - 6.51 g/t gold over 3.05 m from 28.96 m downhole
- AQRC21-01
  - 2.45 g/t gold over 7.62 m from 60.96 m downhole, including;
    - 9.91 g/t gold over 1.52 m from 65.53 m downhole
- AQRC21-05
  - 5.57 g/t gold over 1.52 m from 73.15 metres downhole
- Intervals reported are rounded and widths represent drilled lengths. True thickness is estimated at 70-90% of drilled thickness.



## **EXPLORATION AT THE UNGA PROJECT (Continued)**

On September 16, 2021, the Company announced the results from two drill holes completed at the Zachary Bay target at the Unga project in 2021. Highlights included:

- ZBRC21-01
  - 0.44 g/t gold-equivalent (AuEq) over 71.63 m from 30.48 m downhole, including;
    - 0.58 g/t AuEq over 16.76 m from 30.48 m downhole, including;
    - 0.69 g/t AuEq over 6.10 m from 30.48 m downhole
- ZBRC21-02
  - 0.34 g/t AuEq over 91.44 m from 9.14 m downhole, including
    - 0.40 g/t AuEq over 41.15 m from 9.14 m downhole
- All numbers are rounded and intervals represent drilled lengths. Gold equivalent is calculated using the following formula:  $\text{gold-equivalent} = ((\text{Au\_g/t} \times 48.23) + (\text{Cu\_ppm} \times 0.0077)) / 48.23$ . Metal price assumptions are US\$1,500 per ounce gold and US\$3.50 per pound copper.

On September 20, 2021, the Company announced the results from six additional drill holes completed at the Aquila target at the Unga project in 2021. Highlights included:

- AQRC21-12
  - 1.77 g/t gold over 18.28 m from 4.57 m downhole, including;
    - 3.44 g/t gold over 7.62 m from 10.67 m downhole
- AQRC21-13
  - 0.55 g/t gold over 41.55 m from 1.52 m downhole, including
    - 5.95 g/t gold over 1.52 m from 4.57 m downhole
- True thickness is estimated at 80-95% of downhole lengths.

The Company is reviewing the results of this program.

The Company continues to follow precautionary measures on its projects in Alaska and Mexico to manage and respond to the risks associated with COVID-19. These include following guidance and directives as updated by federal, regional, and local health authorities in respect of general and site-specific protocols.



## EXPLORATION AT MEXICAN PROPERTIES

HelioStar owns 100%, or has an option to acquire a 100% interest in three properties in the northern portion of Mexico's Sonora state:

The Oso Negro project is an early-stage intermediate sulphidation epithermal vein system prospect within a 1,275-hectare concession. The project has high grades but has never been drilled. The Company has an option to acquire 100% interest in this property by making the following payments: US\$25,000 on signing (paid); US\$50,000 after 6 months (paid); and US\$100,000 after 18 months. The December 15, 2021, payment was re-negotiated and settled for US\$75,000 on September 13, 2021, as the final payment to acquire the property. The project is subject to a 1% net smelter royalty that the Company can buy for US\$500,000 at any time.

The La Lola project comprises a large, 5,400-hectare land package that is prospective for low-sulphidation epithermal systems. The project contains the La Barra vein, which extends for five km and is as wide as 40 metres. The Company has an option to acquire 100% interest in this property by making the following payments: US\$12,500 on signing (paid); US\$25,000 by March 25, 2021; and US\$25,000 by March 25, 2022. The project is subject to a 2% net smelter royalty that the Company can buy 1% of such for US\$1,750,000 at any time.

The Cumaro project is a low-sulphidation vein field with outcropping gold bearing veins in the western portion of the property. Gold values in veins include 12.6 g/t AuEq over 5.0 metres and 13.1 g/t AuEq over 1.75 metres. The eastern half of the property is interpreted to be a higher-level exposure of the same system that was preserved when the eastern block was down-dropped by faulting. As such, gold mineralization in veining may be preserved at depth. Neither area of the Cumaro project has been tested by drilling. However, historic production in the western area of the vein field indicates excellent widths and grades while very little exploration has been undertaken on the eastern extension at Cumaro. The Company has a 100% interest in this property. The project is subject to a 2% net smelter royalty that the Company can buy 1% of such for US\$1,000,000 at any time.

On April 6, 2021, the Company announced the results of a mapping and sampling program at the Cumaro property which included 390 g/t silver over 1.0 metres.

On June 3, 2021, the Company announced the results from a mapping and sampling program at the Oso Negro property. Highlights included multiple high-grade channel and grab samples at the Prospecto Vein:

- 1,428 grams per tonne ("g/t") silver equivalent ("AgEq") over 1.2 metres
- 588 g/t AgEq over 1.8 metres
- 362 g/t AgEq over 2.4 metres
- 360 metres of strike with an average width of 1.3 metres and weighted average grade of 420 g/t silver equivalent.

Note: Silver-equivalent =  $((\text{Au\_g/t} \times 48.23) + (\text{Ag\_g/t} \times 0.6431) + (\text{Pb\_ppm} \times 0.0019) + (\text{Zn\_ppm} \times 0.0021)) / 0.6431$ . Metal price assumptions are USD\$1,500 per ounce gold, USD\$20 per ounce silver, USD\$0.85 per pound lead and USD\$0.95 per pound zinc.

In addition, the Company announced the staking of a new claim at the property, the Angel de Plata 2 claim.



## **EXPLORATION AT MEXICAN PROPERTIES (continued)**

On September 28, 2021, the Company announced the results from a mapping and sampling program at the Cumaro property. Highlights included multiple high-grade gold and silver samples from three closely spaced veins along the Verde Vein Corridor and highlights included;

- 12.6 g/t gold-equivalent ("AuEq") (10.3 g/t gold and 168 g/t silver) over 5.0 metres.
- 13.1 g/t AuEq (11.5 g/t gold and 125 g/t silver) over 1.75 metres
- 9.57 g/t AuEq (8.35 g/t gold and 92 g/t silver) over 2.1 metres
- 5.49 g/t AuEq (4.68 g/t gold and 61 g/t silver) over 3.0 metres
- 13.6 g/t AuEq (11.9 g/t gold and 130 g/t silver over 1.65 metres
- 4.05 g/t AuEq (2.65 g/t gold and 105 g/t silver over 5.9 metres

On December 8, 2021, the Company announced the commencement of a 5,000-metre drill program at the Cumaro property. The program was slated to drill the Verde target and the Basaitegui and Palmita Vein Corridors.

On January 12, 2021, the Company announced the resumption of the drill program at the Cumaro property. A total of 427.5 metres had been drilled in December at the Verde target before a break for the holidays. Veining was intersected in all four holes.

On February 28, 2022, the Company announced the results from the first eleven holes drilled at the Verde target. Results were still pending for five additional holes at Verde and for six holes at the Dos Amigos and Palmita vein targets. Highlights included:

- VVDH22-09 which returned
  - 0.89 g/t Aueq over 8.1 metres including,
  - 1.65 g/t Aueq over 3.0 m
- VVDH21-02 which returned
  - 1.87 g/t Aueq over 1.15 m
- VVDH21-01 which returned
  - 1.79 g/t Aueq over 1.1 m
- Note: True thickness is estimated at 64-94% of drilled lengths. Gold equivalent is calculated with a gold:silver ratio of 1:75.

## **INTERIM PERIOD FINANCIAL CONDITION**

### **Capital Resources**

The Company had 43,026,340 issued and outstanding common shares as of June 30, 2022 (March 31, 2022 – 43,026,340). No shares were issued during the period ended June 30, 2022.

136,667 options expired on April 11, 2022. No options were granted or exercised during the period ended June 30, 2022.

No warrants were issued or exercised during the period ended June 30, 2022



## INTERIM PERIOD FINANCIAL CONDITION (Continued)

### Capital Resources (continued)

The Company's current treasury and the future cash flows from equity issuances and the potential exercise of finders' warrants and options, along with the planned developments within the Company will allow its exploration to continue throughout fiscal 2023. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

### Liquidity

As at June 30, 2022, the Company had working capital deficit of \$999,000 (March 31, 2022 – surplus of \$8,000).

As at June 30, 2022, cash totaled \$283,577, a decrease of \$899,469 from \$1,183,046 as at March 31, 2022. The decrease was due to (a) \$874,903 in operating activities and (b) \$24,566 in net resource property expense.

Subsequent to the period ended June 30, 2022, the Company closed a private placement and issued 12,020,000 Units at a price of \$0.25 per Unit for gross proceeds of \$3,005,000.

Actual future funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activity and foreign exchange fluctuations.

The COVID-19 pandemic has not resulted in any material impact on operations and the Company currently does not expect it will impact its 2022 exploration activities. Preventative measures are in place to ensure the well-being of employees and contractors and no risks were noted at the end of the reporting period. Management continues to monitor the situation at the site and corporate office to identify any issues that may affect operational or financial reporting activities.

Management believes it will be able to raise equity capital as required in the long-term, but recognizes the risks attached thereto. Historically the capital requirements of the Company have been met by equity subscriptions. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.



## INTERIM PERIOD FINANCIAL CONDITION (Continued)

### Operations

For the three months ended June 30, 2022 ("2022") compared with the three months ended June 30, 2021 ("2021"):

During the three months ended June 30, 2022, the Company incurred \$367,732 (2021 - \$3,804,296) in resources property expense.

Excluding the non-cash depreciation of \$7,210 (2021 - \$11,131) and share-based compensation of \$184,980 (2021 - \$2,383,950), the Company's general and administrative expenses amounted to \$493,464 (2021 - \$614,979), a decrease of \$121,515. The change in the expenses was mainly due to decreases in: (a) investor relations fees \$14,540 (2022 - \$154,834, 2021 - \$169,374); (b) office operations \$59,711 (2022 - \$114,647; 2021 - \$174,358); (c) professional fees \$46,426 (2022: \$38,150, 2021: \$84,576) and (d) travel and promotion \$11,626 (2022 - \$25,224; 2021 - \$36,850). All such decreases are a result of the reduced corporate activities while the Company waited for financing to complete and reviewed results of previous exploration efforts.

	Period ended June 30		
<b>General and administrative expense:</b>	<b>2022</b>	<b>2021</b>	<b>Variances</b>
Directors fees	\$ 22,063	\$ 20,375	1,688
Insurance	16,213	5,075	11,138
Investor relations	154,834	169,374	(14,540)
Management fees	104,250	104,250	-
Office operations	114,647	174,358	(59,711)
Professional fees	38,150	84,576	(46,426)
Regulatory fees	8,521	7,709	812
Rent	6,682	10,735	(4,053)
Transfer agent	2,880	1,677	1,203
Travel and promotion	25,224	36,850	(11,626)
<b>Total</b>	<b>\$ 493,464</b>	<b>\$ 614,979</b>	<b>(121,515)</b>



## INTERIM PERIOD FINANCIAL CONDITION (Continued)

### Summary of Quarterly Results

Selected quarterly information for each of the eight most recently completed financial periods is set out below. All results were compiled using IFRS.

	June 30, 2021 Q1	March 31, 2022 Q4	December 31, 2021 Q3	September 30, 2021 Q2	June 30, 2021 Q1	March 31, 2021 Q4	December 31, 2020 Q3	September 30, 2020 Q2
Total revenues			-	-	-	-	1,475,000	-
Loss for the period	(1,146,054)	(3,347,586)	(1,546,887)	(2,862,080)	(4,699,598)	(1,909,637)	(2,846,547)	(3,663,327)
Comprehensive Loss	(1,146,054)	(3,390,208)	(1,783,816)	(2,879,380)	(4,401,175)	(1,354,889)	(2,789,142)	(3,880,584)
Loss per share - basic	(0.03)	(0.09)	(0.04)	(0.09)	(0.17)	(0.05)	(0.09)	(0.01)
Total assets	11,074,778	12,159,795	13,682,786	11,526,081	14,016,495	13,124,632	14,246,913	16,764,045
Working capital	(999,000)	8,167	3,458,783	894,980	3,468,343	2,723,988	5,277,641	8,095,214

The Company continues its efforts to expand its exploration programs in Unga and Mexican projects and incurs losses. The variance between the quarters is mainly due to the fluctuation of exploration expenses and stock base compensation. The loss in the last quarter is smaller due to reduced exploration expenditures and corporate activities.

### OFF-BALANCE SHEET ARRANGEMENTS

As a policy, the Company does not enter into off-balance sheet arrangements with special-purpose entities in the normal course of business, nor does it have any unconsolidated affiliates.

### SIGNIFICANT RELATED PARTY TRANSACTIONS

#### (a) Due to related parties

As of June 30, 2022, \$113,209 (March 31, 2022 - \$61,854) was payable to the management of the Company as part of their management fees.

#### (b) Key management compensation

Key management consists of the Company's directors and officers. In addition to management and consulting fees paid to these individuals, or companies controlled by these individuals, the Company provides non-cash benefits. The aggregate value of compensation with key management for the year ended June 30, 2022, was \$287,365 (June 30, 2021 - \$222,843) and was comprised of the following:

	June 30, 2022	June 30, 2021
Senior executive fees	\$ 104,250	\$ 104,250
Non-executive directors fees	22,063	20,375
Share-based compensation	161,052	98,218
	\$ 287,365	\$ 222,843





## COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES

As of the date of the MD&A, the Company had no outstanding commitments.

Other than disclosed in this MD&A – Quarterly Highlights, the Company does not have any commitments, expected or unexpected, or uncertainties.

## RISK FACTORS

In the Company's MD&A filed on SEDAR July 26, 2022, in connection with our annual financial statements (the "Annual MD&A"), management set out its discussion of the risk factors which are believed to be the most significant risks faced by Heliostar. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company's undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

## DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. The following is a summary of the Company's outstanding share data:

	Issued and Outstanding	
	June 30, 2022	August 15, 2022
Common shares outstanding	43,026,340	55,046,340
Stock options	3,543,334	3,543,334
Warrants	6,372,828	18,451,628
Fully diluted common shares outstanding	53,205,835	77,304,635

## QUALIFIED PERSON

The technical information contained in this MD&A has been reviewed and approved by Stewart Harris, P.Geo. of Heliostar who is a Qualified Person as defined in "National Instrument 43-101, Standards of Disclosure for Mineral Projects".

### Cautionary Statements

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration results and plans, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of exploration investment, the scope of our exploration programs, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks. Readers are cautioned not to place undue reliance on forward-looking statements.