



**HELIOSTAR METALS LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS  
FOR THE THREE MONTHS ENDED JUNE 30, 2023**

**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 16, 2023, 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, 2023, and the Company's audited consolidated financial statements for the year ended March 31, 2023, and the related notes thereto. The audited consolidated financial statements, unaudited condensed interim consolidated 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, 2023:**

- The Company acquired Aurea Mining and started re-scoping the Ana Paula Project gold deposit. The re-scoping will be focused on the High-Grade Panel at the core of the Ana Paula Deposit and is anticipated to be completed over the next six months with an updated resource late in 2023. On April 19, 2023, drilling commenced at the Ana Paula Deposit in Mexico following the rescoping plans.
- On April 6, 2023, the Company filed a technical report on an update of the 2017 Pre-feasibility Study ("PFS") on the Ana Paula Deposit in Guerrero, Mexico with the securities exchange. The updated PFS, effective February 28, 2023, reflects current metal prices and input costs.
- On May 22, 2023, the company returned to trading on the OTCQX Best Market following the completion of the acquisition of the Ana Paula Project. Heliostar will continue trading under the symbol "HSTXF".
- Subsequently to the June 30, 2023, quarter, the Company completed a private placement on July 11, 2023, offering 18,919,024 units at \$0.37 per unit for approximately \$7,000,000 in gross proceeds.



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## **SUBSEQUENT FINANCING**

On July 11, 2023, the Company completed a private placement, offering 18,919,024 units at \$0.37 per unit for approximately \$7,000,000 in gross proceeds.

Each unit includes one common share and half of a warrant. The warrant allows purchasing one common share at \$0.50 for the first six months until January 11, 2024, and then at \$0.70 for the remaining 12 months.

The Company paid \$221,782 cash broker fees and \$30,000 corporate finance fee in connection with the brokered portion of the financing. The Company issued 599,412 non-transferable compensation options to the agents. Each compensation option entitles the holder to purchase one common share at \$0.37 for a period of 18 months.

In connection with the non-brokered portion of the financing, the Company paid \$41,400 finder's fees and issued 111,894 non-transferable finder's warrants to the finder. Each finder's warrant entitles the holder to purchase one common share at \$0.37 for a period of 18 months.

The Company intends to use the net proceeds from the Offering to acquire and advance the Ana Paula development stage and gold project (the "Ana Paula Project") as well as for working capital and general corporate purposes.

## **VICE PRESIDENT OF PROJECTS**

The Company appointed Samuel Anderson as Vice President of Projects.

## **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.

Significant drill intersections were returned from 2021 drilling at the Zachary Bay, Aquila and Sitka prospects and extensions of the past-producing Apollo Mine. The Company is planning follow-up drill programs at these targets in addition to the Centennial prospect on Popof Island and the SH-1 Deposit.

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.

## ACQUISITION OF AUREA MINING

### *Ana Paula*

On March 28, 2023, the Company acquired 100% of the issued and outstanding shares of Aurea Mining Inc. ("Aurea Mining"), a wholly owned subsidiary of Argonaut Gold Inc. ("Argonaut"), a publicly traded company listed on the Toronto Stock Exchange. Aurea Mining's wholly owned subsidiary Minera Aurea, S.A. de C.V. ("Minera Aurea") holds a 100% indirect interest in the Ana Paula project.

For accounting purposes, the acquisition has been recorded as an asset acquisition as Aurea Mining did not meet the definition of a business, as defined in IFRS 3 Business Combinations.

Purchase consideration includes the following:

1. a US\$10 million (\$13,626,000) payment on closing (paid);
2. On the earlier of (a) receiving an extension to the existing Ana Paula open-pit mining permit and (b) the granting of a new underground mining permit, the issuance to Argonaut of such number of common shares in the capital of the Company (each, a "Heliostar Share") as having an aggregate value of US\$5.0 million divided by the Heliostar share price of \$0.25;
3. On the earlier of (a) the date of completion of a feasibility study for the Ana Paula project and (b) July 1, 2024, a cash payment to Argonaut of US\$2.0 million;
4. On the date that the Company announces a construction decision for the Ana Paula project it will pay Argonaut a cash payment of US\$3.0 million and US\$2.0 million in cash or Heliostar Shares at a price equal to the Volume-Weighted Average Price ("VWAP") of the Heliostar Shares for the ten trading days immediately prior to the announcement of the construction decision; and
5. If the Company doesn't announce mine construction at the Ana Paula Project by July 1, 2025, they must make annual payments of US\$300,000 to Argonaut. Alternatively, they can issue Heliostar Shares equal to US\$300,000 divided by VWAP of Heliostar Shares. However, if construction is delayed due to permit issues, no payments are required. Any payments made will be credited towards the US\$5.0 million payment required on the commencement of commercial production.
6. On the date that the Company commences commercial production at the Ana Paula project, it will pay Argonaut an additional US\$5.0 million in cash and US\$3.0 million in cash or Heliostar Shares at a price equal to the VWAP of the Heliostar Shares for the ten trading days immediately prior to the announcement of commercial production.

Consideration payable is comprised of the US\$2.0 million payable due on the earlier of completion of a feasibility study and July 1, 2024.

The pre-tax discount rate applied to the consideration payable calculation is 12%, which represents the current market assessment of the risk specific to the Company, taking into consideration the time value. A 10% decrease/increase in the discount rate would increase/decrease the consideration payable balance as of June 30, 2023, by approximately \$235,000.

As at June 30, 2023, the contingent payable provision has been re-valuated to \$2,326,699, and the loss of \$18,453 has been recorded in the consideration payable revaluation loss for the three-month period ended June 30, 2023 (June 30, 2022 - \$nil).



## Acquisition of Ana Paula and San Antonio Projects (continued)

### Ana Paula (continued)

Net identifiable assets (liabilities) acquired in the acquisition of Ana Paula are identified as follows:

<b>Total consideration</b>	
Cash payment	\$ 13,626,000
Transaction costs	452,699
Consideration payable	2,308,246
	<b>\$ 16,386,945</b>
<b>Net identifiable assets (liabilities) acquired</b>	
Cash and cash equivalents	\$ 18,016
Prepaid expenses and deposits	45,028
Property, plant, and equipment	1,259,766
Exploration and evaluation assets	15,489,131
Accounts payable and accrued liabilities	(68,381)
Other long-term liabilities	(168,717)
Asset retirement obligation	(187,898)
<b>Total</b>	<b>\$ 16,386,945</b>

### San Antonio Option Agreement

In December 2022, the Company entered into an Option Agreement with Argonaut with an amendment in February 2023, whereby the Company has been granted the option to acquire a 100% interest in and to Argonaut's San Antonio project, located in Baja California Sur, Mexico. The term of the Option Agreement is for a three-year period, provided, however, the term may be extended for an additional 18-months in the event the Company is able to successfully acquire the required environmental permits to advance the San Antonio gold project. The consideration payable upon exercise of the option is summarized below:

1. A cash payment to Argonaut of US\$80 million in the event the average gold price is below \$1,800 per ounce for the six months preceding the Company exercising the option; or
2. A cash payment to Argonaut of US\$120 million in the event the average gold price is between \$1,800 per ounce to \$2,000 per ounce for the six months preceding the Company exercising the option; or
3. A cash payment to Argonaut of US\$150 million in the event the average gold price is above \$2,000 per ounce for the six months preceding the Company exercising the option; and
4. Granting Argonaut a 2% NSR royalty in the event of exercise of the option (capped at 2% for claims with existing NSR considerations).

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## RESULTS OF OPERATION

### Mineral Properties

#### *a) Ana Paula Project*

The Ana Paula Gold Project is an advanced-stage, gold development project located in Guerrero State, Mexico. A 2023 preliminary feasibility study of Ana Paula completed by the Company at Ana Paula reported proven and probable mineral reserves of 14,122,000 tonnes at 2.38 g/t gold and 5.61 g/t silver for 1,081,000 ounces of gold and 2,547,000 ounces of silver based on an open pit mining scenario. Measured and indicated (M&I) mineral resources considered amenable to open pit and underground mining include 1,468,800 oz gold (21,202,000 tonnes at 2.16 g/t gold) and 3,600,000 oz silver (21,202,000 tonnes at 5.3 g/t silver).

On April 3, 2023, the Company announced the commencement of a re-scoping study of the project that would determine the optimal balance between open pit and underground mining methods. The re-scoping study would include mine engineering, geotechnical studies, resource modeling and metallurgical studies.

On April 19, 2023, the Company announced the commencement of a 3,000 to 3,600 metre drill program at Ana Paula in support of the re-scoping study.

On May 23, 2023, the Company announced the results from the first two holes of the drill program at Ana Paula. Drill results included:

- Hole AP-23-291 which returned:
  - 5.44 g/t gold over 118.55 metres including <sup>1</sup>,
  - 11.0 g/t gold over 44.5 metres and including <sup>1</sup>,
  - 48.5 g/t gold over 4.0 metres.
- Hole AP-23-292 which returned:
  - 8.35 grams per tonne (g/t) gold over 101.1 metres, including <sup>2</sup>
  - 11.0 g/t gold over 53.2 metres <sup>3</sup>

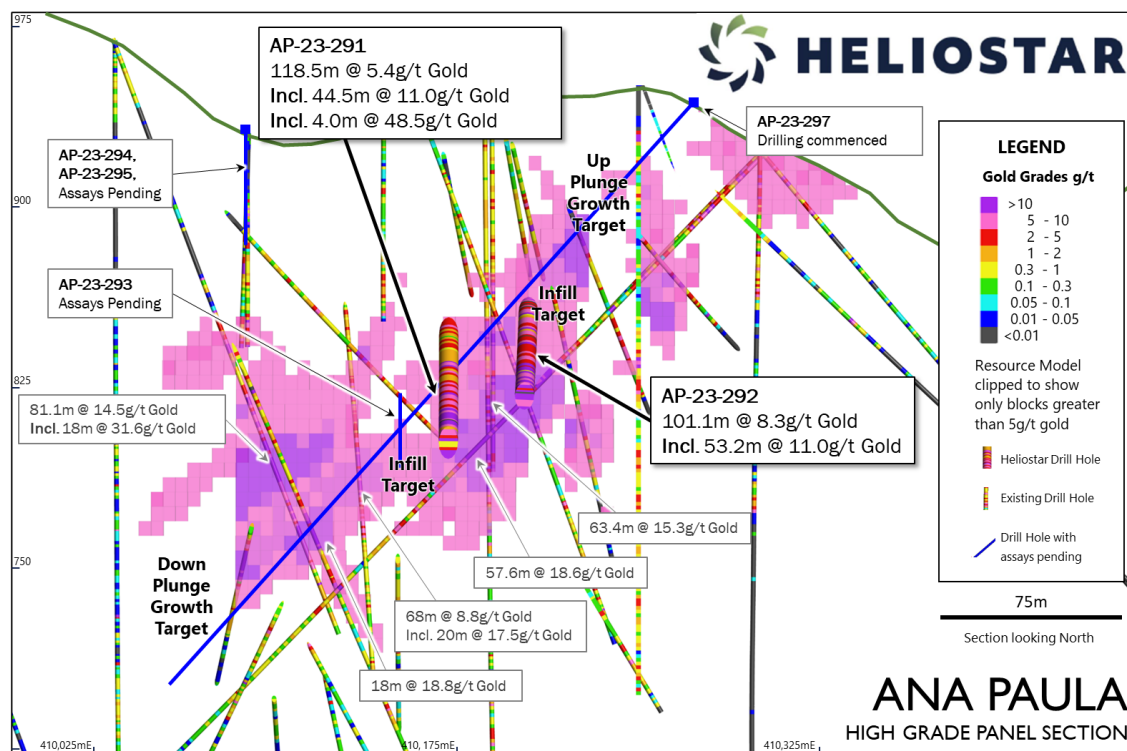
1 includes 0.5 metres of sample removed for geotechnical studies and assumed to have 0 g/t

2 includes 2.86 metres of samples removed for geotechnical studies and assumed to have 0 g/t

3 includes 0.5 metres of sample removed for geotechnical studies and assumed to have 0 g/t

## Results of Operation (continued)

### a) Ana Paula Project (continued)



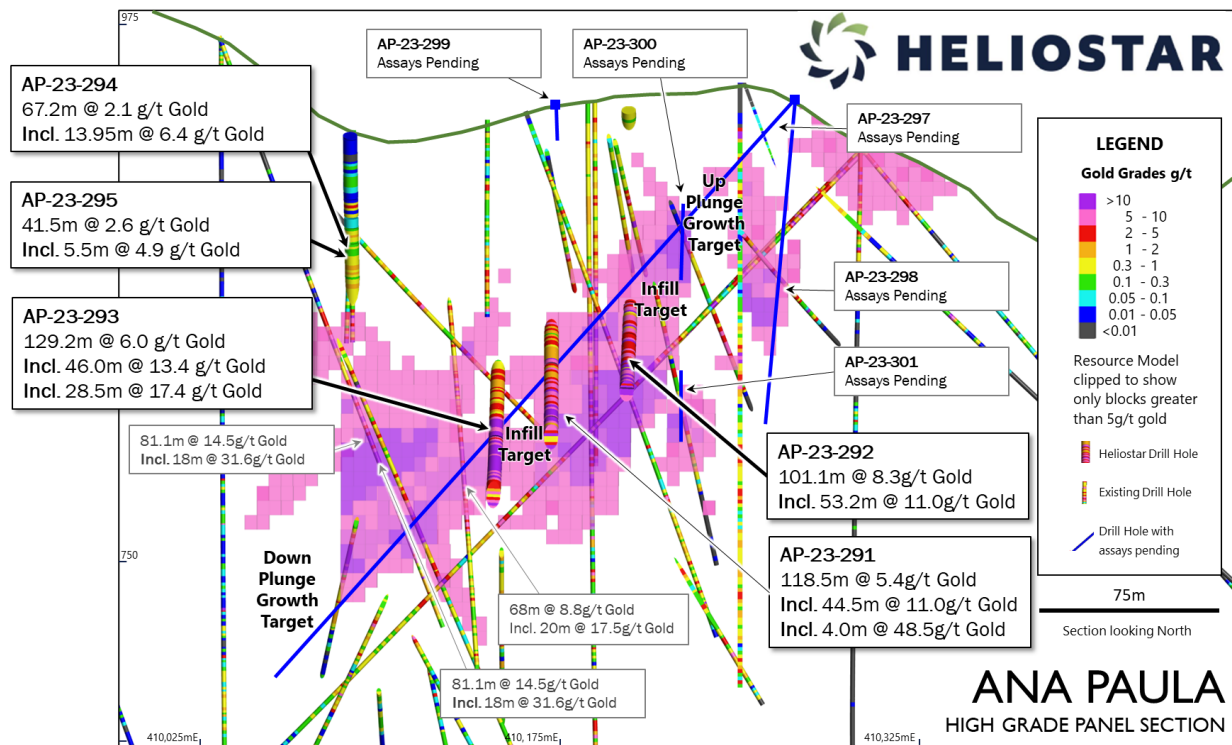
**Figure 1:** A section through the resource model from 2023 PFS highlighting the High Grade Panel (clipped to greater than 5g/t resource blocks). HelioStar results labelled in black and historic intercepts labelled in grey. Completed and ongoing holes are shown in blue, and Growth and Infill targets areas labelled.

On June 12, 2023, the Company announced the results from four additional holes of the drill program at Ana Paula. Drill results included:

- Hole AP-23-293
  - 129.2 metres @ 6.0 grams per tonne (g/t) gold including; <sup>1</sup>
  - 46.0 metres @ 13.4 g/t gold including; <sup>2</sup>
  - 28.5 metres @ 17.4 g/t gold <sup>2</sup>
- Hole AP-23-294
  - 13.95 metres @ 6.4 g/t gold;

## Results of Operation (continued)

### a) Ana Paula Project (continued)



**Figure 2:** A section through the resource model from 2023 PFS<sup>1</sup> highlighting the High Grade Panel (clipped to greater than 5g/t resource blocks). Heliostar results labelled in black and historic intercepts labelled in grey. Completed and ongoing holes are shown in blue, and Growth and Infill targets areas labelled.

## Results of Operation (continued)

### a) Ana Paula Project (continued)

HoleID	From (metres)	To (metres)	Interval (metres)	Au (g/t)	Comment	Target
AP-23-293	55.5	184.7	129.2	6.0	Includes geotech sample. Note 1	Infill Target
including	<b>117.0</b>	<b>163.0</b>	<b>46.0</b>	<b>13.4</b>	Includes geotech sample. Note 2	
including	<b>118.0</b>	<b>146.5</b>	<b>28.5</b>	<b>17.4</b>	Includes geotech sample. Note 2	
AP-23-294	31.3	98.5	67.2	2.1	Includes geotech samples. Note 3	Above Panel
including	31.3	45.25	13.95	6.4		
AP-23-295	76.5	118.0	41.5	2.6	Includes geotech samples. Note 4	Above Panel
including	85.5	91.0	5.5	4.9		
and	103.0	111.0	8.0	3.7		
AP-23-296	73.5	99.5	26.0	1.9		Above Panel
including	94.5	96.5	2.0	13.6		

**Table 1: Significant Drill Intersections**

- 1 includes 2.29 metres of sample removed for geotechnical studies and assumed to have 0 g/t
- 2 includes 0.57 metres of samples removed for geotechnical studies and assumed to have 0 g/t
- 3 includes 0.5 metres of sample removed for geotechnical studies and assumed to have 0 g/t
- 4 includes 0.51 metres of sample removed for geotechnical studies and assumed to have 0 g/t

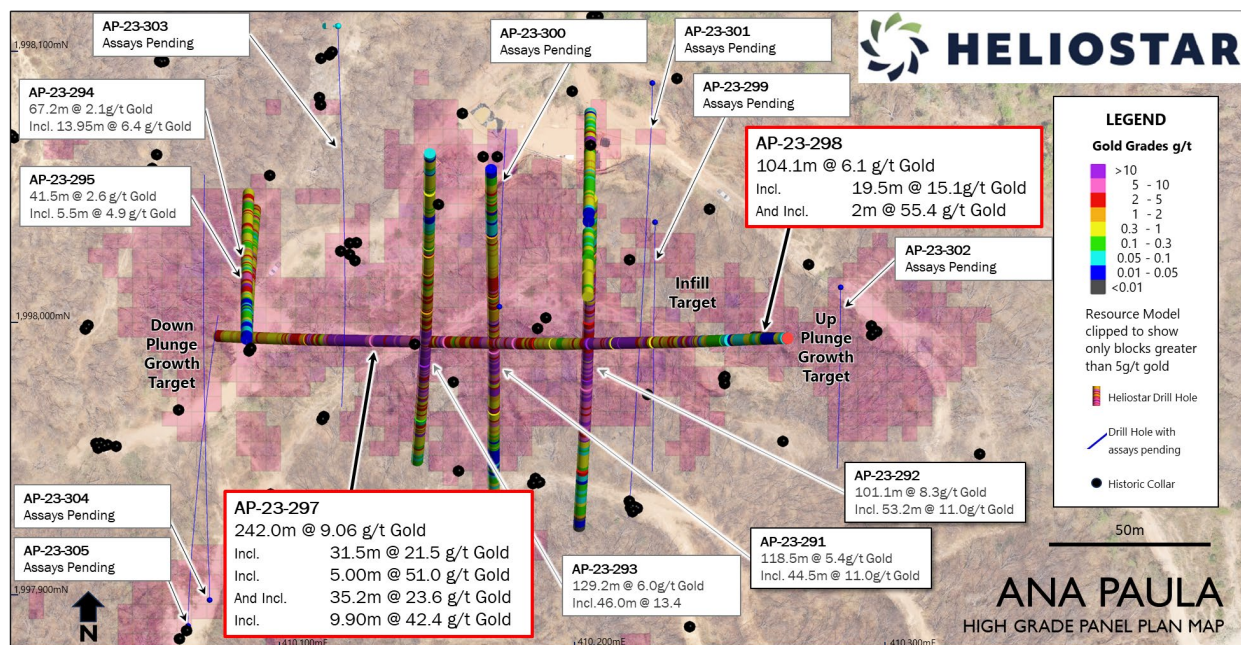
On July 17, 2023, the Company announced the results from two additional holes of the drill program at Ana Paula. Drill results included:

- Hole AP-23-297
  - 241.95 metres @ 9.06 grams per tonne (g/t) gold including <sup>1</sup>
  - 31.5 metres @ 21.5 g/t gold including <sup>1</sup>
  - 5.00 metres @ 51.0 g/t gold and including
  - 35.2 metres @ 23.6 g/t gold including
  - 9.90 metres @ 42.4 g/t gold
- Hole AP-23-298
  - 104.1 metres @ 6.14 g/t gold including <sup>2</sup>
  - 19.5 metres @ 15.11 g/t gold <sup>2</sup>



## Results of Operation (continued)

### a) Ana Paula Project (continued)



**Figure 3:** A plan map with the resource model from 2023 PFS<sup>1</sup> highlighting the High Grade Panel (clipped to greater than 5g/t resource blocks). Heliostar results labelled with new holes in red boxes. Completed and ongoing holes are shown in blue, and Growth and Infill targets areas labelled.

HoleID	From (metres)	To (metres)	Interval (metres)	Au (g/t)	Comment
AP-23-297	43.05	285.0	241.95	9.06	Includes 12.0 metres internal dilution and geotech samples. Note 1
including	70.5	102.0	31.5	21.5	Includes geotech samples. Note 1
and including	97.0	102.0	5.0	51.0	
including	194.5	229.7	35.2	23.6	
including	212.1	222.0	9.9	42.4	
AP-23-298	17.9	122.0	104.1	6.14	Includes geotech samples. Note 2
including	28.5	48.0	19.5	15.1	Includes geotech samples. Note 2

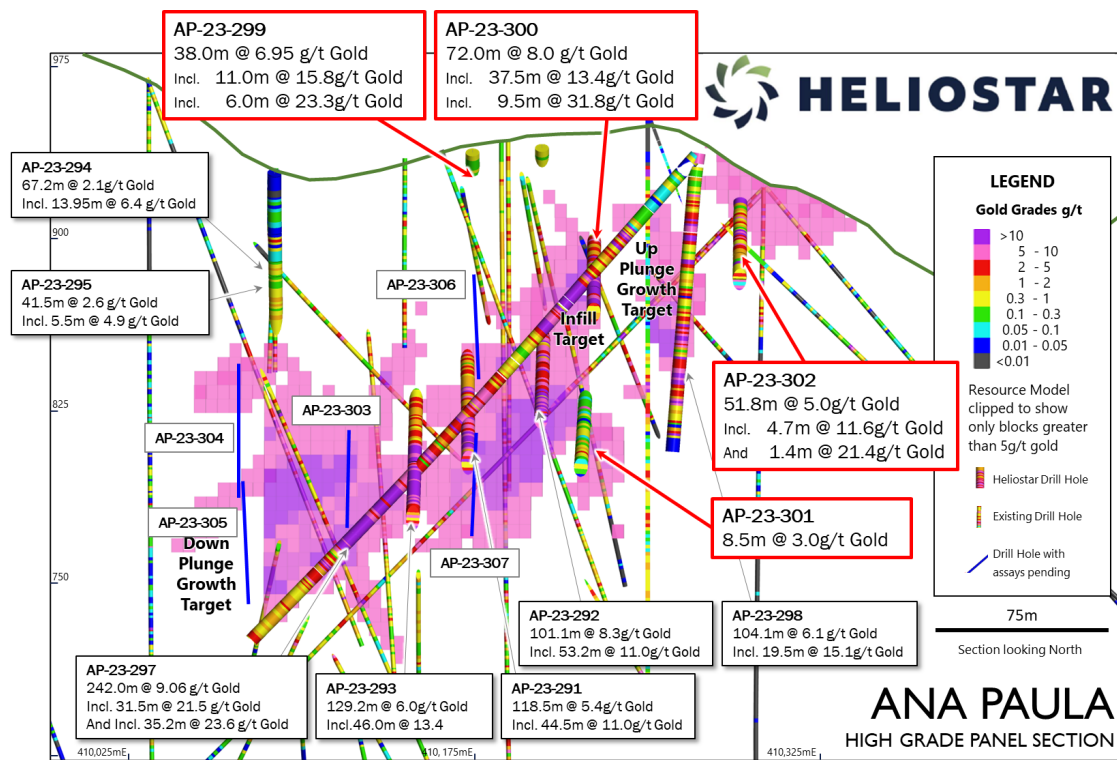
**Table 2:** Significant Drill Intersections

- 1 includes 2.55 metres of sample removed for geotechnical studies and assumed to have 0 g/t
- 2 includes 1.03 metres of samples removed for geotechnical studies and assumed to have 0 g/t

On August 3, 2023, the Company announced an update on progress on re-scoping of the current Pre-Feasibility Study at the Company's Ana Paula Project. The Company is evaluating three underground mining scenarios, with different cut-off grades and mining rates, that are being advanced for more detailed evaluation and comparison.

On August 9, 2023, the Company announced the results from four additional holes of the drill program at Ana Paula. Drill results included:

- Hole AP-23-300
  - 72.0 metres @ 8.0 grams per tonne (g/t) gold including <sup>2</sup>
  - 9.5 metres @ 31.8 g/t gold <sup>3</sup>
- Hole AP-23-302
  - 52 metres @ 5.0 g/t gold <sup>4</sup>
- Hole AP-23-299
  - 11 metres @ 15.8 g/t gold



**Figure 4:** A section through the resource model from 2023 PFS<sup>1</sup> highlighting the High Grade Panel (clipped to greater than 5g/t resource blocks). Heliostar results labelled with new holes in red boxes. Completed and ongoing holes are shown in blue, and Growth and Infill targets areas labelled.

## Results of Operation (continued)

### a) Ana Paula Project (continued)

HoleID	From (metres)	To (metres)	Interval (metres)	Au (g/t)	Comment
AP-23-299	63.0	101.0	38.0	6.95	Includes geotech samples. Note 1
including	72.5	83.5	11.0	15.8	
including	72.5	78.5	6.0	23.3	
AP-23-300	15.5	18.2	2.7	32.1	
and	30.5	102.5	72.0	7.96	Includes geotech samples. Note 2
including	55.0	64.5	9.5	31.8	Includes geotech samples. Note 3
AP-23-301	29.0	37.5	8.5	3.02	
including	36.0	37.5	1.5	9.51	
and	52.2	53.2	1.0	6.46	
and	104.5	106.0	1.5	5.86	
AP-23-302	1.5	53.26	51.8	5.01	Includes geotech samples. Note 4
including	19.5	24.22	4.72	11.6	
and	68.95	86.55	17.6	2.63	
including	73.14	74.5	1.36	21.4	

**Table 3: Significant Drill Intersections**

- 1 includes 0.40 metres of sample removed for geotechnical studies and assumed to have 0 g/t gold
- 2 includes 0.82 metres of samples removed for geotechnical studies and assumed to have 0 g/t gold
- 3 includes 0.40 metres of samples removed for geotechnical studies and assumed to have 0 g/t gold
- 4 includes 0.87 metres of samples removed for geotechnical studies and assumed to have 0 g/t gold



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## Results of Operation (continued)

### *b) San Antonio Project*

The San Antonio Gold Project is an advanced stage, gold development project located in Baja California Sur State, Mexico. Development is currently paused due to a pending environmental permit. The Company will earn the option to acquire a 100% interest in the project by obtaining this permit.

A 2012 preliminary economic assessment completed by Argonaut reported measured and indicated mineral resources of 65,089,000 tonnes at 0.83 g/t gold for 1,735,000 ounces of gold and an inferred resource of 6,215,000 tonnes at 0.34 g/t gold for 67,000 ounces of gold. The project NPV8% from 2012 is \$293 million on a pre-tax basis, based on a \$1,500 per ounce gold price.

The preliminary economic assessment outlines the San Antonio Gold Project as a medium scale, open pit mine with an approximate 3:1 strip ratio. Processing is proposed to be by conventional heap leach of crushed ore.

### *c) Unga Project, Alaska, USA*

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.

Significant drill intersections were returned from 2021 drilling at the Zachary Bay, Aquila and Sitka prospects and extensions of the past-producing Apollo Mine. The Company is planning follow-up drill programs at these targets in addition to the Centennial prospect on Popof Island and the SH-1 Deposit.

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.

Heliostar is the first exploration company to consolidate the land of the Unga Project, allowing for comprehensive district-scale exploration. The Company controls 100% of the 240 km<sup>2</sup> underexplored Unga Gold Project, known as an intermediate sulphidation epithermal district with multiple high-grade vein fields and disseminated mineralized systems capable of yielding significant mineralization. The Unga Gold Project refers collectively to the entire land package on Unga and Popof Islands located in the Shumagin Islands approximately 950 kilometres southwest of Anchorage, Alaska. Unga Island hosts the past producing high grade Apollo-Sitka gold mine which was the first underground gold mine in Alaska. Unga Island hosts multiple distinct gold zones with SH-1 deposit the most advanced, hosting an inferred resource of 384,318oz of gold at an average grade of 13.8g/t Au.

The project is accessible and positioned at 55° N Latitude, conducive to a low-cost year-round operation. Neighboring Popof Island is the local infrastructure hub, with a one-mile-long public paved airstrip servicing routine flights from Anchorage, and an active deep-water port that receives regular cargo ships from Fife, WA.



## Results of Operation (continued)

### c) Unga Project, Alaska, USA (continued)

On July 1, 2019 (amended on August 29, 2019), the Company signed an exploration agreement with option to lease with The Aleut Corporation ("TAC") (the "Agreement"). The Agreement provides for an exploration license with a follow-on 20-year extendable mining lease on TAC's lands which form part of Heliostar's "Unga Project" on Unga and Popof Islands located at the centre of the Aleutian Arc. The Agreement runs for a period of eight (8) years allowing Heliostar to conduct sub-surface work including drilling, trenching and sampling which permits the Company to advance the numerous mineral showings on the islands which number in excess of 38 distinct prospects including the SH-1 Zone (formerly the Shumagin Zone).

Pursuant to the Agreement, Heliostar is required to complete the following:

	Cash <sup>(a)</sup> (US\$)	Exploration Expenditure on the Property <sup>(b)</sup> (US\$)
On the execution date of the agreement	\$75,000 <sup>(i)</sup>	\$500,000 <sup>(ii)</sup>
January 1, 2020	75,000 <sup>(i)</sup>	525,000 <sup>(ii)</sup>
January 1, 2021	80,000 <sup>(i)</sup>	525,000 <sup>(ii)</sup>
January 1, 2022	85,000 <sup>(i)</sup>	550,000 <sup>(ii)</sup>
January 1, 2023	90,000 <sup>(i)</sup>	600,000 <sup>(ii)</sup>
January 1, 2024	95,000	700,000
January 1, 2025	100,000	750,000
January 1, 2026	110,000	850,000
	\$710,000	\$5,000,000

<sup>(a)</sup> The cash amount includes the option payments and the materials payments.

<sup>(b)</sup> The first year's period begins from July 1, 2019 until December 31, 2019. Subsequent years commence on January 1 of each year and finishes on December 31 of that year.

<sup>(i)</sup> Paid

<sup>(ii)</sup> Incurred

## **Results of Operation (continued)**

### **c) Unga Project, Alaska, USA (continued)**

#### SH-1 Resource

On November 24<sup>th</sup>, 2020, the Company filed a completed mineral resource estimation that has resulted in a maiden National Instrument 43-101-compliant resource within a portion of the SH-1 zone. The report has been filed on [www.sedar.com](http://www.sedar.com).

This resource derives from the centre of the SH-1 Zone which has been traced by diamond drilling for a total of 1.7 km of strike. SH-1 is a high-grade gold zone and displays all the features of an intermediate sulphidation system including bonanza gold grades and crustiform vein textures. It is one of several known, high-grade gold occurrences on the Shumagin vein corridor. The resource cut-off grade was based on a gold price of US\$1,450/ounce and preliminary metallurgical testing that yielded recovery rates of 87.8% for gold.

- 395,825-ounce gold equivalent maiden resource grading 14.2 grams per tonne (g/t) gold equivalent
- The inferred resource is contained in 866,015 tonnes at a 3.5 g/t Au cut-off consisting of: 384,318 oz of Gold at an avg. grade of 13.8 g/t Au; and 986,321 oz of Silver at an avg. grade of 35.4 g/t Ag.
- The mineralization outcrops at surface for 450 metres (m) along strike and has been drilled to 310 metres down dip at the eastern end the 9.5 kilometre (km) long Shumagin Trend.
- The SH-1 Zone's mineralization remains open at depth.

Further drilling was completed at SH-1 in 2020 and delivered robust widths and high grades as the company expanded on the historical drilling, particularly in holes SH20-03 and SH20-04.

On May 13, 2021, the Company announced the commencement of the 2021 exploration program at Unga. The exploration program comprised three drills testing the SH-1 resource, the historic Apollo-Sitka Mine, the Aquila prospect and district-scale opportunities.

#### Apollo

The historic Apollo Mine produced approximately 130,000 ounces of gold at an estimated grade of 10 g/t. Ore is reported to have been mined from three closely spaced, parallel veins. The Apollo vein transitions from gold rich at shallow levels to gold with silver and base metals at depth.

The company completed seven holes in 2020 and 21 holes in 2021 at the former Apollo-Sitka Mine. Drilling has intersected at least three parallel veins between Apollo Shaft 2 and the Sitka Mine, and it remains open to depth and along strike.



## **Results of Operation (continued)**

### **c) Unga Project, Alaska, USA (continued)**

#### Aquila

The Aquila target is a newly targeted zone at the Unga project and is interpreted as on the same structure as the SH-1 resource, but 6 kilometres to the southwest. In this area, gold mineralization outcrops are over 750 metres. The company completed five holes in 2020 and 13 holes in 2021 at the Aquila target.

#### Unga Regional Targets

In addition to the priority projects, Unga hosts many additional high-grade gold vein, bulk-tonnage gold and porphyry copper-gold targets. Company geologists advanced and drilled the Zachary Bay and Orange Mountain targets in the 2021 drilling program.

### **d) Heliodor Metals Ltd and the projects in Mexico**

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

- i. 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\$50,000 after 6 months (paid); and US\$100,000 after 18 months (December 15, 2022). The December 15, 2022, payment was re-negotiated and settled for US\$75,000 on September 13, 2022, 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.
- ii. 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, 2022 (paid); and US\$25,000 by March 25, 2023 (paid). 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.



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## Results of Operation (continued)

### d) Heliodor Metals Ltd and the projects in Mexico (continued)

- iii. 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. 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 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 Prospector Vein:

- 1,428 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 =  $((Au\_g/t \times 48.23) + (Ag\_g/t \times 0.6431) + (Pb\_ppm \times 0.0019) + (Zn\_ppm \times 0.0021)) / 0.6431$ . 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.

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 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
- Note: Widths are true thicknesses and gold equivalent is calculated with a gold:silver ratio of 1:75.

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 Basaitogui and Palmita Vein Corridors.



## **Results of Operation (continued)**

### **d) Heliodor Metals Ltd and the projects in Mexico (continued)**

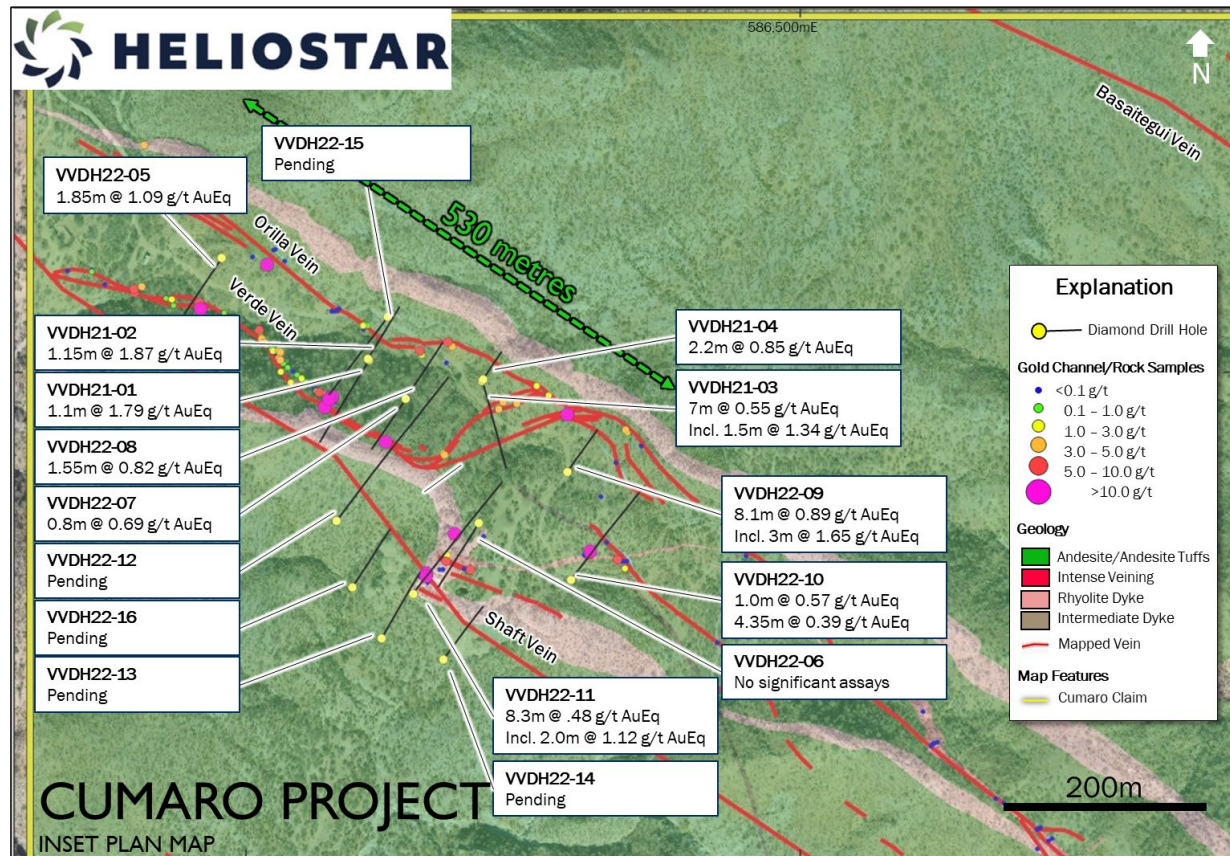
On January 12, 2022, the Company announced the resumption of the drill program at the Cumaro property. A total of 427.5 metres had been drilled in December at the Verde target before a break for the holidays. Veining was intersected in all four holes.

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.

## Results of Operation (continued)

### d) Heliodor Metals Ltd and the projects in Mexico (continued)



**Figure 5:** Drill results of the first 11 holes from the Verde Vein Corridor



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## INTERIM PERIOD FINANCIAL CONDITION

### Capital Resources

The Company had 147,773,612 issued and outstanding common shares as of June 30, 2023 (March 31, 2023 – 147,773,612). No shares were issued during the period ended June 30, 2022.

No options or warrants were granted or exercised during the period ended June 30, 2022.

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 2024. If the market conditions prevail or improve, the Company will make adjustments to budgets accordingly.

### Liquidity

As at June 30, 2023, the Company had working capital of \$1,441,000 (March 31, 2023 – \$5,278,000). With respect to working capital, \$375,020 was held in cash (March 31, 2023 – \$4,129,232) while \$28,750 (March 31, 2023 – \$28,750) was held in short-term investments.

As at June 30, 2023, cash totaled \$375,020, a decrease of \$3,754,212 from \$4,129,232 as at March 31, 2023. The decrease was due to (a) \$3,702,827 used in operating activities and (b) \$51,385 spent in financing activities.

Subsequently to the quarter ended June 30, 2023, on July 11, 2023, the Company completed a private placement, offering 18,919,024 units at \$0.37 per unit for approximately \$7,000,000 in gross proceeds.

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.

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.

The Company faces ongoing risks related to global inflation and foreign exchange rate volatility. It remains vigilant in monitoring these risks and will implement necessary measures promptly. Additionally, the current economic environment introduces greater uncertainty in near-term metal prices, exchange rates, discount rates, and other key assumptions used in the Company's accounting estimates. Any changes to these assumptions could have a significant impact on the Company's accounting estimates.



## INTERIM PERIOD FINANCIAL CONDITION (Continued)

### Operations

For the three months ended June 30, 2023 ("2023") compared with the three months ended June 30, 2022 ("2022"):

During the three months ended June 30, 2023, the Company incurred \$2,930,177 (2022 - \$367,732) in resources property expense. The significant increase is due to drilling and exploration costs to prepare for the Ana Paula project rescoping.

Excluding the non-cash accretion and depreciation of \$43,208 (2022 - \$7,210) and share-based compensation of \$421,465 (2022 - \$184,980), the Company's general and administrative expenses amounted to \$1,130,906 (2022 - \$493,464), an increase of \$637,442. The increase was mainly due to increase in (a) investor relations and marketing \$566,377 (2023 - \$721,211, 2022 - \$154,834); (b) office operations \$12,890 (2023 - \$127,537, 2022 - \$114,647), (c) professional fees \$35,913 (2023 - \$74,063, 2022 - \$38,150) and (d) regulatory fees \$7,691 (2023 - \$16,212; 2022 - \$8,521). The increase in investor relations and marketing expenses is aimed at bolstering the Company's market presence following the strategic acquisition of Aurea Mining. The increase in office operations expenses is primarily attributable to the inclusion of Aurea Mining's operations. The increase in professional fees is a result of higher accounting and legal costs due to the expansion of operations. The increase in regulatory fees is due to the re-listing on the OTCQX.

General and administrative expenses	Three months period ended March 31,		
	2023	2022	Variances
Directors fees	\$ 14,750	\$ 22,063	(7,313)
Insurance	13,952	16,213	(2,261)
Investor relations and marketing	721,211	154,834	566,377
Management fees	104,250	104,250	-
Office operations	127,537	114,647	12,890
Professional fees	74,063	38,150	35,913
Regulatory fees	16,212	8,521	7,691
Rent	6,682	6,682	-
Transfer agent	5,443	2,880	2,563
Travel and promotion	15,449	25,224	(9,775)
Total	\$ 1,099,549	\$ 493,464	606,085



### 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, 2023 Q1	March 31, 2023 Q4	December 31 2022 Q3	September 30 2022 Q2	June 30, 2022 Q1	March 31, 2022 Q4	December 31, 2021 Q3	September 30, 2021 Q2
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss for the period	(4,267,436)	(1,756,766)	(772,523)	(856,363)	(1,146,054)	(3,347,586)	(1,546,887)	(2,862,080)
Comprehensive Loss	(4,267,436)	(1,756,766)	(772,523)	(856,363)	(1,146,054)	(3,390,208)	(1,783,816)	(2,879,380)
Loss per share - basic	(0.03)	(0.03)	(0.01)	(0.02)	(0.03)	(0.09)	(0.04)	(0.09)
Total assets	29,840,724	33,682,802	11,877,914	12,383,968	11,074,778	12,159,795	13,682,786	11,526,081
Working capital	\$ 1,441,218	\$ 5,278,222	\$ 498,452	\$ 1,157,567	\$ (999,178)	\$ 8,167	\$ 3,458,783	\$ 894,980

The Company's strategic focus on expanding its exploration programs in both Unga and Mexican projects has led to incurred losses. The variation observed during the fiscal year 2022 can be attributed primarily to the fluctuations in exploration expenses, particularly in relation to the drill programs at the Unga and Cumaro projects, as well as stock-based compensation.

In the fiscal year 2023, differences between quarters are mainly a result of varying corporate activities. These include ongoing negotiations related to the acquisition of Aurea Mining and the comprehensive review of outcomes from prior exploration efforts.

The more substantial loss incurred in the first quarter of fiscal year 2024 can be attributed to the operational costs associated with Aurea Mining and the rescoping of the Ana Paula project.

### **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, 2023, \$51,328 (March 31, 2023 - \$195,635) 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. Key management personnel include those people who have authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.



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## **SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)**

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 three months ended June 30, 2023, was \$354,999 (June 30, 2022 - \$287,365) and comprised of the following:

	<b>Three months ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Senior executive fees	\$ 104,250	\$ 104,250
Non-executive directors fees	14,750	22,063
Share-based compensation	235,999	161,052
	<b>\$ 354,999</b>	<b>\$ 287,365</b>

Senior executive fees include \$16,250 (2022 - \$16,250) paid to Executive Chairman, \$62,500 (2022 - \$62,500) paid to the CEO, and \$25,500 (2022 - \$25,500) paid to the CFO.

The above transactions are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

## **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 25, 2023, 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	
	August 16, 2023	March 31, 2023
Common shares outstanding	166,692,636	76,820,382
Stock options	11,967,917	11,967,917
Warrants	67,620,163	58,048,763
Fully diluted common shares outstanding	246,280,716	146,837,062

## 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.