



**HELIOSTAR METALS LTD.**  
(FORMERLY REDSTAR GOLD CORP.)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2020**

**OVERVIEW AND INTRODUCTORY COMMENT**

Heliostar Metals Ltd. (formerly Redstar Gold Corp.; “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 in the Americas with low geo-political risk, and currently advancing the Unga Gold Project in Alaska, USA. The Company also is working on its mineral property interests in Sonora, Mexico. The Company is currently listed on the TSX Venture Exchange under the symbol “HSTR”.

This MD&A is dated November 13, 2020 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 six months ended September 30, 2020 and the Company’s audited consolidated financial statements for the year ended March 31, 2020 and the related notes thereto.

Additional information relevant to the Company and the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com), and/or on the Company’s website at [www.heliostarmetals.com](http://www.heliostarmetals.com).

**MAJOR INTERIM PERIOD OPERATING MILESTONES**

As further described below, the following items were completed during the quarter:

- Heliostar completed the acquisition of Heliodor Metals Ltd acquiring 3 precious metals exploration projects in Mexico and changed its name from Redstar Gold Corp.
- Along with the acquisition of Heliodor Metals Ltd. the Company appointed three new directors and a new CEO and shortly thereafter, a new Vice President of Exploration.
- Heliostar also completed a financing of approximately \$7.0 million.
- Heliostar began a significant exploration program at the Unga gold-silver project in Alaska, USA.
- Subsequent to the quarter end, Heliostar completed a 15:1 share consolidation.

**Exploration at the Unga Project:**

The Unga gold-silver project covers 250 square kilometers of neighboring Unga and Popof Islands, near the Alaska Peninsula and approximately 900 kilometers southwest of Anchorage, Alaska. The property consists largely of two tracts of subsurface mineral tenure, one on Popof Island and the other on adjacent Unga Island, 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 April 3, 2020, the Company announced that it completed geophysical and geochemical studies over several areas of anomalous mineralization on Unga and Popof Islands (Alaska, USA), focusing on the results of an exploration program across the Aquila Zone, located at the western end of the Shumagin

vein trend. On April 20, 2020, the Company announced that it completed geophysical and geochemical studies around the historic Sitka mine and on June 16, 2020, the Company announced that it completed geochemical studies at the Suzy-Rhodo Prospect located southeast of the previously drilled Centennial Zone on Popof Island.

On September 10, 2020, the Company announced that drilling had commenced at its flagship Unga project in Alaska. The Company planned to complete an exploration program on the property from September to late November, 2020 to focus on its four advanced targets:

- SH-1 infill and extension drilling to expand the high-grade SH-1 deposit where mineralization is open at depth and along strike;
- Apollo mine: drilling the depth continuation underneath the historic Apollo mine;
- Centennial: drilling to test for high-grade feeder zones where Battle Mountain Gold Company worked on a flat-lying outcropping mineralized area near the surface;
- Aquila: drill test an 850 m long zone of veining with multiple high-grade gold samples and excellent trench results from 1980s exploration program.

On October 22, 2020, the Company provided update on the drill plan indicating that the drilling had begun at SH-1 on September 15, 2020; at Apollo on September 24, 2020; and at Aquila on October 11, 2020.

The Company continues to follow precautionary measures 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 Heliodor Metals Ltd.:**

On August 21, 2020, the Company completed the acquisition of 100% of the shares of Heliodor Metals Limited (“Heliodor”). As part of the condition to this share exchange agreement, the Company completed a private placement offering of its common shares to raise a minimum of \$6-million (see “Capital Resources” below).

The Company acquired all of the issued and outstanding share capital of Heliodor in exchange for 86,621,003 common shares of the Company at a deemed issue price of \$0.05 per common share. Upon completion of the acquisition, shareholders of Heliodor hold approximately 18.2% of the total number of issued and outstanding.

As part of the acquisition, the Company’s common shares issued to Charles Funk, the Chief Executive Officer, are subject to pooling restrictions where 50% of the shares to be released after 12 months, thereafter 6.25% of the original holding will be released every quarter.

On August 28, 2020, three directors Sean Keenan, Patrick Chidley and John Gray resigned as directors; and Charles Funk, Alan Wilson and William Lamb were appointed as directors.

On October 19, 2020, the Company announced the post-acquisition name change from Redstar Gold Corp. to Heliostar Metals Ltd. effective October 21, 2020.

On October 21, 2020, the Company consolidated its share capital on the basis of one post-consolidation common share for every fifteen pre-consolidation shares (the “Share Consolidation”). All references to the number of shares and per share amounts have not been retroactively restated to reflect the Share Consolidation, except for the issued and outstanding shares information as of the date of this MD&A.

### About Heliodor

Heliodor was a private company with mineral projects within 50 kilometres of seven world-class gold-silver and copper mines and development projects, all of which are located in the northern portion of Mexico's Sonora state:

- a) 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. There are three major vein systems (El Sahuaro vein, Northern vein and Northsouth vein), all of which have been sampled at surface and from historic mine workings that have each returned greater than double-digit gold equivalent grades.

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; and US\$100,000 after 18 months. The project is subject to a 1% net smelter royalty that the Company can buy for US\$500,000.

- b) The La Lola project is a large, 5,400-hectare land package with the prospect of a low-sulphidation epithermal system. The project contains the La Barra vein, which extends for five km and is as wide as 40 metres. Reconnaissance sampling of the vein has yielded samples of 58 grams per tonne Au taken from a historic dump and a 424 g/t silver sample taken from the hanging wall structure.

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.

- c) Cumaro is the down-thrown block of a large, low-sulphidation vein field. Historic production in 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.

The Company plans to commence an exploration program at Heliodor's La Lola and Oso Negro projects, including drilling in Q4, 2020.

### **Management team and other corporate matter:**

On November 5, 2020, the Company announced that the Company made new additions to its management team with Samuel Anderson joining as Vice President of Exploration and Stewart Harris joining as Exploration Manager.

On July 30, 2020, the Company announced that the National Instrument 43-101 technical report and resource estimate for the SH-1 gold and silver deposit, part of the Unga project, southwest Alaska, United States, of March, 26 2020, including the mineral resource estimate, should not be relied upon until a new (or amended) report correcting the deficiencies is filed. Heliostar is working to address the deficient issues as quickly as possible.

## INTERIM PERIOD FINANCIAL CONDITION

### Capital Resources

On August 21, 2020, the Company closed a non-brokered private placement where it issued 87,633,332 common shares (each a "Share") at \$0.08 per Share for gross proceeds of \$7,010,667. In connection with the financing, the Company paid \$316,000 cash finders' fees and issued 3,950,000 finder's warrants, each of which is exercisable into one common share at a price of \$0.10 until August 21, 2022.

During the six months ended September 30, 2020, 400,000 options were exercised. On September 4, 2020, the Company granted 20,730,000 options at \$0.115 to its directors, officers and consultants, expiring on September 4, 2025.

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 2021. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

### Liquidity

As at September 30, 2020, the Company had working capital of \$8,095,214 (March 31, 2020 – \$1,105,109). As at September 30, 2020, cash totaled \$6,998,294, an increase of \$6,944,302 from \$53,992 as at March 31, 2020. The increase was due to (a) \$6,708,276 net proceeds from the private placement and options exercised; (b) \$1,459,792 cash acquired from the acquisition of Heliodor; (c) proceeds from sale of marketable securities of \$706,182; while being offset by \$1,701,938 in operating activities, including the \$1,628,474 in resource property expense.

### Operations

#### **For the six months ended September 30, 2020 ("2020") compared with the six months ended September 30, 2019 ("2019"):**

During the six months ended September 30, 2020, the Company incurred \$1,628,474 (2019 - \$662,956) in resources property expense as the Company has a larger exploration program during the current period than the same period last year.

Excluding the non-cash depreciation of \$8,915 (2019 - \$2,028) and share-based compensation of \$2,383,950 (2019 - \$38,486), the Company's general and administrative expenses amounted to \$500,898 (2019 - \$286,109), an increase of \$214,789. The change in the expenses was mainly due to increases in: (a) investor relations fees (2020 - \$45,923, 2019 – recovery of \$1,400); (b) regulatory fees (2020- \$80,626; 2019 - \$10,268); (c) management fees (2020 - \$176,591; 2019 - \$159,750); (d) professional fees (2020 - \$129,033; 2019 - \$49,622) and (e) transfer agent fees (2020 - \$6,046; 2019 - \$1,799). All such increases are a result of the acquisition of Heliodor as well as supporting the Company's exploration program and ongoing corporate activities. All such increases were offset by decrease in travel and promotion expenses (2020 - \$28; 2019 - \$12,783).

The Company recognized a fair value gain on marketable securities of \$1,019,571.10 (2019 – a fair value gain of \$268,008) as a result of selling the common shares of NV Gold Corporation ("NV Gold").

During the six months ended September 30, 2020, the Company reported a net loss of \$3,499,665 (2019 – a net loss of \$722,823), an increase of \$2,776,842.

The Company also recognized an unrealized gain on investment in NV Gold of \$166,786 in the other comprehensive income (2019 – \$nil), resulting in the Company reporting a comprehensive loss of \$3,332,879 during the six months ended September 30, 2020 (2019 – a comprehensive loss of \$722,823).

**For the three months ended September 30, 2020 (“2020”) compared with the three months ended September 30, 2019 (“2019”):**

During the three months ended September 30, 2020, the Company incurred \$1,592,910 (2019 - \$579,955) in resources property expense as the Company has a larger exploration program during the current period than the same period last year.

Excluding the non-cash depreciation of \$130 (2019 - \$1,014) and share-based compensation of \$2,383,950 (2019 - \$13,308), the Company's general and administrative expenses amounted to \$351,237 (2019 - \$167,204), an increase of \$184,033. The change in the expenses was mainly due to increases in: (a) investor relations fees (2020- \$23,363; 2019 – \$5,766); (b) office expenses (2020 - \$10,820; 2019 - \$4,818); (c) management fees (2020 - \$95,966; 2019 - \$79,125); (d) professional fees (2020 - \$118,093; 2019 - \$37,286) and (e) transfer agent fees (2020 - \$4,948; 2019 - \$967). All such increases are a result of the acquisition of Heliodor as well as supporting the Company's exploration program and ongoing corporate activities. All such increases were offset by decreases in travel and promotion expenses (2020 - \$Nil; 2019 - \$12,237).

During the three months ended September 30, 2020, the Company reported a net loss of \$3,663,327 (2019 – a net loss of \$431,292), an increase of \$3,232,035.

The Company also recognized an unrealized loss on investment in NV Gold of \$217,257 in the other comprehensive income (2019 – \$nil), resulting in the Company reporting a comprehensive loss of \$3,880,584 during the three months ended September 30, 2020 (2019 – a comprehensive loss of \$431,292).

**SIGNIFICANT RELATED PARTY TRANSACTIONS**

During the quarter, there was no significant transaction between related parties.

**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 June 26, 2020 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	
	September 30, 2020	November 13, 2020 <sup>(a)</sup>
Common shares outstanding	474,704,628	31,646,986
Stock options	37,000,000	2,466,667
Finders Warrants	3,950,000	263,333
Fully diluted common shares outstanding	515,654,628	34,376,986

<sup>(a)</sup> The numbers here reflected the Share Consolidation (see "Acquisition of Heliodor Metals Ltd." above).

## 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.