



HELIOSTAR METALS LTD.
(FORMERLY REDSTAR GOLD CORP.)
MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS
FOR THE THREE MONTHS ENDED JUNE 30, 2021

OVERVIEW AND INTRODUCTION

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. The Company is currently listed on the TSX Venture Exchange under the symbol “HSTR”.

This MD&A is dated August 11, 2021, 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, 2021 and the Company’s audited consolidated financial statements for the year ended March 31, 2021 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 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, 2020:

- Heliostar continued a significant exploration program at the Unga gold-silver project in Alaska, USA.
- The Company completed a brokered private placement for gross proceeds of \$5,616,047.

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 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.

On June 16, 2021, the Company announced results from the first four drill holes completed at the Apollo-Sitka area at Unga in 2021. Highlights included:

- APSRC21-02:
 - 88.3 grams per tonne ('g/t') gold over 3.05 metres from 21.35 metres ('m') downhole
- SKRC21-03:
 - 7.98 g/t gold (10.0 g/t Aueq) over 4.57 metres from 13.72 m downhole and,
 - 1.91 g/t gold (5.20 g/t Aueq) over 4.57 metres from 39.62 m downhole and,
 - 8.65 g/t gold (9.09 g/t Aueq) over 10.67 metres from 54.86 m downhole including;
 - 19.3 g/t (20.1 g/t Aueq) gold over 4.57 metres from 56.39 m downhole and,
 - 10.2 g/t gold (10.3 g/t Aueq) over 1.52 metres from 83.82 m downhole
- True thickness is estimated at 77% of drilled length for APSRC21-02. True thicknesses are not known for SRC21-03 and SKRC21-03. 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 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 core 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.

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 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 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 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: Gold equivalent is calculated using the following formula: $\text{gold-equivalent} = ((\text{Au_g/t} \times 48.23) + (\text{Ag_g/t} \times 0.6431) + (\text{Pb_ppm} \times 0.0019) + (\text{Zn_ppm} \times 0.0021)) / 48.23$. 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.

INTERIM PERIOD FINANCIAL CONDITION

Capital Resources

On May 5, 2021, the Company closed a brokered private placement where it issued 5,348,616 units at \$1.05 per unit for gross proceeds of \$5,616,047. Each unit consist of one common share and one half of one common share purchase warrant ("Warrant"). Each Warrant is exercisable for one common share at an exercise price of \$1.70 for a period of 12 months following the closing date.

In connection with the financing, the Company paid \$307,150 cash broker fees and issued 310,921 broker warrants, each of which is exercisable into one common share at a price of \$1.05 until May 5, 2022. The finder's warrants have a fair value of \$145,181 using the Black-Scholes Option Pricing Model. The Company also incurred an additional \$193,472 share issue costs.

During the period ended June 30, 2021, the Company issued 65,000 common shares in relation to the exercise of options for gross proceeds of \$48,750. No options were exercised during the period ended June 30, 2021.

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 June 30, 2021, the Company had working capital of \$3,468,343 (March 31, 2021 – \$2,723,988). As at June 30, 2021, cash totaled \$2,938,438, an increase of \$1,699,715 from \$1,238,723 as at March 31, 2021. The increase was due to (a) \$5,164,175 net proceeds from the private placement and options exercised; (b) proceeds from sale of marketable securities of \$1,107,122; while being offset by \$4,571,582 in operating activities, including the \$3,804,296 in net resource property expense and \$614,979 in investing activities.

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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

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.

Operations

For the three months ended June 30, 2021 (“2021”) compared with the three months ended June 30, 2020 (“2020”):

During the three months ended June 31, 2021, the Company incurred \$3,804,296 (2020 - \$35,564) in resources property expense as the Company continued with an aggressive exploration program during the current period compared to 2020.

Excluding the non-cash depreciation of \$11,131 (2020 - \$8,785) and share-based compensation of \$248,995 (2020 - \$Nil), the Company’s general and administrative expenses amounted to \$614,979 (2020 - \$149,661), an increase of \$465,318. The change in the expenses was mainly due to increases in: (a) investor relations fees (2021 - \$169,374, 2020 – \$22,560); (b) travel and promotion (2021- \$36,850; 2020 - \$28); (c) management fees (2021 - \$174,980; 2020 - \$80,625); (d) professional fees (2021 - \$84,576; 2020 - \$10,940) and (e) office operations (2021 - \$103,628; 2020 - \$6,126). All such increases are a result of the increased corporate activities, enhanced marketing campaign and to support the ongoing exploration program.

During the period ended June 30, 2021, the Company sold marketable securities for proceeds of \$1,107,122 (June 30, 2020 - \$241,363) and recognized realized and unrealized loss of \$298,423 (June 30, 2020 – gain of \$384,042) which is recorded in other comprehensive loss.

SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Due to related parties

Balance as of June 30, 2021 of \$5,417 (March 31, 2021 - \$10,833) was payable to the 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, 2021 was \$221,968 (June 30, 2020 - \$125,303) and was comprised of the following:

	June 30, 2021	June 30, 2020
Senior executive fees	\$ 104,250	\$ 80,625
Non-executive directors fees	\$ 20,375	\$ 19,500
Share-base compensation	\$ 98,218	\$ 25,178
	\$ 222,843	\$ 125,303

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 30, 2021 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, 2021	August 11, 2021
Common shares outstanding	37,218,935	37,292,268
Stock options	2,301,667	2,448,334
Warrants	3,248,562	3,248,562
Fully diluted common shares outstanding	43,032,497	43,252,497

QUALIFIED PERSON

The technical information contained in this MD&A has been reviewed and approved by Stewart Harris, P.Ge. 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.