



HELIOSTAR METALS LTD.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2023, AND 2022

HELIOSTAR METALS LTD.

Contents

	<u>Page</u>
Independent Auditors' Report	3-5
Consolidated Statements of Financial Position	6
Consolidated Statements of Loss and Comprehensive Loss	7
Consolidated Statements of Changes in Shareholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes to the Consolidated Financial Statements	10 – 34

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Heliostar Metals Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Heliostar Metals Ltd. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, shareholders' equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company's ability to continue as a going concern is dependent on the Company's ability to obtain additional debt or equity financing to successfully advance the exploration and development of mineral property interests in its exploration portfolio and to be able to derive material proceeds from the sale or divestiture of those properties and/or other assets. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Acquisition of Aurea Mining Inc.

As described in Note 5 of the consolidated financial statements, during the year ended March 31, 2023 the Company completed the acquisition of Aurea Mining Inc. ("Aurea Mining"). As more fully described in Note 3 of the consolidated financial statements, significant judgement is required by the Company to assess whether the transaction constituted a business combination or an asset acquisition.



We identified the accounting for the acquisition of Aurea Mining as a key audit matter in respect of whether the set of assets acquired, and liabilities assumed constituted a business. This matter represented an area of significant risk of material misstatement given the high degree of judgement and estimation uncertainty. A high degree of auditor judgement, subjectivity, and effort was required in performing procedures to evaluate management's estimates and judgements in assessing the accounting for the transaction and the fair value of the net assets acquired.

Addressing this matter involved a performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, but were not limited to:

- Evaluating the appropriateness of management's assessment of whether the transaction constituted an asset acquisition or business combination.
- Examining and evaluating the contractual terms identified in the underlying agreements associated with the transaction for consistency with the disclosures and amounts recorded in the consolidated financial statements.
- Ensuring the purchase price equation was calculated appropriately, including evaluating the methodology used to determine the fair value of the consideration paid and auditing the net assets acquired.
- Assessing the qualifications and competency of management's experts' and the appropriateness of their methodology used in estimating fair value of certain assets and liabilities.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

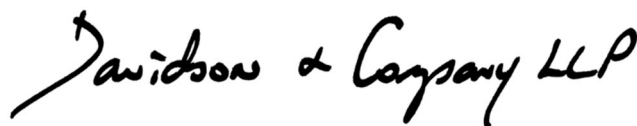
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Zachary Faure.

A handwritten signature in black ink that reads "Davidson & Company LLP". The signature is written in a cursive, flowing style.

Vancouver, Canada

Chartered Professional Accountants

July 25, 2023

HELIOSTAR METALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Presented in Canadian Dollars)
As at March 31, 2023, and 2022

	Note	March 31, 2023	March 31, 2022
		\$	\$
Assets			
Current			
Cash		4,129,232	1,183,046
Short-term investments	6	28,750	28,750
Marketable securities	7	30,000	125,000
Amounts receivable		45,598	12,350
Prepaid amounts and advances	8	2,331,552	538,297
		6,565,132	1,887,443
Non-current			
Long-term prepaid amounts	8	71,081	53,517
Reclamation bond	9(d)	-	7,407
Exploration and evaluation assets	9	25,724,527	10,115,291
Equipment	10	1,327,062	96,137
		27,122,670	10,272,352
		33,687,802	12,159,795
Liabilities			
Current			
Accounts payable and accrued liabilities		1,091,275	1,817,422
Due to related parties	13	195,635	61,854
		1,286,910	1,879,276
Non-current			
Long-term liabilities	5	168,717	-
Reclamation and closure cost provisions	5, 14	187,898	-
Consideration payable	5	2,308,246	-
		2,664,861	-
Total Liabilities		3,951,771	1,879,276
Shareholders' equity			
Share capital	12	76,820,382	54,732,184
Accumulated other comprehensive income		282,795	282,795
Reserves	12	9,136,749	7,237,729
Deficit		(56,503,895)	(51,972,189)
		29,736,031	10,280,519
		33,687,802	12,159,795

Nature of operations and continuance of operations (Note 1)
Subsequent event (Note 17)

These consolidated financial statements are authorized for issue by the Board of Directors on July 25, 2023.
They are signed on the Company's behalf by:

/s/ Jacques Vaillancourt, Director

/s/ Ken Booth, Director

HELIOSTAR METALS LTD.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Presented in Canadian Dollars)

		Year ended March 31,	
	Note	2023	2022
Exploration and evaluation			
Exploration expenditures	9	\$ 1,050,243	\$ 9,060,568
General and administrative			
Depreciation	10	28,841	52,798
Directors fees	13	79,507	81,250
Insurance		60,645	28,445
Investor relations		619,745	891,478
Management fees	13	417,000	417,000
Office operations		414,311	320,000
Professional fees		263,454	336,241
Regulatory fees		53,135	49,269
Rent		26,729	30,866
Share-based compensation	12 (c),(e), 13	1,255,504	1,063,406
Transfer agent		13,813	15,421
Travel and promotion		34,605	60,372
		3,267,289	3,346,546
Loss before the undernoted		(4,317,532)	(12,407,114)
Other income / (expense)			
Foreign exchange gain or (loss)		(132,867)	74,331
Interest income		13,693	1,732
Changes in fair value of marketable securities	7	(95,000)	(125,200)
		(214,174)	(49,137)
Loss for the year		(4,531,706)	(12,456,251)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in fair value of marketable securities		-	1,672
Comprehensive loss for the year		\$ (4,531,706)	\$(12,454,579)
Basic and diluted loss per share		\$ (0.08)	\$ (0.32)
Weighted average number of common shares outstanding (basic and diluted)		54,773,543	39,144,645

HELIOSTAR METALS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Presented in Canadian Dollars)

Share Capital						
	Number of Shares	Amount	Reserves	Accumulated Comprehensive Loss	Deficit	Total Shareholders' Equity
Balance, March 31, 2021	31,805,319	\$ 45,927,290	\$ 5,978,542	\$ 281,123	\$ (39,515,938)	\$ 12,671,017
Private placement	11,082,688	9,629,898	-	-	-	9,629,898
Share issuance costs - cash	-	(732,973)	-	-	-	(732,973)
Share issuance costs - warrants	-	(239,771)	239,771	-	-	-
Exercise of options	138,333	147,740	(43,990)	-	-	103,750
Share-based compensation	-	-	1,063,406	-	-	1,063,406
Unrealized gain on marketable securities	-	-	-	1,672	-	1,672
Loss for the year	-	-	-	-	(12,456,251)	(12,456,251)
Balance, March 31, 2022	43,026,340	\$ 54,732,184	\$ 7,237,729	\$ 282,795	\$ (51,972,189)	\$ 10,280,519
Private placements	104,747,272	23,164,600	240,400	-	-	23,405,000
Share issuance costs - cash	-	(673,286)	-	-	-	(673,286)
Share issuance costs - warrants	-	(403,116)	403,116	-	-	-
Share-based compensation	-	-	1,255,504	-	-	1,255,504
Loss for the year	-	-	-	-	(4,531,706)	(4,531,706)
Balance, March 31, 2023	147,773,612	\$ 76,820,382	\$ 9,136,749	\$ 282,795	\$ (56,503,895)	\$ 29,736,031

HELIOSTAR METALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Presented in Canadian Dollars)

	Year ended March 31,	
	2023	2022
Cash provided by (used in):		
Operating activities		
Loss for the year	\$ (4,531,706)	\$ (12,456,251)
Items not affecting cash:		
Depreciation	28,841	52,798
Share-based payments	1,255,504	1,063,406
Fair value gain on marketable securities	95,000	125,200
Unrealized foreign exchange loss	-	47
<i>Net change in non-cash working capital</i>		
Amounts receivable	(33,248)	18,635
Prepaid amounts and advances	(1,765,791)	(375,336)
Accounts payable and accrued liabilities	(794,528)	1,399,862
Due to related parties	133,781	51,021
	\$ (5,612,147)	\$ (10,120,618)
Investing activities		
Acquisition of Aurea Mining	(13,626,000)	-
Acquisition of Aurea Mining - Transaction costs	(452,699)	-
Cash acquired from Aurea Mining	18,016	-
Acquisition of exploration and evaluation assets	(120,105)	(349,873)
Proceeds from sale of marketable securities	-	1,414,139
Reclamation bond	7,407	-
	\$ (14,173,381)	\$ 1,064,266
Financing activities		
Proceeds from the issuance of shares, net	22,731,714	8,896,925
Shares issued for the exercise of options	-	103,750
	\$ 22,731,714	\$ 9,000,675
Change in cash	2,946,186	(55,677)
Cash, beginning of the year	\$ 1,183,046	\$ 1,238,723
Cash, end of the year	\$ 4,129,232	\$ 1,183,046
Schedule of Non-cash Investing and Financing Transactions		
Fair value transfer on exercise and expiry of option	\$ -	\$ 43,990
Fair value of broker's warrants	403,116	\$ 239,771
Residual value of warrants	\$ 240,400	
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for taxes	\$ -	\$ -

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Heliostar Metals Ltd. (the "Company") is 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 Suite 700 - 1090 West Georgia Street, Vancouver, BC, V6E 3V7. The Company is trading on the TSX Venture Exchange (TSX-V) under the trading symbol "HSTR". The Company is also trading on the OTCQX under the trading symbol "HSTXF".

These consolidated financial statements (the "Financial Statements") have been prepared based on the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of exploration and evaluation expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

The Company has incurred operating losses since inception, is unable to self-finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests.

The Company's ability to continue as a going concern is dependent on the Company's ability to obtain additional debt or equity financing to successfully advance the exploration and development of mineral property interests in its exploration portfolio and to be able to derive material proceeds from the sale or divestiture of those properties and/or other assets, such as sale proceeds, royalty rights and equity interests. These Financial Statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Rounded to 000's		March 31, 2023	March 31, 2022
Working capital surplus	\$	5,278,000	\$ 8,000
Accumulated deficit	\$	(56,504,000)	\$ (51,972,000)

2. SIGNIFICANT ACCOUNTING POLICIES

These Financial Statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") and related IFRS Interpretations Committee ("IFRICs") as issued by the International Accounting Standards Board ("IASB"). The Financial Statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss and fair value through other comprehensive income, which are stated at their fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting except for cash flow information.

a) Basis of consolidation

These financial statements incorporate the financial statements of the Company and the entities controlled by the Company, which consist of:

Name of the company	Place of incorporation	Proportion of ownership interest March 31, 2023	Proportion of ownership interest March 31, 2022	Principal activity
Heliostar Metals USA Inc.	Nevada, USA	100%	100%	Mineral exploration
Heliostar Metals Alaska Inc.	Alaska, USA	100%	100%	Mineral exploration
Heliostar Metals Limited	British Columbia, Canada	100%	100%	Holding company
Heliostar Metals Mexico S.A. de C.V.	Chihuahua, Mexico	100%	100%	Mineral exploration
Aurea Mining Inc.	British Columbia, Canada	100%	0%	Holding company, acquired during the year
Minera Mining Inc.	Guerrero, Mexico	100%	0%	Mineral exploration, acquired during the year
Heliostar Metals S.A. de C.V.	Chihuahua, Mexico	100%	0%	Mineral exploration , acquired during the year

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The financial statements of subsidiaries are included in the Financial Statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Company's equity. A non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

b) Foreign currency translation

These Financial Statements are presented in Canadian dollars, which is the functional and presentation currency of the parent. Each entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The parent and its subsidiaries use the Canadian dollar as their functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the end of the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) Foreign currency translation *(Continued)*

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through OCI are analyzed between translation differences and other changes in the carrying amount of the security. Translation differences are recognized in the income statement and other changes in carrying amount are recognized in equity. Translation differences on non-monetary financial assets, such as investments in equity securities, classified as fair value through OCI are reported as part of the fair value gain or loss and are included in equity.

c) Cash

The Company considers cash to include amounts held in banks.

d) Exploration and evaluation assets

The Company is currently in the exploration stage with all its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses and the fair value, upon acquisition, of mineral properties acquired in a business combination or asset acquisition.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination or an asset acquisition. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely to be recoverable by future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

At each reporting date, the Company determines whether impairment indicators exist based on the Company's ability to raise financing and significant changes in an individual property's work program. The Company examines for indicators of impairment, such as the right or financial ability to perform work on a mineral property, plans for exploration on a property, and management's intent to advance or not advance a property.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Since options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) Share-based payments

The Company has an equity incentive plan that is described in note 12c. Share-based payments to employees are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach. Share-based payments to non-employees are measured at the fair value of the goods or services received or at the fair value of the equity instruments issued (if it is determined the fair value of the goods or services cannot be reliably measured) and are recorded at the date the goods or services are received. If the stock options or warrants are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

The fair value of the options is measured at the grant date, using the Black-Scholes option pricing model, and is recognized during the period that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in reserves. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. Forfeitures of stock options are accounted for as incurred.

The Company awards restricted shares units ("RSU") based on the equity incentive plan (Note 12c). RSUs are only issued to employees. They are measured at the fair value of the instruments issued and are amortized over the vesting periods using a graded attribution approach.

The fair value of the RSUs is measured at the grant date, using the fair value of the Company's share, and is recognized during the period that the RSUs vest. The fair value is recognized as an expense with a corresponding increase in reserves.

f) Warrants

Warrants are classified as equity as they will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to shares issued, according to their fair value and the residual value being allocated to the warrants. The Company does not measure the impact of modification to the terms of warrants previously issued.

g) Share capital

Share capital issued for monetary consideration is recorded at the amount of the proceeds in exchange for the Company's shares at the time of issuance net of any share issue costs. Share capital issued for non-monetary consideration is recorded at fair value, the quoted share price at the time of issuance.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) Basic loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise, or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The effect of potential issuances of shares from the exercise of outstanding options and warrants would be anti-dilutive for the years presented and accordingly, basic, and diluted losses per share are the same.

i) Equipment

Equipment is depreciated using the declining balance method based on estimated useful lives.

Where an item of equipment is comprised of major components with different useful lives, the components are accounted for as separate items of equipment.

Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized. Directly attributable expenses incurred for major capital projects and site preparation are capitalized until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognized as a provision.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilized. Capitalization of borrowing costs ceases when the asset is substantially complete.

The depreciation method, useful life, and residual values are assessed annually.

Subsequent costs

The cost of replacing part of an item within the equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized as an expense as incurred.

Depreciation is charged to write off the cost of the asset using the declining balance method over the estimated useful lives as follows:

Buildings	4%
Equipment	30%
Vehicles	30%

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

j) Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives), or the Company has opted to measure them at FVTPL.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Cash, amounts receivable, accounts payable, and accrued liabilities, long term liabilities, and due to related parties are recognized at amortized cost.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit and loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss). Marketable securities except for marketable securities in NV Gold are recognized at fair value through profit or loss.

Financial assets at FVTOCI

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive income (loss).

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in profit and loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Financial instruments (Continued)

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on the derecognition of assets are recognized in profit and loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit and loss.

k) Impairment

The Company's tangible and intangible assets are reviewed for an indication of impairment at each statement of financial position date. If an indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined by the CGU to which the asset belongs.

Non-monetary assets are tested for impairment when events or changes in circumstance indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) Income taxes

Income tax consists of current and deferred tax expense. Current tax and deferred tax are recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect both accounting or taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year, the Company reassess unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

m) Reclamation and closure cost provisions

The Company is subject to environmental laws and regulations. A provision for reclamation and closure costs is recognized at the time the legal or constructive obligation first arises, which is generally the time that the environmental disturbance occurs. The provision is calculated as the present value of the expenditures required to settle the obligation. Upon initial recognition of the provision, a corresponding amount is added to the carrying amount of the related mineral property, plant, or equipment and is amortized using the same method as applied to the related asset. Following the initial recognition of the provision, the carrying amount is increased for the unwinding of the discount and for changes to the discount rate and the amount or timing of cash flows required to settle the obligation. The unwinding of the discount is recognized as finance expense in net income or loss while the effect of the changes to the discount rate and the amount or timing of cash flows are recognized as an adjustment to the carrying amount of the related mineral property, plant, or equipment.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) Consideration payable in asset acquisition

Consideration payable from an asset acquisition is recognized when: (i) the conditions associated with the contingency are met; (ii) the Company has a present legal or constructive obligation that can be estimated reliably; and (iii) and it is probable that an outflow of economic benefits will be required to settle the obligation.

o) Recent accounting pronouncements

There were no new accounting standards adopted in the current year that had a material impact on the Financial Statements.

p) Future pronouncements

The Company does not plan to adopt any future pronouncements that will have a material impact on the Financial Statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgments, estimates, and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and areas involving estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amount recognized in the Financial Statements.

a) Key sources of estimation uncertainty

Share-based payments

Management assesses the fair value of stock options granted in accordance with the accounting policy stated in note 2. The fair value of stock options granted is measured using the Black-Scholes option pricing model, which was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's stock options have characteristics significantly different from those of traded options, and changes in the highly subjective input assumptions can materially affect the calculated values. The fair value of stock options granted using the Black-Scholes option pricing model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

Management assesses the fair value of restricted shares units based on the fair value of the Company's share on issuance day.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date, additional liability could result from audits by tax authorities. Where the outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Estimated useful lives and depreciation of equipment and intangible asset

Depreciation of equipment and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Reclamation and closure cost provisions

The Company's provisions for reclamation and closure costs represent management's best estimate of the present value of the future cash outflows required to settle the liabilities, which reflects estimates of future costs, inflation, movements in foreign exchange rates, and assumptions of risks associated with the future cash outflows, and the applicable risk-free interest rates for discounting the future cash outflows. Changes in the above estimates and assumptions can result in changes to the provisions recognized by the Company.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

a) Key sources of estimation uncertainty (continued)

Fair value of assets and liabilities acquired

The cost of acquiring exploration and evaluation assets is capitalized and represents their fair value at the date of acquisition. The carrying values of Aurea Mining acquired by the Company are subject to estimates relating to the fair value of other assets and liabilities of Aurea Mining at the acquisition date.

Contingent consideration

The Company's accounting policy for contingent consideration involves making estimates and assumptions regarding future events or circumstances. These include assessing probabilities and timing of payments and applying discount rates to cash flows. These estimates are subject to change with new information.

b) Key sources of judgment uncertainty

Determination of functional currency

In accordance with IAS 21, The Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment and the Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Going concern evaluation

As discussed on note 1, these Financial Statements have been prepared under the assumptions applicable to a going concern. If the going concern assumption were not appropriate for these Financial Statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used, and such adjustments could be material.

The Company reviews the going concern assessment at the end of each reporting period. There were no material changes to the assessment as at March 31, 2023.

Exploration and evaluation assets

Management reviews the carrying value of the Company's exploration and evaluation assets on a quarterly basis or when there are indications that the carrying amount may not be recovered. The assessment of potential impairment involves judgment and considers various factors such as the Company's market capitalization, fluctuations in metal prices, property plans, and the results of exploration activities conducted so far. This evaluation also considers changes in the market or business environment, events that have affected the asset, and information obtained from internal reporting to determine if any indications of impairment exist.

Acquisitions

On acquisition of a set of assets and liabilities, management applies judgment in determining whether the set acquired includes the inputs and processes applied to those inputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Transactions accounted for as business combinations may result in goodwill, or a bargain purchase gain, and transaction costs are expensed. Transactions accounted for as asset acquisitions do not result in goodwill, or a bargain purchase gain, and transaction costs are capitalized as part of the assets acquired.

Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition of Aurea Mining Inc. (Note 5) met the criteria for accounting as an asset.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instrument classification and measurement

Financial instruments of the Company carried on the consolidated statements of financial position are carried at amortized cost except for marketable securities and short-term investments which are carried at fair value.

The fair value of the Company's marketable securities is quoted in active markets. The Company classifies the fair value of these transactions according to the following hierarchy.

- Level 1 – quoted prices in active markets for identical financial instruments.
- Level 2 – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's marketable securities and short-term investments have been assessed on the fair value hierarchy described above and classified as Level 1.

b) Fair values of financial assets and liabilities

The Company's financial instruments include cash, short-term investments, marketable securities, amounts receivable, accounts payable and accrued liabilities, due to related parties, long-term liabilities, and consideration payable. Marketable securities and short-term investments are marked to fair value at each financial statement reporting date. Cash, amounts receivable, accounts payable, and accrued liabilities, and due to related parties approximate their fair value due to their short-term nature. Long-term liabilities and consideration payable are classified as financial liabilities at amortized cost using the effective interest rate method. Long-term liabilities and consideration payable approximate fair value as they are discounted using market rates interest.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

c) Market risk

Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of currency risk, other price risk, and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits while maximizing returns. The Company is not exposed to significant market risk.

i. Interest rate risk

Interest rate risk is the risk of losses that arise because of changes in contracted interest rates. The Company is not exposed to significant interest rate risk.

ii. Currency risk

The Company's main property interests in Alaska, USA and Sonora, Mexico make it subject to foreign currency fluctuations which may adversely affect the Company's consolidated statements of financial position, consolidated statements of loss and comprehensive loss and consolidated statements of cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and the US Dollar and the Mexico pesos. The Company does not invest in foreign currency contracts to mitigate the risks. The Company has net monetary liabilities of approximately \$667,426 denominated in US dollars and \$14,626 denominated in Mexican pesos. A 1% change in the absolute rate of exchange in US dollars would have an effect of \$8,631 to the net loss.

iii. Price risk

This risk relates to fluctuations in commodity and equity prices. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken. Fluctuations in pricing may not be significant.

d) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank accounts. The Company's bank accounts are held with major banks in Canada, the United States and Mexico; accordingly, the Company believes it is not exposed to significant credit risk.

The Company's maximum exposure to credit risk is equal to the carrying amounts of cash, short-term investments, and marketable securities.

e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay its financial obligations. As of March 31, 2023, the Company had a cash balance of \$4,129,232 to settle current liabilities of \$1,286,910.

5. ACQUISITION OF AUREA MINING

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 ("Ana Paula").

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 March 31, 2023, by approximately \$36,000.

HELIOSTAR METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022
(Presented in Canadian Dollars)

5. ACQUISITION OF AUREA MINING (continued)

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

Total consideration		
Cash payment	\$	13,626,000
Transaction costs		452,699
Consideration payable		2,308,246
	\$	16,386,945
Net identifiable assets (liabilities) acquired		
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)
Total	\$	16,386,945

6. SHORT-TERM INVESTMENTS

As at March 31, 2023, the Company pledged \$28,750 with Bank of Montreal (March 31, 2022 - \$28,750) as collateral for a corporate credit card.

7. MARKETABLE SECURITIES

Description	Shares	Cost	Fair value at March 31, 2023	Fair value at March 31, 2022
Trillium Gold	250,000	\$ 375,000	\$ 30,000	\$ 125,000

During the year ended March 31, 2023, the Company sold marketable securities for proceeds of \$nil (March 31, 2022 - \$81,770) and recognized realized gains of \$nil (March 31, 2021 - gains of \$1,672) which is recorded in other comprehensive loss.

During the year ended March 31, 2023, the Company sold marketable securities for proceeds of \$nil (March 31, 2022 - \$1,332,369) and recorded a fair value loss of \$nil (March 31, 2021 – fair value loss of \$125,200) in profit or loss.

8. PREPAID AMOUNTS AND ADVANCES

	March 31, 2023	March 31, 2022
Prepaid amounts and advances	\$ 2,331,552	\$ 538,297
Long-term prepaid amounts	\$ 71,081	\$ 53,517

Prepaid amounts include advances made to contractors and expenses related to future periods which are expensed when they are incurred.

9. EXPLORATION AND EVALUATION OF ASSETS

The Company has the following interests in mineral properties as at March 31, 2023, and 2022:

Property acquisition costs	March 31, 2022	Acquisition costs	March 31, 2023
Alaska (USA)			
Unga project	\$ 4,448,300	\$ 120,105	\$ 4,568,405
Sonora (Mexico)			
Heliodor projects	5,666,991	-	5,666,991
Guerrero (Mexico)			
Ana Paula project	-	15,489,131	15,489,131
	\$ 10,115,291	\$ 15,609,236	\$ 25,724,527
Property acquisition costs	March 31, 2021	Acquisition costs	March 31, 2022
Alaska (USA)			
Unga project	\$ 4,268,505	\$ 179,795	\$ 4,448,300
Sonora (Mexico)			
Heliodor projects	5,522,135	144,856	5,666,991
	\$ 9,790,640	\$ 324,651	\$ 10,115,291

HELIOSTAR METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022
(Presented in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS *(Continued)*

The Company incurred the following exploration expenditures during the years ended March 31, 2023, and 2022:

Exploration expenditures	Alaska Unga	Sonora Heliodor	Guerrero Ana Paula	Total
Assaying	\$ -	\$ 43,893	\$ 1,374	\$ 45,267
Camp	125,701	-	35,820	161,521
Consulting	204,785	-	32,007	236,792
Drilling	-	17,538	-	17,538
Equipment rental	1,588	6,486	-	8,074
Fuel & transportation	50,641	616	-	51,257
Geological	1,460	200,779	-	202,239
Geophysical	79,256	13,407	-	92,663
Helicopter	-	-	-	-
Maps and reports	-	-	-	-
Other	-	559	-	559
Safety	-	-	-	-
Permitting	2,013	14,989	-	17,002
Supplies and materials	346	756	4,149	5,251
Technical report	-	-	-	-
Transportation and surface access	145,527	15,100	3,052	163,679
Travel and accommodation	36,893	11,508	-	48,401
Year ended March 31, 2023	\$ 648,210	\$ 325,631	\$ 76,402	\$ 1,050,243

Exploration expenditures	Alaska Unga	Sonora Heliodor	Guerrero Ana Paula	Total
Assaying	\$ 529,962	\$ 117,989	-	\$ 647,951
Camp	473,671	180,452	-	654,123
Consulting	622,301	12,042	-	634,343
Drilling	2,176,547	933,323	-	3,109,870
Equipment rental	384,200	107,486	-	491,686
Fuel & transportation	134,191	11,299	-	145,490
Geological	1,085,660	534,655	-	1,620,315
Geophysical	140,742	47,605	-	188,347
Helicopter	915,438	-	-	915,438
Maps and reports	1,304	-	-	1,304
Other	553	2,898	-	3,451
Safety	15,090	19,979	-	35,069
Permitting	19,609	-	-	19,609
Supplies and materials	65,990	9,817	-	75,807
Technical report	4,954	-	-	4,954
Transportation and surface access	95,587	9,354	-	104,941
Travel and accommodation	310,340	97,530	-	407,870
Year ended March 31, 2022	\$ 6,976,139	\$ 2,084,429	\$ -	\$ 9,060,568

9. EXPLORATION AND EVALUATION ASSETS *(Continued)*

a) **Ana Paula Project, Guerrero, Mexico**

The Ana Paula Project is a gold resource development project located in Guerrero State, Mexico.

The Company acquired the Ana Paula project in March 2023 from Argonaut Gold, Inc. (Note 5). The Company recognizes the liabilities for legal or constructive obligations associated with the retirement of the Ana Paula projects (Note 14).

b) **San Antonio option**

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).

9. EXPLORATION AND EVALUATION ASSETS *(Continued)*

c) Unga Project, Alaska, USA

The Unga Project is comprised of patented Alaska State claims and Alaskan Native Corporation lands. The Company owns 100% of the patented claims and the state claims in the Unga Project.

On July 1, 2019, (amended on August 29, 2019), the Company signed an exploration agreement with an 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 properties which form part of the Company's "Unga Project". The Agreement runs for a period of eight (8) years allowing the Company to conduct sub-surface work.

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

	Cash ^(a) (US\$)	Exploration Expenditure on the Property ^(b) (US\$)
On the execution date of the agreement	\$75,000 ⁽ⁱ⁾	\$500,000 ⁽ⁱⁱ⁾
January 1, 2020	75,000 ⁽ⁱ⁾	525,000 ⁽ⁱⁱ⁾
January 1, 2021	80,000 ⁽ⁱ⁾	525,000 ⁽ⁱⁱ⁾
January 1, 2022	85,000 ⁽ⁱ⁾	550,000 ⁽ⁱⁱ⁾
January 1, 2023	90,000 ⁽ⁱ⁾	600,000 ⁽ⁱⁱ⁾
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

^(a) The cash amount includes the option payments and the materials payments.

^(b) 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.

⁽ⁱ⁾ Paid

⁽ⁱⁱ⁾ Incurred

On October 8, 2019, the Company signed a surface access agreement with The Shumagin Corporation ("TSC"). The agreement provides access to the Company's mineral exploration license underlain by TSC's property which forms part of the Company's "Unga Project". Upon signing this agreement, the Company paid Shumagin a fee in the amount of US\$10,000. If the Company conducts drilling or bulk sampling, before commencing that activity the Company will pay an additional US\$22,500 (paid).

d) Reclamation bond

The Company received the reclamation bond of US\$5,927 (\$7,407) (March 31, 2022 – US\$5,927 (\$7,407)) related to a property in Nevada that was sold to NV Gold on September 1, 2016. The Company returned the bond to Plateau Minerals Corp.

9. EXPLORATION AND EVALUATION ASSETS *(Continued)*

e) Heliodor projects, Sonora, Mexico

As part of the acquisition of Heliodor Metals Limited ("Heliodor") in August 2020, the Company acquired the following Heliodor projects located in the northern portion of Mexico's Sonora state:

(i) The Oso Negro project

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 (December 15, 2021). The December 15, 2021, payment was re-negotiated and settled for US\$75,000 (paid) 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.

(ii) The La Lola project

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, 2022 (paid). The project is subject to a 2% net smelter royalty that the Company can buy 1% of such for US\$1,750,000.

(iii) The Cumaro project

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.

10. PROPERTY, PLANT, AND EQUIPMENT

	Equipment	Vehicles	Buildings	Total
Cost				
Balance - March 31, 2021 and 2022	\$ 4,200	\$ 199,997	\$ -	\$ 204,197
Acquisition (Note 5)	-	328,237	931,529	1,259,766
Balance - March 31, 2023	\$ 4,200	\$ 528,234	\$ 931,529	\$ 1,463,963
Accumulated depreciation				
Balance - March 31, 2021	\$ 2,639	\$ 52,623	\$ -	\$ 55,262
Depreciation	1,561	51,237	-	52,798
Balance - March 31, 2021 and 2022	\$ 4,200	\$ 103,860	\$ -	\$ 108,060
Depreciation	-	28,841	-	28,841
Balance - March 31, 2023	\$ 4,200	\$ 132,701	\$ -	\$ 136,901
Carrying amounts				
As at March 31, 2022	\$ -	\$ 96,137	\$ -	\$ 96,137
As at March 31, 2023	\$ -	\$ 395,533	\$ 931,529	\$ 1,327,062

11. CAPITAL MANAGEMENT

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financing is dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period ended March 31, 2023. The Company is not subject to externally imposed capital requirements.

12. SHARE CAPITAL

a) Authorized

At March 31, 2023, and 2022, the authorized share capital was comprised of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Share issuance

For the year ended March 31, 2023:

On March 16, 2023, the Company closed a non-brokered private placement, issuing 92,727,272 units at \$0.22 per unit for gross proceeds of \$20,400,000.

Each unit consists of one common share in the capital of the Company and one-half of one non-transferable share purchase warrant. Each warrant shall entitle the holder thereof to purchase one additional share at an exercise price of \$0.30 per share for a period of thirty-six months following the date of issuance.

In connection with the financing, the Company paid \$554,700 cash broker fees and issued 2,521,461 non-transferable broker warrants to three qualified finders. Each broker warrant is exercisable into one share at an exercise price of \$0.30 per Common for a period of thirty-six months following the date of issue. The broker warrants have a fair value of \$398,995 using the Black-Scholes Option Pricing Model. The Company also incurred an additional \$76,745 in share issue costs.

On August 2, 2022, the Company closed a non-brokered private placement, issuing 12,020,000 units at \$0.25 per unit for gross proceeds of \$3,005,000.

Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable for one common share at an exercise price of \$0.50 for a period of 6 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 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. The residual value of the proceeds allocated to the warrants is \$240,400.

12. SHARE CAPITAL *(Continued)*

b) Share issuance *(Continued)*

For the year ended March 31, 2023 *(Continued)*:

In connection with the financing, the Company paid \$14,700 cash broker fees and issued 58,800 broker warrants. Each broker warrant is exercisable into one Share at an exercise price of \$0.50 per common share until the Transition Date. On the Transition Date, each outstanding warrant shall automatically (without any need for notice or action) convert into 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. The broker warrants have a fair value of \$4,121 using the Black-Scholes Option Pricing Model. The Company also incurred an additional \$27,141 in share issue costs.

For the year ended March 31, 2022:

On October 18, 2021, the Company completed the first tranche of a private placement where it issued 1,857,465 units at \$0.70 per unit for gross proceeds of \$1,300,226.

Each unit consists 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 \$1.20 for a period of 24 months following the closing date.

In connection with the first tranche of the financing, the Company paid \$40,677 cash broker fees and issued 58,107 broker warrants, each of which is exercisable into one common share at a price of \$1.20 for a period of 24 months following the closing date. The finder's warrants have a fair value of \$19,831 using the Black-Scholes Option Pricing Model.

On November 5, 2021, the Company completed the final tranche of the private placement where it issued 3,876,607 units at \$0.70 per unit for gross proceeds of \$2,713,625.

Each unit consists 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 \$1.20 for a period of 24 months following the closing date.

In connection with the final tranche of the financing, the Company paid \$139,388 cash broker fees and issued 199,124 broker warrants, each of which is exercisable into one common share at a price of \$1.20 for a period of 24 months following the closing date. The finder's warrants have a fair value of \$74,759 using the Black-Scholes Option Pricing Model.

The Company also incurred an additional \$73,107 share issue costs for both tranches for the financing.

On May 5, 2021, the Company closed a brokered private placement, issuing 5,348,616 units at \$1.05 per unit for gross proceeds of \$5,616,047.

Each unit consists 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 \$193,471 in share issue costs.

During the year ended March 31, 2022, 138,333 options were exercised for gross proceeds of \$103,750. In connection with the exercise, the grant date fair value of \$43,990 was transferred from reserves to share capital.

HELIOSTAR METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022
(Presented in Canadian Dollars)

12. SHARE CAPITAL *(Continued)*

c) Share Purchase Option Compensation Plan

The Company has established an equity incentive plan whereby the Company may grant options to directors, officers, employees, and consultants of up to 10% of the common shares outstanding at the time of grant. Exercise prices on options granted under the plan cannot be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange, and the term cannot exceed 10 years. The vesting period of each option is determined by the board of directors within regulatory guidelines.

Stock option transactions and the number of stock options for the period ended March 31, 2023, and 2022 is summarized as follows:

Expiry date	Exercise price	March 31, 2022	Granted	Exercised	Expired / Cancelled	March 31, 2023
April 11, 2022	\$ 2.10	136,667	-	-	(136,667)	-
March 15, 2024	\$ 0.75	96,667	-	-	-	96,667
October 29, 2024	\$ 0.75	454,667	-	-	-	454,667
September 4, 2025	\$ 1.73	1,382,000	-	-	-	1,382,000
January 15, 2026	\$ 1.44	125,000	-	-	-	125,000
July 29, 2026	\$ 1.00	220,000	-	-	-	220,000
August 11, 2026	\$ 1.00	15,000	-	-	-	15,000
December 6, 2026	\$ 0.72	1,250,000	-	-	(226,667)	1,023,333
March 27, 2028	\$ 0.30	-	8,651,250	-	-	8,651,250
Options outstanding		3,680,001	8,651,250	-	(363,334)	11,967,917
Options exercisable		2,187,668				5,780,973
Weighted average exercise price		\$ 1.20	\$ 0.30	\$ -	\$ 1.24	\$ 0.55

Expiry date	Exercise price	March 31, 2021	Granted	Exercised	Expired / Cancelled	March 31, 2022
December 20, 2021	\$ 2.40	33,333	-	-	(33,333)	-
April 11, 2022	\$ 2.10	136,667	-	-	-	136,667
March 15, 2024	\$ 0.75	161,667	-	(65,000)	-	96,667
October 29, 2024	\$ 0.75	528,000	-	(73,333)	-	454,667
September 4, 2025	\$ 1.73	1,382,000	-	-	-	1,382,000
January 15, 2026	\$ 1.44	125,000	-	-	-	125,000
July 29, 2026	\$ 1.00	-	220,000	-	-	220,000
August 11, 2026	\$ 1.00	-	15,000	-	-	15,000
December 6, 2026	\$ 0.72	-	1,250,000	-	-	1,250,000
Options outstanding		2,366,667	1,485,000	(138,333)	(33,333)	3,680,001
Options exercisable		1,362,000				2,187,668
Weighted average exercise price		\$ 1.46	\$ 0.76	\$ 0.75	\$ 2.40	\$ 1.20

As of March 31, 2023, the weighted average contractual remaining life is 4.37 years (March 31, 2022 – 3.66 years). The weighted average exercise price for options exercisable as at March 31, 2023, is \$0.78 (March 31, 2022 – \$1.27).

HELIOSTAR METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022
(Presented in Canadian Dollars)

12. SHARE CAPITAL *(Continued)*

c) Share Purchase Option Compensation Plan *(Continued)*

As of March 31, 2023, the Company recognized \$1,251,204 (March 31, 2022 - \$1,063,406) in share-based payments expense for the fair value of stock options granted and vested. The following table summarizes the weighted average assumptions used in the Black-Scholes Option Pricing Model to estimate the fair value of stock options:

	March 31, 2023	March 31, 2022
Expected dividend yield	Nil	Nil
Expected stock price volatility	148.73%	100.00%
Fair value of stock price	\$0.54	\$0.45
Risk-free interest rate	2.42%	1.72%
Fair value	\$0.44	\$0.56
Forfeiture rate	Nil	Nil
Expected life of options	4.49 years	5.0 years

d) Warrants

A continuity of warrants for the period ended March 31, 2023, is as follows:

Expiry date	Exercise price	March 31, 2022	Issued	Exercised	Expired	March 31, 2023
August 21, 2022	\$ 1.50	263,333	-	-	(263,333)	-
May 5, 2022	\$ 1.70	2,674,308	-	-	(2,674,308)	-
May 5, 2022	\$ 1.05	310,921	-	-	(310,921)	-
October 18, 2023	\$ 1.20	928,732	-	-	-	928,732
October 18, 2023	\$ 1.20	58,107	-	-	-	58,107
November 5, 2023	\$ 1.20	1,938,303	-	-	-	1,938,303
November 5, 2023	\$ 1.20	199,124	-	-	-	199,124
August 2, 2024 *	\$ 0.50	-	12,020,000	-	(12,020,000)	-
August 2, 2024 *	\$ 0.50	-	58,800	-	(58,800)	-
August 2, 2024 *	\$ 0.75	-	6,010,000	-	-	6,010,000
August 2, 2024 *	\$ 0.75	-	29,400	-	-	29,400
March 16, 2026	\$ 0.30	-	2,521,461	-	-	2,521,461
March 16, 2026	\$ 0.30	-	46,363,636	-	-	46,363,636
Outstanding		6,372,828	67,003,297	-	(15,327,362)	58,048,763
Weighted average exercise price	\$	1.41	\$ 0.34	\$ -	\$ 0.74	\$ 0.36

Expiry date	Exercise price	March 31, 2021	Issued	Exercised	Expired	March 31, 2022
August 21, 2022	\$ 1.50	263,333	-	-	-	263,333
May 5, 2022	\$ 1.70	-	2,674,308	-	-	2,674,308
May 5, 2022	\$ 1.05	-	310,921	-	-	310,921
October 18, 2023	\$ 1.20	-	928,732	-	-	928,732
October 18, 2023	\$ 1.20	-	58,107	-	-	58,107
November 5, 2023	\$ 1.20	-	1,938,303	-	-	1,938,303
November 5, 2023	\$ 1.20	-	199,124	-	-	199,124
Outstanding		263,333	6,109,495	-	-	6,372,828
Weighted average exercise price	\$	1.50	\$ 1.41	\$ -	\$ -	\$ 1.41

* On February 2, 2023, 12,020,000 and 58,800 warrants from August 2, 2022, convert to half-warrants. Two half-warrants can buy one Common Share at \$0.75 per share. The warrants expired 18 months from issuance date (August 2, 2022).

12. SHARE CAPITAL (Continued)

d) Warrants (Continued)

The weighted average remaining life of the outstanding warrants as at March 31, 2023, is 2.67 years (March 31, 2022 – 0.84 years).

The fair value of the finder's warrants issued during the period ended March 31, 2023, was \$403,116 (March 31, 2022: \$239,771). The following table summarizes the weighted average assumptions used in the Black-Scholes Option Pricing Model to estimate the fair value of the finder's warrants:

	March 31, 2023	March 31, 2022
Risk-free interest rate	3.50%	0.57%
Expected stock price volatility	113.91%	100.00%
Expected warrant life in years	2.92 years	1.45 years
Fair value	\$0.30	\$0.42
Expected dividend yield	Nil	Nil
Share price on grant date	\$0.30	\$1.00

e) Restricted shares units (RSU)

On March 27, 2023, pursuant to the Company's Equity Incentive Compensation Plan, the Company granted 2,218,750 restricted share units (each, an "RSU") to directors, officers, employees, and consultants of the Company. The RSUs will vest in three equal annual installments commencing on the first anniversary of the grant date. The Company can settle each vested RSUs with cash or shares at the Company's discretion at the vested day.

The total grant date fair value of the RSUs was \$643,438, which will be realized as the RSUs vest.

For the year ended March 31, 2023, the Company has recognised a fair value of \$4,300 (2022: \$nil) for the RSUs.

13. RELATED PARTY TRANSACTIONS

Key management consists of the Company's directors and officers. Key management personnel include those persons having 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.

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 period ended March 31, 2023, was \$1,155,739 (December 31, 2022 - \$958,002) and comprised of the following:

	March 31, 2023	March 31, 2022
Senior executive fees	\$ 416,996	\$ 417,000
Non-executive directors fees	79,507	81,250
Share-based compensation	659,236	459,772
	\$ 1,155,739	\$ 958,022

Other balances due to related parties include the following:

(a) Due to related parties

As of March 31, 2023, \$195,635 (March 31, 2022 - \$61,854) was payable to the management of the Company as part of their management fees.

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.

14. RECLAMATION AND CLOSURE COST PROVISIONS

On March 28, 2023, the Company acquired Aurea Mining (Note 5) from Argonaut Gold Inc. The Company recognizes liabilities for legal or constructive obligations associated with the retirement of the Ana Paula projects. The net present value of future rehabilitation costs is capitalized to the Ana Paula Project along with a corresponding increase in the rehabilitation provision of \$187,898.

Environmental monitoring and basic site maintenance costs are treated as period costs and are expensed in the period incurred.

The total undiscounted cash flow estimated to settle the obligation as at March 31, 2023, was \$286,513 which was adjusted for inflation at the rate of 9.00% and then discounted at a rate of 4.50%. The Company anticipates incurring the reclamation and closure costs after 10 years.

HELIOSTAR METALS LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023, AND 2022
(Presented in Canadian Dollars)

15. SEGMENTED DISCLOSURE

The Company has one reportable segment being the exploration and evaluation of mineral properties. The company's assets and liabilities are held within Canada, Mexico and the US as follows:

<i>Rounded to 000's</i>	Canada	United States	Mexico	Total
March 31, 2023				
<i>Non-current assets</i>				
Long-term prepaid amounts	\$ 24,000	\$ -	\$ 47,000	71,000
Exploration and evaluation assets	-	4,568,000	21,156,000	25,724,000
Equipment	-	67,000	1,260,000	1,327,000
March 31, 2022				
<i>Non-current assets</i>				
Long-term prepaid amounts	\$ -	\$ -	\$ 54,000	54,000
Reclamation bond	-	7,000	-	7,000
Exploration and evaluation assets	-	4,448,000	5,667,000	10,115,000
Equipment	-	96,000	-	96,000

16. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognised in the consolidated statements of comprehensive loss of the years ended March 31, 2023, and 2022:

	2023	2022
Loss for the year	\$ (4,531,706)	\$ (12,456,254)
Expected income tax (recovery)	\$ (1,224,000)	\$ (3,363,000)
Change in statutory, foreign tax, foreign exchange rates and other	(643,000)	386,000
Permanent differences	372,000	280,000
Share issue cost	(182,000)	(198,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses	(8,000)	424,000
Change in unrecognized deductible temporary differences	1,685,000	2,471,000
Total income tax expense (recovery)	\$ -	\$ -
Current income tax	\$ -	\$ -
Deferred tax recovery	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2023	Expiry Date Range	2022	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	\$ 26,534,000	No expiry date	\$ 25,476,000	No expiry date
Investment tax credits	\$ 144,000	2027 to 2029	144,000	2027 to 2029
Property and equipment	\$ 56,000	No expiry date	137,000	No expiry date
Share issue costs	\$ 1,129,000	2043 to 2047	815,000	2043 to 2046
Marketable Securities - P&L	\$ 437,000	No expiry date	342,000	No expiry date
Allowable Capital losses	\$ 130,000	No expiry date	-	-
Non-capital losses available for future periods	\$ 34,724,000	2024 to 2041	29,212,000	2026 to 2042
Canada	14,187,000	2026 to 2043	12,049,000	2026 to 2042
USA	20,242,000	2030 to indefinite	16,907,000	2030 to indefinite
Mexico	295,000	2031-2033	256,000	2031-2032

Tax attributes are subject to review, and potential adjustment, by tax authorities.

17. SUBSEQUENT EVENT

Subsequent to the year ended March 31, 2023, on July 11, 2023, the Company completed a private placement, offering of 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.

In connection with the brokered portion of the financing, the Company paid \$221,782 cash broker fees and \$30,000 corporate finance fee. 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.