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# HELIO RESOURCE CORP.

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(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the nine month periods ended December 31, 2016 and 2015**

**Expressed in Canadian dollars**

*Notice to Reader: As required by National Instrument 51-102 subsection 4.3(3)(a), readers are advised that an auditor has not performed a review of these condensed interim consolidated financial statements.*

# Helio Resource Corp.

(An Exploration Stage Company)

## Condensed Interim Consolidated Statement of Financial Position

Canadian Dollars

Unaudited - Prepared by Management

<b>ASSETS</b>	December 31, 2016	March 31, 2016
<b>Current assets</b>		
Cash	\$ 610,949	\$ 728,023
Short-term deposits	-	35,956
Receivables and prepaids (Note 4)	50,391	60,607
Investments (Note 5)	481,000	25,000
	<u>1,142,340</u>	<u>849,586</u>
<b>Non-current assets</b>		
Security deposits	32,964	32,964
Property and equipment (Note 6)	3,082	23,115
Mineral property acquisition costs (Note 7)	1,603,317	1,603,317
	<u>\$ 2,781,703</u>	<u>\$ 2,508,982</u>
<hr/>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 159,346	\$ 509,359
Accrued liabilities	367,171	406,573
Due to related parties (Note 11)	21,866	255,862
	<u>548,383</u>	<u>1,171,794</u>
<b>EQUITY</b>		
Share capital (Note 9)	45,805,187	44,666,846
Contributed surplus	11,747,472	11,961,193
Accumulated other comprehensive loss	(25,000)	(25,000)
Deficit	(55,294,339)	(55,265,851)
	<u>2,233,320</u>	<u>1,337,188</u>
	<u>\$ 2,781,703</u>	<u>\$ 2,508,982</u>

**Going Concern (Note 2)**

**Commitments (Note 12)**

ON BEHALF OF THE BOARD OF DIRECTORS:

signed "Richard Williams"  
Director

signed "Stephen Leahy"  
Director

- See accompanying notes -

# Helio Resource Corp.

(An Exploration Stage Company)

## Condensed Interim Consolidated Statement of Comprehensive Income / (Loss)

Canadian Dollars

Unaudited - Prepared by Management

	For the three months ended December 31,		For the nine months ended December 31,	
	2016	2015	2016	2015
<b>Expenses</b>				
Amortization (Note 6)	\$ 2,360	\$ 15,394	\$ 10,497	\$ 46,020
Exploration costs (Note 8)	365,333	227,732	869,811	709,941
Filing and transfer agent fees	1,217	3,723	15,636	12,175
Professional fees (Note 11.a)	14,829	16,418	55,960	79,152
Marketing	3,362	9,771	6,042	41,797
Office and miscellaneous	16,223	16,107	41,210	70,265
Salaries, directors' fees and consulting (Note 11.b)	43,759	65,580	205,928	248,951
Travel	406	3,568	566	4,115
	(447,489)	(358,293)	(1,205,650)	(1,212,416)
<b>Other income / (loss):</b>				
Interest income	1,359	519	3,402	8,888
Foreign exchange gain / (loss)	40,179	(8,590)	(13,952)	(120,764)
Provision for VAT receivable	(1,287)	-	(10,630)	41,130
Gain on sale of the Damara Gold Project	-	-	965,262	-
Gain on debt settlement (Note 11)	233,080	-	233,080	-
	273,331	(8,071)	1,177,162	(70,746)
<b>Net income (loss) for the period</b>	<b>\$ (174,158)</b>	<b>\$ (366,364)</b>	<b>(28,488)</b>	<b>(1,283,162)</b>
<b>Other comprehensive loss items:</b>				
Revaluation of marketable securities (Note 5)	-	(7,500)	-	(20,000)
<b>Comprehensive income (loss) for the period</b>	<b>\$ (174,158)</b>	<b>\$ (373,864)</b>	<b>\$ (28,488)</b>	<b>\$ (1,303,162)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.001)</b>	<b>\$ (0.002)</b>	<b>-</b>	<b>\$ (0.006)</b>
<b>Weighted average number of common shares outstanding:</b>				
	257,036,717	229,586,170	249,575,879	223,938,099

- See accompanying notes -

# Helio Resource Corp.

(An Exploration Stage Company)

## Condensed Interim Consolidated Statements of Changes in Equity

Canadian Dollars

Unaudited - Prepared by Management

	Number of Common Shares	Share Capital (Note 9)	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
March 31, 2015	218,078,959	\$ 43,299,900	\$ 12,347,037	\$ (10,000)	\$ (53,373,866)	\$ 2,263,071
Share issuance costs	-	(18,897)	-	-	-	(18,897)
Warrants exercised	12,637,150	631,857	-	-	-	631,857
Fair value transfer on exercise of warrants	-	302,521	(302,521)	-	-	-
Loss for the period	-	-	-	(20,000)	(1,283,162)	(1,303,162)
December 31, 2015	230,716,109	44,215,381	12,044,516	(30,000)	(54,657,028)	1,572,869
March 31, 2016	238,078,959	\$ 44,666,846	\$ 11,961,193	\$ (25,000)	\$ (55,265,851)	\$ 1,337,188
Warrants exercised	11,500,000	575,000	-	-	-	575,000
Shares issued to settle debt	11,654,000	349,620	-	-	-	349,620
Fair value transfer on exercise of warrants	-	213,721	(213,721)	-	-	-
Net income for the period	-	-	-	-	(28,488)	(28,488)
December 31, 2016	261,232,959	\$ 45,805,187	\$ 11,747,472	\$ (25,000)	\$ (55,294,339)	\$ 2,233,320

- See accompanying notes -

# Helio Resource Corp.

(An Exploration Stage Company)

## Condensed Interim Consolidated Statements of Cash Flows

Canadian Dollars

Unaudited - Prepared by Management

	For the three months ended December 31,		For the nine months ended December 31,	
	2016	2015	2016	2015
<b>Cash flows from operating activities</b>				
Net loss for the period:	\$ (174,158)	\$ (366,364)	\$ (28,488)	\$ (1,283,162)
Non-operating interest income	(1,359)	(519)	(3,402)	(8,888)
Items not affecting cash:				
Amortization	2,360	15,394	10,497	46,020
Provision for VAT receivable	1,287	-	10,630	(41,130)
Gain on disposition of mineral property	-	-	(965,262)	-
Exploration recovery received in shares	-	-	-	(12,500)
Changes in non-cash working capital:				
Receivables and prepaids	6,482	133,113	10,216	188,821
Current liabilities	(768,251)	35,928	(623,412)	(284,733)
Changes in non-current operating assets:				
VAT receivable	(1,287)	(1,598)	(10,630)	34,777
Cash used in operating activities	(934,926)	(184,046)	(1,599,851)	(1,360,795)
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	-	-	(364)	-
Sale of property and equipment	9,901	-	519,163	-
Redemption of short-term deposits	-	-	-	35,000
Interest received	37,320	478	39,358	11,637
Cash provided by investing activities	47,221	478	558,157	46,637
<b>Cash flows from financing activities</b>				
Proceeds from the exercise of warrants	349,620	331,914	924,620	631,856
Share issuance costs	-	(7,058)	-	(18,896)
Cash provided by financing activities	349,620	324,856	924,620	612,960
<b>Net change in cash</b>	(538,085)	141,288	(117,074)	(701,198)
<b>Cash - beginning of period</b>	1,149,034	418,478	728,023	1,260,964
<b>Cash - end of period</b>	\$ 610,949	\$ 559,766	\$ 610,949	\$ 559,766
<b>Cash is composed of:</b>				
Cash	\$ 8,180	\$ 9,739	\$ 8,180	\$ 9,739
Deposits held by financial institution	602,769	550,027	602,769	550,027
	\$ 610,949	\$ 559,766	\$ 610,949	\$ 559,766

- See accompanying notes -

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

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### 1. Nature of Operations and Corporate Information

Helio Resource Corp. (the “Company” or “Helio”) was incorporated on November 8, 1998 under the Business Corporations Act of British Columbia. The Company is listed for trading on the TSX Venture Exchange as a Tier 2 mining issuer under the symbol “HRC-V”. The Company’s head and registered office is located at Suite 580 - 625 Howe Street, Vancouver, British Columbia, Canada. The Company is principally engaged in the exploration and development of the Saza Makongolosi Project (“SMP”) in Tanzania.

### 2. Going Concern

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material as realizable values may be substantially different from carrying values disclosed in the financial statements.

The Company holds interests in mineral properties in Tanzania and is focused on the exploration and development of these properties. The Company has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. As at December 31, 2016, the Company has no source of revenue, has a deficit of \$55,294,339 and expects to incur further losses in the exploration and development of its mineral properties which will require additional financing from external sources. All of these factors cast significant doubt upon the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon the ability of the Company to continue to obtain the necessary financing to complete the exploration and development of its mineral property interests, or upon proceeds from the disposition of its mineral property interests and ultimately upon the discovery of economically recoverable mineral reserves. Although the Company has been successful in the past in obtaining financing, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms that are advantageous to the Company.

### 3. Basis of Presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, effective for the period ending December 31, 2016, as issued and outstanding as of February 28, 2017, the date the Board of Directors approved these financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended March 31, 2016.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

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### 3. Basis of Presentation (continued)

#### a) Basis of Presentation

These consolidated financial statements include the accounts of Helio Resource Corp. and its wholly owned subsidiaries, BAFEX Holdings Ltd., BAFEX Exploration (Proprietary) Limited, and BAFEX Tanzania Limited. All intercompany balances, transactions, and gains and losses from intercompany transactions have been eliminated on consolidation. All figures are presented in Canadian dollars unless otherwise indicated.

#### b) Basis of Measurement

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the audited annual consolidated financial statements for the year ended March 31, 2016.

#### c) Significant Accounting Policies

The accounting policies and methods of computation followed in preparing these condensed interim consolidated financial statements are consistent with interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"), and are substantially the same as those followed in preparing the most recent audited annual consolidated financial statements. Changes to accounting policies adopted on April 1, 2016 as a result of changes to standards resulted in no material impact to the financial statements. For a summary of significant accounting policies, changes to accounting standards adopted at April 1, 2016, and expected changes to accounting standards that have been announced but are not yet effective, please refer to the Company's audited annual consolidated financial statements for the year ended March 31, 2016.

### 4. Receivables and Prepaids

	December 31, 2016	March 31, 2016
Prepaid expenses	\$ 38,998	\$ 35,730
Due from related party	--	--
Receivables	6,861	5,446
Sales tax receivable - Tanzania	--	--
Sales tax receivable - Namibia	--	7,149
Sales tax receivable - Canada	4,532	12,282
	<u>\$ 50,391</u>	<u>\$ 60,607</u>

Sales tax receivables are sales taxes that are expected to be recoverable from the governments in the various jurisdictions within the next year. There have been discussions with the tax authority in Tanzania pertaining to the refundability of VAT amounts that have previously been refunded to the Company. As a result, a cumulative provision of approximately \$315,000 (March 31, 2016 - \$295,000) is offsetting the underlying amount of the receivable in recognition of the credit risk, as well as the anticipated costs of collection, reducing the sales tax receivable amount in Tanzania to nil. While collection of some of this "nil" amount is possible, there also exists the potential for tax assessments to be raised that could exceed the amount that has been provided.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

### 5. Investments

As part of the mineral property option agreement with Damara Gold Corp. ("Damara"), the Company received 500,000 shares of Damara in two tranches, 250,000 on July 9, 2015 and 250,000 on July 26, 2014. The total initial fair value on receipt of the shares was \$50,000. This agreement is further described in Note 7.e).

In addition, the Company received and retained 100,000 shares of Osino Resources Corp. ("Osino"), a private corporation, as part of the transaction whereby Helio, Damara and Osino Resources Corp. agreed to merge their respective interests in Namibia. The Company received an additional 100,000 shares of Osino which it sold to another party on closing the transaction for cash proceeds of \$456,000, forming the basis for valuation of the 100,000 shares that were retained (Note 7.e).

Company name	# of shares	Fair value at December 31, 2016	Fair value at March 31, 2016
Damara Gold Corp.	500,000	\$25,000	\$25,000
Osino	100,000	\$456,000	n/a
		<u>\$481,000</u>	<u>\$25,000</u>

### 6. Property and Equipment

Details are as follows:

	Field equipment	Office equipment	Leasehold improvements	Motor vehicle	Total
<b>December 31, 2016</b>					
<b>Net book value</b>					
At March 31, 2016	\$ 2,712	\$ 18,988	\$ --	\$ 1,415	\$ 23,115
Additions	--	365	--	--	365
Disposals	--	(9,901)	--	--	(9,901)
Amortization	(716)	(8,366)	--	(1,415)	(10,497)
At December 31, 2016	<u>\$ 1,996</u>	<u>\$ 1,086</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,082</u>
Consisting of					
Cost	\$ 91,798	\$ 121,018	\$ 81,062	\$ 205,323	\$ 499,201
Accumulated amortization	(89,802)	(119,932)	(81,062)	(205,323)	(496,119)
At December 31, 2016	<u>\$ 1,996</u>	<u>\$ 1,086</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,082</u>



# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

### 6. Property and Equipment

March 31, 2016	Field equipment	Office equipment	Leasehold improvements	Motor vehicle	Total
<b>Net book value</b>					
At March 31, 2015	\$ 3,913	\$ 31,600	\$ --	\$ 48,563	\$ 84,076
Amortization	(1,201)	(12,612)	--	(47,148)	(60,961)
At March 31, 2016	\$ 2,712	\$ 18,988	\$ --	\$ 1,415	\$ 23,115
Consisting of					
Cost	\$ 91,798	\$ 155,652	\$ 81,062	\$ 394,752	\$ 723,264
Accumulated amortization	(89,086)	(136,664)	(81,062)	(393,337)	(700,149)
At March 31, 2016	\$ 2,712	\$ 18,988	\$ --	\$ 1,415	\$ 23,115

### 7. Mineral Property Acquisition Costs

	Saza	Saza West	Makongolosi	Namibia <sup>1</sup>	Total
March 31, 2016					
& December 31, 2016	\$ 396,818	\$ 291,500	\$ 914,999	\$ --	\$ 1,603,317

<sup>1</sup> - Namibian mineral properties were obtained by prospecting or earn-in without any capitalised cash or share payments, and were sold during the current period (Note 7.e).

The SMP gold project consists of the areas described in the following sections a) b) c) & d):

#### a) Saza Licence, Tanzania

On December 19, 2005, the Company signed an option agreement with Thorn Tree Minerals Limited ("Thorn Tree"), a private Tanzanian mining company, through which the Company has earned a 100% interest in the Saza licence within the Lupa Goldfields in southwest Tanzania. The interest is subject to a 2% Net Smelter Royalty which can be reduced to 1% by paying Thorn Tree \$1,000,000 in cash prior to commencement of commercial production.

In order to vest its 100% interest, during the four year earn-in period the Company spent over \$2,000,000 on exploration over 4 years, and made cash and share payments totalling \$396,818 to Thorn Tree.

#### b) Saza West, Tanzania

On January 1, 2009, the Company signed an option agreement with Thorn Tree through which the Company has earned a 100% interest in the Saza West licence within the Lupa Goldfields in southwest Tanzania. The interest is subject to a 2% Net Smelter Royalty which can be reduced to 1% by paying Thorn Tree \$1,000,000 in cash prior to commencement of commercial production.

In order to vest its 100% interest, during the four year earn-in period the Company issued 1,025,000 common shares at a fair value of \$266,500 and made a cash payment of \$25,000 to Thorn Tree.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

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### 7. Mineral Property Acquisition Costs (continued)

#### c) Ilunga, Gap and Kwaheri (known as the Makongolosi projects), Tanzania

On January 9, 2007, the Company signed an option agreement with Dhahabu Resources and Mining Co. Ltd (“Dhahabu”), a private Tanzanian mining company, through which the Company has earned a 100% interest in three contiguous Prospecting Licences known as Ilunga, Gap and Kwaheri, that are within the Lupa Goldfields in southwest Tanzania. The interest is subject to a 2% Net Smelter Royalty which can be reduced to 1% by paying Dhahabu \$1,000,000 in cash (per licence) prior to commencement of commercial production.

In order to earn 100% interests in the licences, over an earn-in period of four years, the Company spent over \$3,000,000 on exploration, issued 150,000 common shares in fiscal 2007 at a fair value of \$120,000, and made cash/share payments with a total fair value of \$914,999 to Dhahabu.

#### d) Other, Tanzania

The Company holds other licences in Tanzania which form part of the SMP and are adjacent to those listed above. These licences were acquired directly, with minimal acquisition costs.

#### e) Namibia

On March 27, 2014, the Company signed a Letter of Intent (the “LOI”) with Damara Gold Corp. (“Damara”, formerly Solomon Resources Limited) whereby Damara could earn up to a 60% interest in Helio’s Damara Gold and Tin Project (DGP) in Namibia. By issuing 1,500,000 shares (500,000 received at March 31, 2016) and by spending \$1,500,000 on exploration over 3 years, Damara could have earned an initial 51% interest in the DGP.

On February 18, 2016, Helio announced that both Helio and Damara agreed transfer their respective interests in the DGP into Osino Resources Corp. (“Osino”), a privately held corporation. Damara and Helio agreed to cancel the earn in agreement established under the March 27, 2014 LOI. Helio subsequently agreed to assign a portion of its interest in Osino to a third party in exchange for a cash payment of \$456,000. After assignment, Helio initially owned 30.25% of the shares of Osino, and Damara initially owned 22% of the shares of Osino, prior to concluding any financing of Osino. The transaction’s closing was announced on May 31, 2016. Osino previously advised Helio that its ownership percentage had been reduced to 13.3% of Osino’s issued capital due to Osino having issued additional shares.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

### 8. Exploration Costs

Plinian Capital LLP (“Plinian”) is now the operator of the SMP Gold project, under the terms of the operating agreement, which was signed in conjunction with Plinian’s investment in the Company’s financing in May 2013. The operating agreement calls for fees of \$75,000 USD per quarter which were initiated on July 1, 2014. This fee was reduced to \$37,500 USD per quarter starting in July, 2016.

9 months ended December 31, 2016	Tanzania		Namibia	Total
	Saza	Makongolosi		
Field Expenses and Consumables	1,065	2,815	--	3,880
Geological Consulting	16,817	37,837	845	55,499
Licence and Permits	38,415	111,181	6,569	156,165
Metallurgical Testing	29,466	14,733	--	44,199
Operator Fee	59,960	134,910	--	194,870
Salaries and Wages	79,205	227,124	49,918	356,247
Exploration Office Expenses	15,987	41,657	1,307	58,951
Total Costs for the nine months ended December 31, 2016:	\$ 240,915	\$ 570,257	\$ 58,639	\$ 869,811

9 months ended December 31, 2015	Tanzania		Namibia	Total
	Saza	Makongolosi		
Field Expenses and Consumables	1,092	2,641	--	3,733
Geochemical Survey and Assays	924	2,156	--	3,080
Geological Consulting	17,136	38,259	845	56,240
Licence and Permits	34,215	95,029	4,921	134,165
Operator Fee	88,768	199,728	--	288,496
Transportation and Travel	5,039	14,311	9,621	28,971
Salaries and Wages	34,942	97,631	91,890	224,463
Shipping	1,027	--	--	1,027
Exploration Office Expenses	14,926	37,788	27,843	80,557
Recoveries	--	--	(110,791)	(110,791)
Total Costs for the nine months ended December 31, 2015:	\$ 198,069	\$ 487,543	\$ 24,329	\$ 709,941

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

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### 9. Share Capital

- a) Authorized share capital: Unlimited common shares without par value

In June, 2015, the exercise price of warrants was reduced to \$0.05 per share, with the exception of the warrants issued as finder's units.

On July 2, 2015, 6,140,000 warrants were exercised by a related party at \$0.05 for proceeds to the Company of \$307,000.

On November 4, 2015, 6,497,150 warrants were exercised by a related party at \$0.05 for proceeds to the Company of \$324,857.

On February 29, 2016, 7,362,850 warrants were exercised by a related party at \$0.05 for proceeds to the Company of \$368,142.

In June 2016, 11,500,000 warrants were exercised at \$0.05 for proceeds to the Company of \$575,000.

In October 2016, 2,054,000 shares were issued management and directors to settle an aggregate amount of \$102,700 owed to them for deferred fees and salaries. In addition, in November 2016, a further 9,600,000 shares were issued to Plinian, to settle an amount of \$480,000 owing to them. In both instances, the shares were issued at a deemed value of \$0.05, but a fair value of \$0.03. As a result of the fair value being lower than the deemed value, Helio realized a gain on debt settlement of \$233,080.

- b) Share-based payments

The Company has established a share purchase option plan whereby the Board of Directors may grant options to directors, officers, employees or consultants. The goal of this plan is to more closely align the interests of option-holders with the interests of shareholders.

The Company has been authorized by its shareholders to grant stock options numbering up to ten percent (10%) of the number of common shares issued and outstanding. Options granted are subject to a maximum term of ten years from the date of grant. The exercise price of an option must be determined in accordance with the share purchase option plan. Options vest after one year unless determined otherwise by the Board of Directors.

Details of stock option activity are as follows:

	Number of options	Weighted average exercise price
Outstanding, March 31, 2015 and 2016	8,700,000	\$0.16
Expired	(1,300,000)	\$0.45
Outstanding, December 31, 2016	7,400,000	\$0.11

# Helio Resource Corp.

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## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

### 9. Share Capital (continued)

The following table summarizes information about stock options outstanding to directors, officers, employees and consultants as at December 31, 2016:

Grant date	Expiry date	Exercise price	Number of options outstanding	Remaining contractual life (years)	Number of options exercisable
May 8, 2012	May 8, 2017	\$0.25	1,700,000	0.35	1,700,000
Oct. 1, 2014	Oct. 1, 2019	\$0.07	5,700,000	2.75	5,700,000
			7,400,000	2.20	7,400,000

The fair value of the stock options granted to both employees and non-employees has been calculated using the Black-Scholes Option Pricing Model, based on the following weighted average assumptions:

Grant date:	Oct. 1, 2014
Average risk-free interest rate	1.56%
Expected forfeiture rate over the life of the option	9.11%
Expected dividend yield	0.00%
Expected stock price volatility	116.47%
Average expected option life in years	4.0 years
Weighted average fair value per option at the measurement date	\$0.0318

Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options at the date of grant.

Stock based compensation expense is recorded both in exploration costs and in the Consolidated Statement of Comprehensive Income / (Loss) but was nil for both periods. Allocations are based on the number of options granted to employees, and their function – either exploration-project related, or administrative.

# Helio Resource Corp.

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## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

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### 9. Share Capital (continued)

#### c) Share Purchase Warrants

Details of share purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise price
As at March 31, 2015	66,238,000	\$0.12 <sup>†</sup>
Exercised	(20,000,000)	\$0.05
Expired	(25,000,000)	\$0.14
As at March 31, 2016	21,238,000	\$0.05 <sup>†</sup>
Exercised	(11,500,000)	\$0.05
Expired	(9,738,000)	\$0.05
As at December 31, 2016	--	--

<sup>†</sup> - All remaining non-broker warrants were repriced to \$0.05 in June 2015

The fair value of the warrants issued has been calculated using the Black-Scholes Option Pricing Model, based on the following weighted average assumptions:

	Year ended March 31, 2015
Average risk-free interest rate	1.03%
Expected dividend yield	0.00%
Expected stock price volatility	136%
Average expected warrant life in years	1.97 years

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2016

Expressed in Canadian dollars

### 10. Segmented Information

The Company has two operating segments, which are mineral exploration and development in Tanzania and Namibia. Neither segment generates revenue. Resources are allocated to projects. As the projects are in different countries, this equates to allocating resources by geographical area.

Total assets by geographical area:

	December 31, 2016	March 31, 2016
Canada	\$ 1,099,448	\$ 762,509
Namibia	--	26,288
Tanzania	1,682,255	1,720,185
	<u>\$ 2,781,703</u>	<u>\$ 2,508,982</u>

Cash amounting to \$555,810 (March 31, 2016 - \$639,477) was held in Canada, with lesser amounts being held in Tanzania (and in Namibia prior to its sale). Short-term deposits, if any, are held entirely in Canada.

Capital assets, including mineral properties, by geographic area:

	December 31, 2016	March 31, 2016
Canada	\$ 387	\$ 835
Namibia	--	1,418
Tanzania	1,606,012	1,624,179
	<u>\$ 1,606,399</u>	<u>\$ 1,626,432</u>

Net income (loss) by geographic area:

	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Canada	\$ (91,170)	\$ (438,417)
Namibia	930,512*	(62,664)
Tanzania	(867,830)	(782,081)
	<u>\$ (28,488)</u>	<u>\$ (1,283,162)</u>

\*The income is in relation to the sale of the Company's interests in the Damara Gold Project to Osino Resources further described in Note 7e).

Exploration expenses by geographic area:

	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Canada	\$ --	\$ --
Namibia	58,639	135,120
Namibia recovery	--	(110,791)
Tanzania	811,172	685,612
	<u>\$ 869,811</u>	<u>\$ 709,941</u>

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

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### 11. Related Party Transactions

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. Amounts due to related parties are included in accounts payable and accrued liabilities.

#### a) Legal services

During the nine month period, the Company received legal services of approximately \$30,000 (2015 – \$45,000) from a law firm, in which the Corporate Secretary of the Company is a partner. The balance owing was \$Nil at December 31, 2016, (2015 – \$44,000) and was included in accounts payable.

#### b) Key management personnel

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management includes the Company's directors and members of the senior management group. Details of key management personnel compensation is as follows:

	December 31, 2016	December 31, 2015
Salaries, fees and short-term employee benefits, including amounts recorded as exploration costs*	\$ 314,900	\$ 373,600
Downsizing costs	192,800	--
Directors' fees	17,000	24,500
Operator's fee*	194,900	288,900
Share-based payments	--	--
	<u>\$ 719,600</u>	<u>\$ 687,000</u>

\* - **Plinian Capital has agreed to reduce the operator's fee by 50%, and senior management have agreed to reductions in compensation of between 25% and 55%.**

Apart from legal services, \$22,000 was payable to related parties at December 31, 2016 and is included in due to related parties (2015 – \$474,000).

During the nine month period, the Company issued 11,654,000 shares at \$0.05 to settle an aggregate amount of \$582,700 owed to Plinian Capital, management and directors resulting in a gain on settlement of debt of \$233,080 (2015 - \$Nil), (Note 9a).



# Helio Resource Corp.

*(An Exploration Stage Company)*

## Notes to the Condensed Interim Consolidated Financial Statements

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*Expressed in Canadian dollars*

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### 12. COMMITMENTS

The Company has no exploration commitments, nor cash payments remaining to maintain its mineral property option agreements, and is subject only to the fees and expenditure requirements required by the governments in each jurisdiction.

Minimum operating lease payments for premises for the next fiscal year and thereafter are as follows:

Years ended March 31,		
2017	\$	23,000
2018 to 2020	\$	245,000
Thereafter		88,000