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# HELIO RESOURCE CORP.

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(An Exploration Stage Company)

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2015**

**Expressed in Canadian dollars**

**(Unaudited)**

*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 Statements of Financial Position

Canadian Dollars

Unaudited - Prepared by Management

<b>ASSETS</b>	December 31, 2015	March 31, 2015
<b>Current assets</b>		
Cash	\$ 559,766	\$ 1,260,964
Short-term deposits	35,956	73,705
Receivables and prepaids (Note 4.a)	81,156	269,977
Marketable securities (Note 5)	20,000	27,500
	<u>696,878</u>	<u>1,632,146</u>
<b>Non-current assets</b>		
VAT receivable (Note 4.b)	27,915	21,562
Security deposits	32,964	32,964
Property and equipment (Note 6)	38,056	84,076
Mineral property acquisition costs (Note 7)	1,603,317	1,603,317
	<u>\$ 2,399,130</u>	<u>\$ 3,374,065</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 386,431	\$ 740,237
Accrued liabilities	439,830	370,757
	<u>826,261</u>	<u>1,110,994</u>
<b>EQUITY</b>		
Share capital (Note 9)	44,215,381	43,299,900
Contributed surplus	12,044,516	12,347,037
Accumulated other comprehensive loss	(30,000)	(10,000)
Deficit	(54,657,028)	(53,373,866)
	<u>1,572,869</u>	<u>2,263,071</u>
	<u>\$ 2,399,130</u>	<u>\$ 3,374,065</u>

**Going Concern (Note 2)**

**Subsequent Events (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 Statements of Comprehensive Loss

Canadian Dollars

Unaudited - Prepared by Management

	For the three months ended December 31,		For the nine months ended December 31,	
	2015	2014	2015	2014
<b>Expenses</b>				
Amortization (Note 6)	\$ 15,394	\$ 19,575	\$ 46,020	\$ 59,489
Exploration costs (Note 8)	227,732	1,669,030	709,941	2,207,645
Filing and transfer agent fees	3,723	10,898	12,175	22,802
Professional fees (Note 11.a)	16,418	28,436	79,152	49,992
Marketing	9,771	50,340	41,797	77,669
Office and miscellaneous	16,107	25,007	70,265	79,565
Salaries, directors' fees and consulting (Note 11.b)	65,580	102,702	248,951	302,288
Share based payments (Note 9)	-	148,076	-	148,076
Travel	3,568	24,654	4,115	48,613
	<u>(358,293)</u>	<u>(2,078,718)</u>	<u>(1,212,416)</u>	<u>(2,996,139)</u>
<b>Other income / (loss):</b>				
Interest income	519	5,295	8,888	12,005
Foreign exchange gain / (loss)	(8,590)	2,832	(120,764)	699
Recovery of (Provision for) VAT receivable	-	(15,830)	41,130	(89,215)
	<u>(8,071)</u>	<u>(7,703)</u>	<u>(70,746)</u>	<u>(76,511)</u>
<b>Loss for the period</b>	<u>\$ (366,364)</u>	<u>\$ (2,086,421)</u>	<u>(1,283,162)</u>	<u>(3,072,650)</u>
<b>Other comprehensive loss:</b>				
Revaluation of marketable securities (Note 5)	(7,500)	-	(20,000)	-
<b>Comprehensive loss for the period</b>	<u>\$ (373,864)</u>	<u>\$ (2,086,421)</u>	<u>\$ (1,303,162)</u>	<u>\$ (3,072,650)</u>
<b>Loss per share - basic and diluted</b>	<u>\$ (0.002)</u>	<u>\$ (0.010)</u>	<u>\$ (0.006)</u>	<u>\$ (0.016)</u>
<b>Weighted average number of common shares outstanding:</b>				
	<u>229,586,170</u>	<u>218,078,959</u>	<u>223,938,099</u>	<u>192,678,144</u>

- 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
April 1, 2014	135,602,959	\$ 40,252,475	\$ 11,426,188	\$ -	\$ (49,713,117)	\$ 1,965,546
Private placement	80,100,000	3,301,928	821,872	-	-	4,123,800
Share issuance costs	2,376,000	(254,503)	(65,712)	-	-	(320,215)
Stock option vesting	-	-	164,689	-	-	164,689
Loss for the period	-	-	-	-	(3,072,650)	(3,072,650)
December 31, 2014	218,078,959	43,299,900	12,347,037	-	(52,785,767)	2,861,170
April 1, 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

- 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,	
	2015	2014	2015	2014
<b>Cash flows from operating activities</b>				
Loss for the period:	\$ (366,364)	\$ (2,086,421)	\$ (1,283,162)	\$ (3,072,650)
Non-operating interest income	(519)	(5,295)	(8,888)	(12,005)
Items not affecting cash:				
Amortization	15,394	19,575	46,020	59,489
Provision for VAT receivable	-	15,830	(41,130)	89,215
Exploration recovery received in shares	-	-	(12,500)	(37,500)
Share-based payments (Note 9)	-	164,689	-	164,689
Changes in non-cash working capital:				
Receivables and prepaids	133,113	10,778	188,821	(21,386)
Accounts payable and accrued liabilities	35,928	1,079,213	(284,733)	789,364
Changes in non-current operating assets:				
VAT receivable	(1,598)	(16,311)	34,777	(27,578)
Cash used in operating activities	(184,046)	(817,942)	(1,360,795)	(2,068,362)
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	-	(36,690)	-	(37,021)
Purchase of short-term deposits	-	-	-	(1,050,000)
Redemption of short-term deposits	-	100,000	35,000	200,000
Interest received	478	895	11,637	3,805
Security deposits	-	-	-	28,000
Cash provided by investing activities	478	64,205	46,637	(855,216)
<b>Cash flows from financing activities</b>				
Proceeds from the issuance of shares and warrants	331,914	-	631,856	4,005,000
Share issuance costs	(7,058)	(13,329)	(18,896)	(201,415)
Cash provided by financing activities	324,856	(13,329)	612,960	3,803,585
<b>Net change in cash</b>	141,288	(767,066)	(701,198)	880,007
<b>Cash - beginning of period</b>	418,478	1,931,565	1,260,964	284,492
<b>Cash - end of period</b>	\$ 559,766	\$ 1,164,499	\$ 559,766	\$ 1,164,499
<b>Cash is composed of:</b>				
Cash	\$ 9,739	\$ 5,417	\$ 9,739	\$ 5,417
Deposits held by financial institution	550,027	1,159,082	550,027	1,159,082
	\$ 559,766	\$ 1,164,499	\$ 559,766	\$ 1,164,499

- 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, 2015

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 and the Damara Gold Project ("DGP") in Namibia.

### 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 Namibia and 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, 2015, the Company has no source of revenue, has a deficit of \$54,657,028 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 existence of economically recoverable mineral reserves, 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. Although the Company has been successful in the past in obtaining financing, and raised additional funds subsequent to December 31, 2015 (Note 12), 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, 2015, as issued and outstanding as of February 29<sup>th</sup>, 2016, 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, 2015.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

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, 2015.

#### 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 were adopted on April 1, 2015 as a result of changes to standards and resulted in no material impact to the financial statements. For a summary of significant accounting policies, changes to accounting standards adopted at April 1, 2015, 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, 2015.

### 4. Receivables and Prepaids

#### a) Receivables and prepaids

	December 31, 2015	March 31, 2015
Prepaid expenses	\$ 44,984	50,103
Due from related party	7,439	6,427
Receivables	1,082	--
Sales tax receivable - Tanzania	9,628	168,732
Sales tax receivable - Namibia	6,894	21,563
Sales tax receivable - Canada	11,129	23,152
	<u>\$ 81,156</u>	<u>269,977</u>

Sales tax receivables are sales taxes that are expected to be recoverable from the governments in the various jurisdictions within the next year. The *Sales Tax Receivable – Namibia* amounts are past due, but amounts have historically been collected after some delay. A provision has been taken for expected costs of recovery. Full recovery of the amounts shown is expected.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

Canadian dollars

### 4. Receivables and Prepaids (continued)

#### b) VAT receivable

	December 31, 2015	March 31, 2015
Sales tax receivable - Tanzania	\$ 27,915	21,562

VAT receivable consists of sales tax receivables which are expected to be collected in future fiscal years. They have been discounted to their present value, based on the Company's expectation of the likely timing of the receipt of the receivable. In addition, the Company has experienced delays in receiving payment after filing applications for refunds of certain input tax credits in Tanzania. As a result, a provision of \$238,000 (March 31, 2015 - \$307,000) is offsetting the underlying amount of the receivable in recognition of the credit risk, as well as the anticipated costs of collection.

### 5. Marketable Securities

As part of an agreement with Damara Gold Corp. ("Damara"), the Company received shares of Damara. This agreement is further described in Note 7e).

Date	Total # of Damara Gold shares held	Fair value per share	Fair value Total
March 31, 2015	250,000	12.5¢	\$27,500
December 31, 2015	500,000	4.0¢	\$20,000

### 6. Property and Equipment

Details are as follows:

December 31, 2015	Field equipment	Office equipment	Leasehold improvements	Motor vehicle	Total
<b>Net book value</b>					
At April 1, 2015	\$ 3,913	\$ 31,600	\$ --	\$ 48,563	\$ 84,076
Amortization	(930)	(9,479)	--	(35,611)	(46,019)
At Dec. 31, 2015	\$ 2,983	\$ 22,121	\$ --	\$ 12,952	\$ 38,056
Consisting of					
Cost	91,798	155,652	81,062	394,752	723,264
Accumulated amortization	(88,815)	(133,531)	(81,062)	(381,800)	(685,208)
At Dec. 31, 2015	\$ 2,983	\$ 22,121	\$ --	\$ 12,952	\$ 38,056



# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

Canadian dollars

### 6. Property and Equipment (continued)

March 31, 2015	Field equipment	Office equipment	Leasehold improvements	Motor vehicle	Total
<b>Net book value</b>					
At April 1, 2014	\$ 15,493	\$ 4,445	\$ 17,735	\$ 100,933	\$ 138,606
Additions	3,783	37,217	--	--	41,000
Amortization	(15,363)	(10,062)	(17,735)	(52,370)	(95,530)
At March 31, 2015	\$ 3,913	\$ 31,600	\$ --	\$ 48,563	\$ 84,076
Consisting of					
Cost	\$ 91,798	\$ 155,652	\$ 81,062	\$ 394,752	\$ 723,264
Accumulated amortization	(87,885)	(124,052)	(81,062)	(346,189)	(639,188)
At March 31, 2015	\$ 3,913	\$ 31,600	\$ --	\$ 48,563	\$ 84,076

### 7. Mineral Property Acquisition Costs:

Details are as follows:

	Saza	Saza West	Makongolosi	Namibia <sup>1</sup>	Total
Cost					
March 31, 2015					
& Dec. 31, 2015	\$ 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.

#### 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, the Company spent over \$2,000,000 on exploration over 4 years, and made cash and share payments totalling \$396,818 to Thorn Tree over the earn-in period.

#### 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, 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 over the four year earn-in period.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

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 (issued 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 the SMP and are adjacent to those listed above. These licences were acquired by staking, with minimal acquisition costs.

- e) Namibia

On March 27, 2014, the Company announced the signing of a Letter of Intent with Damara Gold Corp. (“Damara”) whereby Damara could earn up to a 60% interest in Helio’s Damara Gold and Tin Project (DGP) in Namibia.

Subsequent to December 31, 2015, Helio announced an agreement with Damara to merge both companies’ interests in DGP into a private company. Please refer to Note 12, Subsequent Events, for a description of the agreement.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

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 May, 2013 investment in the Company. The operating agreement calls for fees of \$75,000 USD per quarter.

Nine 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
Salaries and Wages	34,942	97,631	91,890	224,463
Shipping	1,027	--	--	1,027
Transportation and Travel	5,039	14,311	9,621	28,971
Exploration Office Expenses	14,926	37,788	27,843	80,557
Recovery of Costs	--	--	(110,791)	(110,791)
Total exploration costs for the nine months ended Dec. 31, 2015:	\$ 198,069	\$ 487,543	\$ 24,329	\$ 709,941

Nine months ended December 31, 2014	Tanzania		Namibia	Total
	Saza	Makongolosi		
Drilling	\$ 272,583	\$ 794,369	\$ -	\$ 1,066,952
Field Expenses and Consumables	11,577	15,912	299	27,788
Geological Consulting	122,938	249,979	1,102	374,019
Geochemical Survey and Assays	61,105	76,339	659	138,103
Geophysical Surveys	1,660	3,387	-	5,047
Licence and Permits	29,443	89,271	6,378	125,092
Salaries and Wages	80,467	184,038	70,631	335,136
Share-based Payments	4,680	11,296	635	16,611
Shipping	5,932	10,524	-	16,456
Transportation and Travel	20,295	38,580	3,079	61,954
Exploration Office Expenses	34,771	82,103	79,160	196,034
Recovery of Costs	-	-	(155,547)	(155,547)
Total exploration costs for the nine months ended Dec. 31, 2014:	\$ 645,451	\$ 1,555,798	\$ 6,396	\$ 2,207,645

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

Canadian dollars

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### 9. Share Capital

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

In 2014, the Company closed a \$4.05 million private placement equity financing in two tranches. The first tranche on June 13, 2014, and the second on July 25, 2014. Terms were identical for both tranches of the financing. The Company issued a total of 80,100,000 Units of the Company at \$0.05 per Unit for net proceeds of \$3,047,425 after issuance costs. Each unit consisted of one common share and one half of one common share purchase warrant. Each full warrant entitled the holder to acquire one common share at a price of \$0.10 for a period of two years following the respective closings. The fair value of the warrants was determined to be \$821,872 and was recorded in contributed surplus. Commissions of 6% in cash and 6% in finders units (2,376,000 units) of the Company (on terms similar to the units), were paid and issued on a portion of the first tranche of the financing. The fair value of the finders units was determined to be \$142,391 and was recorded as share issuance costs.

In June, 2015, the exercise price of the 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.

See also Note 12, *Subsequent Events*, for a description of warrants exercised subsequent to December 31, 2015.

#### 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, April 1, 2014	4,250,000	\$0.42
Granted	5,700,000	\$0.07
Expired	(1,250,000)	\$0.61
Outstanding, March 31, 2015 and December 31, 2015	8,700,000	\$0.16

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

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, 2015:

Grant date	Expiry date	Exercise price	Number of options outstanding	Remaining contractual life (years)	Number of options exercisable
Jun. 27, 2011	Jun. 27, 2016	\$0.45	1,300,000	0.5	1,300,000
May 8, 2012	May 8, 2017	\$0.25	1,700,000	1.4	1,700,000
Oct. 1, 2014	Oct. 1, 2019	\$0.07	5,700,000	3.8	5,700,000
			8,700,000	2.8	8,700,000

The fair value of the stock options granted for 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	May 8, 2012	Jun. 27, 2011
Average risk-free interest rate	1.56%	1.40%	2.18%
Expected forfeiture rate over the life of the option	9.11%	13.65%	13.65%
Expected dividend yield	0.00%	0.00%	0.00%
Expected stock price volatility	116.47%	106.26%	104.39%
Average expected option life in years	4.0 years	4.2 years	4.7 years
Weighted average fair value per option at the measurement date	\$0.0318	\$0.1404	\$0.2339

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 Statements of Comprehensive 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.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

Canadian dollars

### 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 April 1, 2014	25,000,000	\$0.14
Issued	41,238,000	\$0.10
As at March 31, 2015	66,238,000	\$0.12
Exercised	(12,637,150)	\$0.05
Expired	(25,000,000)	\$0.14
As at Dec. 31, 2015	28,600,850	\$0.06 <sup>†</sup>

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

See also Note 12, *Subsequent Events*, for a description of warrants exercised subsequent to December 31, 2015.

As at December 31, 2015, the outstanding share purchase warrants were as follows:

Expiry Date	Exercise Price	Number of Warrants
June 13, 2016	\$0.10	1,188,000
June 13, 2016	\$0.05	16,912,850
July 25, 2016	\$0.05	10,500,000

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

	Issued in the year ended March 31, 2015	Issued in the year ended March 31, 2014
Average risk-free interest rate	1.10%	1.03%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	136%	106.5%
Average expected warrant life in years	1.97 years	1.96 years

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2015

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:

	Dec. 31, 2015	March 31, 2015
Canada	\$ 542,966	\$ 1,286,448
Namibia	40,977	170,979
Tanzania	1,815,187	1,916,638
	<u>\$ 2,399,130</u>	<u>\$ 3,374,065</u>

Cash amounting to \$417,000 (March 31, 2015 - \$1,109,000) was held in Canada, with lesser amounts being held in Namibia and Tanzania. Short-term deposits are held entirely in Canada.

Capital assets, including mineral properties, by geographic area:

	Dec. 31, 2015	March 31, 2015
Canada	\$ 1,022	\$ 1,589
Namibia	6,460	21,898
Tanzania	1,633,891	1,663,906
	<u>\$ 1,641,373</u>	<u>\$ 1,687,393</u>

Net loss by geographic area:

	Nine months ended Dec. 31, 2015	Nine months ended Dec. 31, 2014
Canada	\$ (438,417)	\$ (687,147)
Namibia	(62,664)	(43,652)
Tanzania	(782,081)	(2,341,851)
	<u>\$ (1,283,162)</u>	<u>\$ (3,072,650)</u>

Exploration expenses by geographic area:

	Nine months ended Dec. 31, 2015	Nine months ended Dec. 31, 2014
Canada	\$ --	\$ --
Namibia	135,120	161,943
Namibia recovery	(110,791)	(155,547)
Tanzania	685,612	2,201,249
	<u>\$ 709,941</u>	<u>\$ 2,207,645</u>

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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.

#### a) Legal services

During the nine-month period, the Company received legal services of approximately \$50,000 (2014 – \$75,000) from a law firm, in which the Corporate Secretary of the Company is a partner. The balance owing was \$44,000 at December 31, 2015, and is included in accounts payable (2014 – \$27,000).

#### 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, members of the senior management group, and the operator of the SMP. Details of key management personnel compensation is as follows:

	Nine months ended Dec. 31, 2015	Nine months ended Dec. 31, 2014
Salaries and short-term employee benefits, including amounts recorded as exploration costs	\$ 373,600	\$ 406,900
Directors' fees	24,500	32,100
Operator fees	288,900	180,400
Share based payments	--	154,600
	<u>\$ 687,000</u>	<u>\$ 774,000</u>

Apart from legal services, \$474,000 was payable to key management personnel at December 31, 2015 and is included in accounts payable and accrued liabilities (2014 – \$3,000).

### 12. Subsequent Events

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

On February 18, 2016, Helio announced that both Helio and Damara will transfer their respective interests in the Damara Gold Project ("DGP") into Osino Resources Corp. ("Osino"), a privately held corporation. Damara has agreed to cancel the earn-in agreement (Note 7.e) whereby Damara could earn up to 60% of the DGP in Namibia. Post-consolidation, Helio will own 60.5% of the shares of Osino, and Damara will own 22% of the shares of Osino, prior to concluding any financing of Osino. Closing of the transaction is subject to a number of conditions, including Osino concluding a financing on terms acceptable to both Helio and Damara.