



HELIO RESOURCE CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three and six month periods ended

September 30, 2015

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

INTRODUCTION

This MD&A was prepared by management as at November 27, 2015, and has been reviewed and approved by the Board of Directors. The following discussion of performance, financial condition and future prospects should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements of Helio Resource Corp. (“Helio” or the “Company”) and the related notes thereto for the quarter ended September 30, 2015, as well as the March 31, 2015, audited consolidated financial statements and notes. The information provided herein supplements, but does not form part of the financial statements. This discussion covers the quarter ended September 30, 2015, and the subsequent period up to the date of issue of this MD&A. Monetary amounts in the following discussion are in Canadian dollars unless otherwise noted.

Additional information, including annual audited consolidated financial statements and more detail on specific mineral properties discussed in this MD&A can be found on the Company’s page at www.sedar.com or on its website, www.helioresource.com.

This MD&A contains Forward-Looking Information.
Please read the Cautionary Statements on page 3 carefully.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information and forward-looking statements as defined in applicable securities laws (together, "Forward-Looking Information"). All statements other than historical fact are forward-looking statements.

The statements reflect the current beliefs of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors which could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed in or implied by the forward-looking statements. This forward-looking information, principally under the heading "Outlook," but also elsewhere in this document, includes estimates, forecasts, plans and statements as to the Company's current expectations concerning, among other things, continuance as a going concern, collection of receivables, the estimation of mineral resources, stability of various governments, continuation of rights to explore and mine, anticipated conclusions of economic assessments of projects, requirements for additional capital, the availability of financing, and the future development and costs and outcomes of the Company's Tanzanian and Namibian exploration projects.

Forward-looking statements are based on a number of assumptions, including, but not limited to, assumptions regarding general business and economic conditions, interest rates, the global and local supply and demand for labour and other project inputs, changes in commodity prices in general (in particular, the price of gold), the timing of the receipt of regulatory and governmental approvals for our exploration projects, changes to legislation, conditions in financial markets (in particular, the continuing availability of financing), our ability to attract and retain skilled staff, our ability to procure equipment and operating supplies, the receipt of positive results from our exploration projects in Tanzania and Namibia, our ability to obtain exploration licenses and license renewals for our operations, and our ongoing relations with governments, our employees and business partners. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause actual results to vary materially.

Factors that may cause actual results to vary include, but are not limited to: actual exploration results, actual experience in collecting receivables, changes in interest and currency exchange rates, acts of foreign governments, delays in the receipt of government approvals, inaccurate geological and engineering assumptions, unanticipated future operational difficulties (including cost escalation, unavailability of materials and equipment, industrial disturbances or other job action, and unanticipated events related to health, safety and environmental matters), political risk (including the risk that the rights to mine the properties explored in Tanzania or Namibia may be rescinded by the governments or otherwise lost), social unrest, failure of counterparties to perform their contractual obligations, changes in general economic conditions or conditions in the financial markets and other risk factors as detailed from time to time in the Company's reports and public filings with the Canadian securities administrators, filed on SEDAR. The Company does not assume the obligation to revise or update forward-looking information after the date of this document nor to make revisions to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

BUSINESS OF THE COMPANY

The principal business of the Company is the exploration and development of its gold projects in Tanzania (the SMP Gold Project) and Namibia (the Damara Gold Project). The Company is involved in all aspects of operations in both jurisdictions.

The Company is a reporting issuer in British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol HRC.

OUTLOOK

The Company completed this second quarter of fiscal 2016 with cash and short-term deposits of \$454,000. The current investment climate for exploration and development companies remains extremely challenged, with both retail and institutional investors either withdrawing from the sector completely or focussing on production companies for investment opportunities.

Subsequent to the end of the quarter (November 4, 2015) CE Mining exercised 6,497,150 warrants for proceeds to the Company of \$324,858. These funds will be used for general corporate working capital.

The Company is comforted by the fact that it has a robust, high quality resource, with good grades and good metallurgical characteristics, secure licence tenure (the main licences have been converted to 5-year term Retention Licences), and has strong support from its major shareholder, CE Mining.

The current objectives of the Company are to:

1. Evaluate all options for advancing the SMP Gold Project to a production decision. These include, but are not limited to, financing further drilling to outline additional resource ounces, attracting joint venture partners to assist in the project advancement, and selling the project outright.
2. Work with and operate on behalf of the Company's joint venture partner, Damara Gold Corp., to conduct the next stage of exploration at the DGP Gold Project in Namibia.
3. Continue focusing on reducing outward cash-flow, particularly in relation to overhead and corporate costs. In this regard, management has reduced salaries by 50% (the balance being deferred) while both independent directors and Plinian Capital Ltd have deferred the collection of 100% of their fees.

Additional funds will be required in order to meet the Company's current contractual obligations, some of which was raised through the warrants exercised November 4. The Company's ability to continue as a going concern is dependent upon a number of factors – principally on the Company's ability to create positive cash flow in the short term.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

HIGHLIGHTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Financial Activity

6,140,000 warrants were exercised at \$0.05 on July 2, 2015, providing proceeds of \$307,000 to the Company.

The Company is pleased to announce the receipt of an additional 250,000 shares of Damara Gold Corp on July 9, 2015, representing the second share-payment required under the DGP mineral property option agreement.

In addition, on July 16, 2015, the Company received Tanzanian Shillings ("TSh") 253,000,000 (approximately C\$150,000) from the Tanzanian Revenue Authority in relation to VAT refunds.

Exploration Activity

SMP Gold Project, Tanzania

Following the release of the Company's NI 43-101 Resource Report on SEDAR in April, 2015, the Company has sought to minimize expenditures in order to conserve cash. Highlights of the Resource Report included:

- The total Indicated Resource is 7.5 million tonnes ("Mt") grading 2.4 grams per tonne ("g/t") gold (Au) for 590,000 ounces (oz) Au contained.
- This can be broken down into 5.9 Mt grading 1.8 g/t Au for 332,000 oz inside a pit-constrained shell at US\$1,400/oz gold price and 1.6 Mt grading 4.9 g/t for 258,000 ounces of potentially underground mineable material.
- The total Inferred Resource is 0.56 Mt at 2.5 g/t Au containing 45,000 oz Au in the same pit constrained shell and underground configurations.
- The higher-grade underground resource bodies are all open at depth.
- The new high-grade zones at Gap encourage further follow-up, especially the western shoot, which returned an intercept of 4 metres grading 30 g/t Au (see news release dated January 29, 2015).

Production nearby

As an indication of the development occurring in the area immediately surrounding the SMP Gold Project, Shanta Gold, an AIM-listed gold mining company, commenced production from its New Luika Gold Mine in 2012. Shanta reported production of 64,000 ounces of gold in 2013, 84,000 ounces of gold in 2014 and has issued production guidance of 72,000 to 77,000 ounces for FY 2015.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

Readers are cautioned that the preceding statement is not an indication that such an outcome will occur at the Company's SMP Project, but does demonstrate that the Saza Goldfields host gold occurrences that support mine development.

Damara Gold & Tin Project ("DGP"), Namibia

Joint Venture Agreement

Helio announced on March 27, 2014, that it had signed Letter of Intent with Damara Gold Corp. ("Damara" formerly Solomon Resources Ltd) to further develop the 722 km² Damara Gold and Tin Project (DGP) in Namibia. Under the agreement, Damara can earn up to a 60% interest in DGP by spending up to \$3 million on exploration and by issuing up to 2 million Damara shares to the Company over four years. The first payment of 250,000 Damara shares was received on July 22, 2014. In addition, on July 8, 2015, Damara issued an additional 250,000 Damara shares to Helio as the second payment due under the terms of the agreement.

Upon successful completion of the earn-in, the Companies will form a joint venture to further develop the project.

Exploration

Helio conducted successful exploration programmes from 2011 to 2013 on the DGP project, resulting in the discovery of the GoldKop target, the most advanced of Helio's projects within the DGP. Drill results returned multiple mineralised intercepts, including 7m @ 9 g/t Au, 12m @ 6.8 g/t Au, 14m @ 3.1 g/t Au and 4m @ 11.6 g/t Au. Drilling has been conducted over a 1 kilometre ("km") strike length, and mineralisation is still open. In addition, some high-grade copper and silver values were also encountered. The best intercept drilled by Helio to date at GoldKop is 7 m grading 9 g/t Au, 73 g/t silver ("Ag") and 4.4% copper ("Cu"). Additional coincident gold-in-soil and Induced Polarization ("IP") geophysical targets are ready for drill testing.

Damara plans to fund exploration on the DGP including further geophysics (gravity and ElectroMagnetic ("EM")) to confirm the orientation of the high-grade auriferous zones, with the ultimate aim being to define a maiden resource at GoldKop. Metallurgical test-work will also be conducted. In tandem, other geochemical targets will be advanced to the drill-ready stage.

In addition, as previously reported, the Company has identified a tin (Sn) prospect located within the DGP project area. Old records indicate that tin was produced sporadically between the 1930s and the 1980s. Two areas of old workings, about 1 km apart, have been identified, that include declines to 60 m depth, at least 150 m of development drives along mineralised zones, and surface costeans (small pits) up to 300 m long. A sample from the underground workings returned 1.6% tin ("Sn"), 349 parts-per-million ("ppm") tantalum ("Ta"), 274 ppm niobium ("Nb"), and 0.1 g/t Au. The Sn occurs as coarse cassiterite.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

EVENTS SUBSEQUENT TO THE PERIOD ENDED SEPTEMBER 30, 2015

Financial activity

6,497,150 warrants were exercised at \$0.05 on November 4, 2015, for proceeds to the Company of \$324,858.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

At present, the Company has no mineral-producing properties and therefore has no revenue from any mineral properties.

Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of the Company and is derived from unaudited quarterly consolidated financial statements prepared by management. The Company's condensed interim consolidated financial statements are prepared in accordance with IFRS applicable to interim financial statements and are expressed in Canadian dollars.

Period	Loss from Operations and Net Loss	Comprehensive Loss	Basic and Diluted Loss per Share from Operations and Net Loss per Share
September 30, 2015	\$ (506,680)	\$ (519,180)	\$ (0.00)
June 30, 2015	(410,118)	(410,118)	(0.00)
March 31, 2015	(588,099)	(598,099)	(0.00)
December 31, 2014	(2,086,421)	(2,086,421)	(0.01)
September 30, 2014	(627,726)	(627,726)	(0.00)
June 30, 2014	(358,503)	(358,503)	(0.00)
March 31, 2014	(423,462)	(423,462)	(0.00)
December 31, 2013	(654,458)	(654,458)	(0.00)
September 30, 2013	\$ (460,357)	\$ (460,357)	\$ (0.00)

The variation in the Company's quarterly net loss over the past eight quarters is largely due to the variation in exploration activity on the Company's properties, which, in turn, varies with the forecasted availability of funds. Over the past eight quarters, the Company has maintained a focus on progressively reducing costs and preserving capital. However, a small drill program was conducted in the quarter ended December 31, 2013, to confirm the geological model and the orientation of shoots containing higher grade mineralisation.

HELIO RESOURCE CORP.

Management Discussion & Analysis Quarter ended September 30, 2015

In addition, an 8,000 m drill program was conducted in the quarter ended December 31, 2014. The objective of the program was to add higher-grade resource ounces down plunge from existing resources at Porcupine and to add near surface resource ounces at Gap and Konokono.

Three months ended September 30, 2015

The financial results for the quarter ended September 30, 2015 ("Q2-15") reflect the restrained activity level of the Company during the period.

The loss for Q2-15 was \$506,680, lower than the loss of \$627,726 for the three months ended September 30, 2014 ("Q2-14"). This fluctuation is primarily due to three factors: exploration costs, provision or recovery of VAT receivable, and foreign exchange gain or loss.

The recovery of VAT receivable has improved by \$115,000 as compared with Q2-14, as a result of collecting VAT receivables that were previously provided for. Exploration costs have decreased by approximately \$91,000 in the current quarter, as a result of increased cost-recoveries, and decreased exploration office expenses. In addition, the foreign exchange loss increased from a recovery of \$4,918 (Q2-14) to a loss of \$75,842 (Q2-15). This is a result of a number of factors, including the strengthening of the US dollar during Q2-15 while the Company held a net USD payables balance, combined with the weakening of the Tanzanian Shilling while the company held a net TZS cash balance.

Notably, salaries, director's fees and consulting have decreased slightly as the impact of the voluntary reduction in CEO salary, near the end of the quarter, begins to impact costs. This reduction is in addition to the deferral of payment of 50% of officer salaries while both independent directors and Plinian Capital Ltd have deferred the collection of 100% of their fees.

The Q1-15 comprehensive loss was \$12,500 greater than the comparative quarter due to the revaluation of marketable securities, which was not required in Q2-14

Six months ended September 30, 2015

The financial results for the six months ended September 30, 2015 ("H1-15") reflect Helio's continued corporate cost-minimization strategies.

The loss for H1-15 was \$916,798, slightly smaller than the loss of \$986,229 for the six months ended September 30, 2014 ("H1-14"). This decrease is primarily due to three factors: the provision for or recovery of VAT receivable, the foreign exchange gain or loss, and exploration costs.

The recovery of VAT receivable has improved by \$115,000 as compared with H1-14, as a result of collecting VAT receivables that were previously provided for. Offsetting this, the foreign exchange loss increased from a recovery of \$2,133 (H1-14) to a loss of \$112,174 (H1-15). This is a result of a number of factors, including the strengthening of

HELIO RESOURCE CORP.

Management Discussion & Analysis Quarter ended September 30, 2015

the US dollar during H1-15 while the Company held a net USD payables balance, combined with the weakening of the Tanzanian Shilling while the company held a net TZS cash balance. In addition, cost savings and cost recoveries in exploration costs have resulted in a decrease of approximately \$56,000 in the current quarter.

The H1-15 comprehensive loss was \$12,500 greater than H1-14 due to the revaluation of marketable securities, which was not required in H1-14

Liquidity, Capital Resources and Cash Flow Analysis

The Company's primary sources of funding have been from the issuance of common shares and warrants with additional funds coming from joint venture agreements and the occasional sale of equipment. While funds were raised during the current fiscal year, management remains concerned about the Company's ability to raise additional funding amid ongoing uncertainty in global financial markets, and the prevailing investment climate of risk aversion toward exploration-stage mining projects.

The increase in cash and short-term deposits since year-end reflects a substantial increase in liquidity, as a result of the funds raised during the year. The Company's short-term deposits are held as fixed-rate cashable Guaranteed Investment Certificates (GIC's) issued by Canadian chartered banks and credit unions covered by deposit insurance (CDIC or CUDIC). The initial term of these instruments is one year. Upon the request of the Company, the investments may be partially or fully redeemed before the maturity date without penalty.

The most recent private placement was completed in two tranches, in June and July, 2014, and is more fully described in the unaudited condensed interim consolidated financial statements for the six months ended September 30, 2015. Also, on July 2, 2015, 6,140,000 warrants were exercised for proceeds to the Company of \$307,000, with additional warrants exercised subsequent to September 30, 2015. These funds were used primarily to pay for license renewals and for general corporate working capital. In addition, on July 16, 2015, the Company received 253 million Tanzanian Shillings (approximately C\$150,000) from the Tanzanian Revenue Authority in relation to VAT refunds.

Additional funds will be required in order to meet the Company's current contractual obligations.

The Company's ability to continue as a going concern is dependent upon a number of factors – principally on the Company's ability to create positive cash flow in the short term either by obtaining the necessary financing to undertake additional exploration and development of its mineral property interests, by creating one or more additional joint ventures with a partner in order to achieve the foregoing, or by selling one or more mineral property interests.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

Financial Instruments

The Company's financial instruments consist of cash, short-term deposits, receivables, security deposits, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest risk arising from the financial instruments. The Company is exposed to credit risk in relation to the VAT receivables balances, particularly those receivable from the Tanzania Revenue Authority ("TRA"). A provision has been taken in relation to certain receivable amounts from the TRA that have been outstanding for an extended period of time. Interest risk and credit risk are managed for short-term deposits by maintaining them in redeemable GIC's or Savings Accounts belonging to a major Canadian bank or credit union. Credit risk is managed for receivables by seeking prompt payment, monitoring the age of receivables, and making follow up inquiries when receivables are not paid in a timely manner. The Company manages its currency risk by periodically adjusting the principal foreign currency cash balances to approximately match foreign currency payables. This helps to reduce the Company's gains and losses as a result of fluctuations in foreign exchange rates. Interest on short-term deposits is classified as interest income on the Consolidated Statements of Comprehensive Loss. There are no gains, losses or expenses associated with this financial instrument. The Company does not engage in any hedging activities. Other financial instruments do not generally expose the Company to risk that is significant enough to warrant reducing via purchasing specific insurance or offsetting financial instruments. Further discussion of these risks is made available in Note 6.b of the audited consolidated financial statements for the year ended March 31, 2015.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The Company has provided a breakdown of expensed exploration costs in Note 8 of the unaudited condensed interim consolidated financial statements for the six months ended September 30, 2015. In addition, significant components of general and administrative expenses are shown separately on the *Consolidated Statements of Comprehensive Loss*, also part of the unaudited condensed interim consolidated financial statements for the six months ended September 30, 2015.

RISK FACTORS

The Company is exposed to the following risks, in addition to those risks noted elsewhere in this MD&A.

Macroeconomic Risk

The significant outflow of capital from the resource sector, particularly the exploration sector, has led to a substantial reduction in the availability of funding for exploration companies. This situation has severely affected the ability for exploration companies to access capital through traditional means. If these factors persist over the long term, companies will become insolvent, and/or projects will take longer to develop, or may not be developed at all.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

Political Policy Risk

Numerous governments around the world are looking at ways to secure additional benefits from the resource sector, an approach recognized as “*Resource Nationalism*.” Mechanisms used by governments include increases to royalty rates and corporate tax rates, implementation of “windfall or super taxes”, and carried or free-carried interests to the benefit of the state. Extreme cases in Venezuela and Argentina have resulted in the nationalization of active mining interests. Such changes are viewed negatively in the investment community and can lead to share price erosion, and added difficulty in accessing capital to advance projects.

Licensing Risk

The Company is reliant on the respective Ministries of Mines in the jurisdictions in which it operates in order to properly track licences granted to explore certain regions. The Company routinely needs to obtain new licences, renew existing licences or convert licences from one type to another, and occasionally needs to register a change in a licence owner when earn-in requirements have been met. The Company must rely on the Ministries to complete these transactions fairly, accurately and properly. The Company must also rely on the various arms of governments to help prevent illegal mining on the Company’s claims.

Exploration Risk

Mineral exploration and development involve a high degree of risk and few projects are ultimately developed into producing mines. There is no assurance that the Company’s future exploration and development activities will result in the definition of a commercial ore body. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including environmental regulations.

Financial Capability and Additional Financing

The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the issuance of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to execute its business plan, particularly with ongoing uncertainty in the global financial markets, and the prevailing investment climate of risk aversion. A discussion of risk factors particular to financial instruments is presented in Note 6.b of the audited consolidated financial statements for the year ended March 31, 2015.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

Commodity Prices

The strength of the mineral industry varies with the price of metals. The prices of gold and other commodities have fluctuated widely in recent years and are affected by factors beyond the control of the Company including, but not limited to, international economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends, speculative activities and changes in the supply of gold due to new mine developments, mine closures as well as advances in various production and use technologies of gold. All of these factors will have impacts on the viability of the Company's exploration projects that are impossible to predict with certainty.

Environment

Both the exploration and any future production phases of the Company's operations will be subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations.

Financial Instrument Risk

As a result of its use of financial instruments, the Company is subject to credit risk, interest rate risk, currency risk, liquidity risk and other price risk. Apart from currency and credit risk, these risks are considered to be small. These risks are discussed comprehensively in Note 6.b of the audited consolidated financial statements for the year ended March 31, 2015.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

RECENT ACCOUNTING PRONOUNCEMENTS

Newly Adopted Accounting Standards

Certain new accounting standards, amendments and interpretations were adopted by the Company for the first time in the current year. The adoption of these new standards has had no material impact on the Company's financial statements. These new accounting standards are outlined in the audited consolidated financial statements for the year ended March 31, 2015.

Upcoming Changes in Accounting Standards

There are changes expected to IFRS that have been announced and are most likely to have some impact on the Company. The Company is currently reviewing the impact of these changes. They are not anticipated to have a material impact on the Company's financial statements, but may result in additional disclosures in future years. These changes are outlined in the audited consolidated financial statements for the year ended March 31, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

RELATED PARTY TRANSACTIONS

a) Legal services

During the six months ended September 30, 2015, the Company was billed approximately \$45,000 (2014 - \$50,000) by Vector Law Corporation, a law firm, in which Stewart Lockwood, the Corporate Secretary of the Company, is a partner. These fees were for legal services, including fulfilling the duties of Corporate Secretary of the Company, assisting with contracts, financings, warrant repricing, annual meetings, and other corporate matters. Approximately \$44,000 of this amount was payable at September 30, 2015, and is included in accounts payable (2014 – \$27,000).

The amounts charged to the Company for the services provided have been determined by negotiation among the parties.

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:

	6 months ended Sept. 30, 2015	6 months ended Sept. 30, 2014
Salaries and short-term employee benefits, including amounts recorded as exploration costs	\$ 258,000	\$ 271,300
Directors' fees	15,000	24,500
Operator fees for the SMP to Plinian Capital	188,000	86,100
Share-based payments	--	--
	<u>\$ 461,000</u>	<u>\$ 381,900</u>

Apart from legal services, \$280,000 was payable to key management personnel at September 30, 2015 and is included in accounts payable and accrued liabilities (2014 – \$12,000).

HELIO RESOURCE CORP.

Management Discussion & Analysis
Quarter ended September 30, 2015

OUTSTANDING SHARE DATA

The following section updates the Outstanding Share Data provided in the condensed interim consolidated financial statements for the quarter ended September 30, 2015.

Common Shares:

Shares outstanding at September 30, 2015	224,218,959
Warrants exercised at \$0.05	<u>6,497,150</u>
Shares outstanding at November 27, 2015	230,716,109

Stock Options:

Options outstanding at September 30, 2015 and November 27, 2015	8,700,000
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Warrants:

Warrants outstanding at September 30, 2015	35,098,000
Warrants exercised at \$0.05	<u>(6,497,150)</u>
Warrants outstanding at November 27, 2015	28,600,850

APPROVAL

Chris MacKenzie, M.Sc., C.Geol., Helio's COO and a Qualified Person under National Instrument 43-101 has reviewed and approved the technical information contained in this document.

The Board of Directors of the Company has approved the disclosure contained in this MD&A.

ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at www.sedar.com