Form 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS FOR HELIO RESOURCE CORP.

INTRODUCTION

Prepared on August 27, 2008 for the quarter ended June 30, 2008, this Management, Discussion and Analysis ("MD&A") supplements, but does not form part of the unaudited interim consolidated financial statements of Helio Resource Corp. (the "Company"). This MD&A should be read in conjunction with the accompanying unaudited interim consolidated financial statements for the three month period ended June 30, 2008 and the related notes which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

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.

Monetary amounts in the following discussion are in Canadian dollars unless otherwise noted.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking information as defined in the Securities Act (Ontario). Forward-looking information can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “is estimated”, “forecasts”, “anticipates” or “does not anticipate”, or “believes”, or variation of such words and phrases or by statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. This forward-looking information includes estimates, forecasts, and statements as to management’s expectations concerning the future development and costs of the Company’s exploration projects. This forward-looking information involves numerous assumptions, risks and uncertainties and actual results may vary materially.

Forward-looking information is based on a number of assumptions, including, among others, assumptions regarding general business and economic conditions, interest rates, costs of construction and costs of production, production and productivity levels, market competition, and receipt of necessary approvals The foregoing list of assumptions is not exhaustive. Events or circumstances could cause actual results to differ materially.

Factors that may cause actual results to vary include, but are not limited to: business and economic conditions in the mining industry generally, the global and local supply and demand for labour and other project inputs, prices for commodities to be produced, changes in commodity prices, changes in interest and currency exchange rates, inaccurate geological and engineering assumptions (including assumptions related to the tonnage, grade and recoverability of reserves and resources), unanticipated future operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of materials and equipment, government action or delays in the receipt of government approvals, 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 may be rescinded by the governments or otherwise lost), social unrest, 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 filed with the Canadian securities administrators. Certain of these risks are described in more detail in the annual information form of the Company and in its public filings with the SEC and Canadian securities administrators. The Company does not assume the obligation to revise or update forward-looking information after the date of this document or to make revisions to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

BUSINESS OF THE COMPANY

The principal business of the Company is the exploration for, and development of, precious and base metal deposits in Tanzania (4 licences) and Namibia (21 licences). The Company also holds a 1% royalty in a diamond project in Botswana. The Company's principal focus is the SMP Gold Project in Tanzania.

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 the quarter ended June 30, 2008 with no long term debt and with over $9 million in cash or redeemable short-term deposits.

The Company has added two diamond drill rigs (five drill rigs drilling at present) to the current drill program at the SMP gold project. The Company expects to complete an initial resource calculation on the Kenge Target (and the Porcupine Target if sufficient data is available) by the end of calendar 2008.

HIGHLIGHTS FOR THE QUARTER ENDED JUNE 30, 2008

Tanzania

SMP Gold Project

On April 14, the Company published additional results from the Kenge Target (up to 12m grading 5.8g/t Au).

On June 23, 2008 the Company reported its first diamond drilling results from the Porcupine Target – 42.3m grading 4g/t Au.

Corporate

On June 23, 2008 the Company closed a bought deal private placement for $5,100,000 (6,000,000 Units priced at $0.85 with a half warrant priced at $1.10 for one year and $1.25 in the second year). This financing bolstered the Company's treasury, permitting the Company to demonstrate current assets of $9.5 million, and current liabilities of only $1.0 million at June 30, 2008.

Net loss for the quarter ended June 30, 2008 was $1,708,373 as compared with a net loss of $1,191,572 for the quarter ended June 30, 2007.

EVENTS SUBSEQUENT TO THE QUARTER ENDED JUNE 30, 2008

SMP Gold Project- Tanzania

On July 2, 2008 the Company issued additional drill results from the Kenge Target, including results up to 27.4m grading 2.2 g/t Au.

On July 22, 2008 the Company announced its best results to date from the SMP Gold Project, where two diamond drill holes intersected 52.2m and 49.6m, each grading 3.3 g/t Au, at the Porcupine target.

On August 11, 2008 the Company announced very positive initial metallurgical test results on drill core from the Kenge Target, which indicated recoveries up to 96% for gold using conventional gravity and cyanidation processes.

Namibia

On August 1, 2008 the Company announced that it had terminated its agreement with TransAfrican Minerals.

Corporate

On July 25, 2008 the Company announced that it had issued 1,150,000 incentive stock options to certain directors and employees of the Company. The incentive stock options were priced at $0.85, have a five-year term, and vest after a twelve month period.

On August 19, 2008 2.6 million $0.95 warrants and 30,100 $0.70 B Warrants expired un-exercised. As a result, the Company now has 50,114,550 shares issued and outstanding, and 7,040,000 warrants priced between $0.85 - $1.25. Also, the Company has 4,410,000 options outstanding, of which 2,450,000 are exercisable.

DISCUSSION OF OPERATIONS AND FINANCIAL CONDITION

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 interim consolidated financial statements are prepared in accordance with Canadian GAAP and expressed in Canadian dollars.

Period	Revenues	Loss from Operations and Net Loss	Basic and Fully Diluted Loss per Share from Operations and Net Loss
June 30, 2008	Nil	(1,708,373)	(0.04)
March 31, 2008	Nil	(1,628,312)	(0.02)
December 31, 2007	Nil	(772,008)	(0.02)
September 30, 2007	Nil	(1,678,564)	(0.05)
June 30, 2007	Nil	(1,191,572)	(0.03)
March 31, 2007	Nil	(1,239,628)	(0.04)
December 31, 2006	Nil	(1,113,696)	(0.04)
September 30, 2006	Nil	(1,105,064)	(0.04)

Results of Operations

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

The loss for the three months ended June 30, 2008 increased to $1,708,373 as compared to a loss of $1,191,572 for the three months ended June 30, 2007. The increase over the prior year's quarter was driven primarily by the increase in exploration costs of $388,331.

Exploration costs of $1,307,903 (2007 - $919,572) increased versus the equivalent quarter of the preceding year due to the large drilling program conducted on the Company's SMP Gold Project in Tanzania. In June 2008, three diamond drill rigs were extracting core for assaying. This compares with one diamond drill rig and one reverse-circulation rig drilling in the quarter ended June 30, 2007. The increase in exploration costs in Tanzania was partly offset by a reduction in exploration costs in Namibia.

Filing and transfer agent fees are substantially higher as a result of costs associated with the private placement that was closed in June 2008. There was no such financing in the quarter ended June 30, 2007.

Professional fees have increased in part due to the Company's use of tax consultants working to recover VAT refunds in Tanzania.

Office and miscellaneous costs have decreased relative to last year. In the quarter ended June 30, 2007, the Company moved its head office and incurred slightly elevated overhead costs during that period.

Salaries and consulting costs of $108,432 (2007 - $75,074) increased as a result of the Company initiating payment of Directors' fees.

Travel, meals and entertainment costs have decreased sharply as a result of the timing of travel to Africa by senior management. In the previous year's quarter, five longer intercontinental trips were taken, as compared to three shorter trips in the quarter ended June 30, 2008.

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. The Company anticipates that it will be able to generate sufficient cash from these sources in order to meet the Company's planned objectives for the coming year.

The increase in cash and short-term deposits reflects an increase in liquidity. The Company's short-term deposits are comprised of cashable term deposit investments issued by a highly recognized banking institution in Canada. 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.

A private placement was completed in June 2008, from which the Company raised $5,100,000 by issuing 6,000,000 common shares and 3,000,000 share purchase warrants. Share issuance costs totalling $346,000 were paid in cash in connection with the private placement. Proceeds from the financing were invested in short-term deposits.

Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term deposits, marketable securities, receivables, security deposits, accounts payable and accrued liabilities and amounts due to/from related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. Interest risk and credit risk are managed for short-term deposits by maintaining them in redeemable GIC's issued by a major Canadian financial institution. Currency risk is managed by periodically adjusting the foreign currency cash balances to approximately match foreign currency payables. 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. Further discussion of these risks is made available in Note 5 of the unaudited interim consolidated financial statements for the three month period ended June 30, 2008.

The Company believes it currently has sufficient cash resources in order to carry out its planned exploration programs and meet its contractual obligations for fiscal 2008.

CHANGES IN ACCOUNTING POLICIES

Changes in accounting standards

On April 1, 2008, the Company adopted five new accounting standards that were issued by the Canadian Institute of Chartered Accountants: Handbook Section 1400, *General Standards of Financial Statement Presentation*; Handbook Section 1535, *Capital disclosures*; Handbook Section 3031, *Inventories; and Handbook Sections 3862 and 3863, Financial Instruments, Disclosure and Presentation*. These standards have been applied prospectively; accordingly, comparative amounts for prior periods have not been restated.

Changes in Accounting Standards Not Yet Adopted

Section 3064 – *Goodwill and Intangible Assets* is a new section that will be effective for annual or interim periods ending on or after January 1, 2009. In addition, The CICA has adopted International Financial Reporting Standards for implementation on January 1, 2011.

Further details on these new standards are provided in our interim financial statements.

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.

Related Party Transactions

During the quarter ended June 30, 2008, the Company received legal services in the amount of $8,700 (June 30, 2007 - $6,200) from a law firm, in which the Corporate Secretary of the Company is a partner.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties. These transactions were in the normal course of operations and were measured at the exchange value, which is the amount of consideration established and agreed to by the related parties.

RISK FACTORS

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 body of commercial ore. 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. A discussion of risk factors particular to financial instruments is presented in Note 5.b of the unaudited interim consolidated financial statements for the period ended June 30, 2008.

Commodity Prices

The mineral industry varies with the price of metals. The price of gold and other commodities has fluctuated widely in recent years and is 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.

APPROVAL

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