

# **HELIO RESOURCE CORP.**

**(An Exploration Stage Company)**

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the six month periods ended September 30, 2011 and 2010**

**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 interim 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>	As at September 30, 2011	As at March 31, 2011
<b>Current assets</b>		
Cash and cash equivalents	\$ 887,939	\$ 499,234
Short-term deposits	4,091,495	8,710,848
Receivables and prepaids (Note 5.a)	438,888	512,621
	<hr/> 5,418,322	<hr/> 9,722,703
<b>Other Receivables</b> (Note 5.b)	509,672	281,648
<b>Security Deposits</b>	68,778	69,418
<b>Property and Equipment</b> (Note 6)	601,187	541,665
<b>Mineral Property Acquisition Costs</b> (Note 7)	1,525,817	1,525,817
	<hr/> \$ 8,123,776	<hr/> \$ 12,141,251
<hr/>		
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,948,188	\$ 931,327
	<hr/> 1,948,188	<hr/> 931,327
<hr/>		
<b>EQUITY</b>		
<b>Share Capital</b> (Note 9)	37,562,350	37,327,056
<b>Contributed Surplus</b>	9,923,124	9,798,540
<b>Accumulated deficit</b>	(41,309,886)	(35,915,672)
	<hr/> 6,175,588	<hr/> 11,209,924
	<hr/> \$ 8,123,776	<hr/> \$ 12,141,251

### Subsequent Events (Note 13)

ON BEHALF OF THE BOARD OF DIRECTORS:

signed "Richard Williams"  
Director

signed "Cliff T. Davis"  
Director

- See accompanying notes -

- See accompanying notes -

# Helio Resource Corp.

(An Exploration Stage Company)

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

Canadian Dollars

Unaudited - Prepared by Management

	For the three months ended Sep 30, 2011	For the three months ended Sep 30, 2010	For the six months ended Sep 30, 2011	For the six months ended Sep 30, 2010
<b>Expenses</b>				
Amortization	\$ 50,641	\$ 35,276	\$ 109,417	\$ 69,591
Exploration costs	1,989,521	789,547	4,475,455	2,917,313
Filing and transfer agent fees	9,480	9,606	10,961	15,301
Professional fees	35,722	29,558	72,412	94,099
Marketing	50,132	54,265	124,696	105,878
Office and miscellaneous	23,710	25,297	57,475	57,759
Salaries and consulting	150,150	132,784	285,206	264,176
Stock-based compensation (Note 9.b)	132,728	60,429	137,464	108,320
Travel, meals and entertainment	26,481	29,028	57,322	32,774
<b>Loss Before the Undernoted</b>	<b>(2,468,565)</b>	<b>(1,165,790)</b>	<b>(5,330,408)</b>	<b>(3,665,211)</b>
Other Gain / (Loss):				
Interest income	10,673	12,909	31,257	15,515
Foreign exchange loss	(41,321)	(50,063)	(90,574)	(128,456)
Loss on disposition of fixed assets	-	-	(4,489)	-
	<b>(30,648)</b>	<b>(37,154)</b>	<b>(63,806)</b>	<b>(112,941)</b>
<b>Loss and Comprehensive Loss for the Period</b>	<b>\$ (2,499,213)</b>	<b>\$ (1,202,944)</b>	<b>\$ (5,394,214)</b>	<b>\$ (3,778,152)</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.02)</b>	<b>\$ (0.02)</b>	<b>\$ (0.05)</b>	<b>\$ (0.05)</b>
<b>Weighted Average</b>				
<b>Number of Common Shares</b>	<b>104,977,959</b>	<b>78,881,618</b>	<b>104,963,893</b>	<b>78,665,128</b>

- 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	Deficit	Total
Balance at April 1, 2010	77,830,599	\$ 29,964,142	\$ 6,770,216	\$ (29,490,398)	\$ 7,243,960
Share issuance costs	-	(8,157)	-	-	(8,157)
Issuance of shares for warrants exercised	675,000	337,500	-	-	337,500
Reclassification of Contributed Surplus to Share Capital on exercise of warrants	-	89,845	(89,845)	-	-
Share-based payments	843,750	303,750	473,424	-	777,174
Loss for the period	-	-	-	(3,778,152)	(3,778,152)
Balance at September 30, 2010	79,349,349	\$ 30,687,080	\$ 7,153,795	\$ (33,268,550)	\$ 4,572,325
Balance at April 1, 2011	104,527,959	\$ 37,327,056	\$ 9,798,540	\$ (35,915,672)	\$ 11,209,924
Issuance of shares for warrants exercised	450,000	157,500	-	-	157,500
Reclassification of Contributed Surplus to Share Capital on exercise of warrants	-	77,794	(77,794)	-	-
Share-based payments	-	-	202,378	-	202,378
Loss for the period	-	-	-	(5,394,214)	(5,394,214)
Balance at September 30, 2011	104,977,959	\$ 37,562,350	\$ 9,923,124	\$ (41,309,886)	\$ 6,175,588

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- 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 September 30,		For the six months ended September 30,	
	2011	2010	2011	2010
<b>Cash Flows from Operating Activities</b>				
Loss for the period:	\$ (2,499,213)	\$ (1,202,944)	\$ (5,394,214)	\$ (3,778,152)
Items not affecting cash:				
Amortization	50,641	35,276	109,417	69,591
Loss on disposition of fixed assets	-	-	4,489	-
Unrealized interest on short-term deposits	(1,100)	(3,100)	(16,600)	(500)
Share-based payments	195,406	253,849	202,378	473,424
Changes in non-cash working capital:				
- Receivables and prepaids	(67,063)	(226,528)	73,733	(348,062)
- Accounts payable and accrued liabilities	92,434	(659,304)	1,016,861	(1,388,050)
Cash used in operating activities	<u>(2,228,895)</u>	<u>(1,802,751)</u>	<u>(4,003,936)</u>	<u>(4,971,749)</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(21,085)	-	(173,428)	(17,539)
Redemption (Purchase) of short-term deposits	(9,047)	5,200	(9,047)	(2,000,000)
Redemption of short-term deposits	2,600,000	1,399,595	4,645,000	5,249,595
Decrease (Increase) in other receivables	59,864	-	(228,024)	-
Decrease in security deposits	699	9,036	640	9,036
Cash provided by investing activities	<u>2,630,431</u>	<u>1,413,831</u>	<u>4,235,141</u>	<u>3,241,092</u>
<b>Cash Flows from Financing Activities</b>				
Proceeds from the issuance of shares on the exercise of warrants	-	(1,561)	157,500	329,343
Cash provided by financing activities	<u>-</u>	<u>(1,561)</u>	<u>157,500</u>	<u>329,343</u>
<b>Net decrease in cash and cash equivalents</b>	401,536	(390,481)	388,705	(1,401,314)
<b>Cash and cash equivalents - Beginning of period</b>	<u>486,403</u>	<u>858,861</u>	<u>499,234</u>	<u>1,869,694</u>
<b>Cash and cash equivalents - End of period</b>	<u>\$ 887,939</u>	<u>\$ 468,380</u>	<u>\$ 887,939</u>	<u>\$ 468,380</u>
<b>Cash and cash equivalents are composed of:</b>				
Cash	13,780	26,435	13,780	26,435
Deposits held by financial institution	874,159	441,945	874,159	441,945
	<u>\$ 887,939</u>	<u>\$ 468,380</u>	<u>\$ 887,939</u>	<u>\$ 468,380</u>
<b>Non-Cash Financing and Investing Transactions</b>				
Value of shares issued for mineral property	-	303,750	-	303,750

- See accompanying notes -

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

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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 principal business of the Company is the exploration and development of the SMP and DGP gold projects in Tanzania and Namibia, respectively. The Company is listed on the TSX Venture Exchange as a Tier 2 mining issuer under the symbol HRC-V. The address of the Company’s corporate office and principal place of business is Suite 580 - 625 Howe Street, Vancouver, British Columbia, Canada.

The Company holds interests in mineral properties in Namibia and Tanzania. The Company is focused on the exploration and development of these properties and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. The Company has no source of revenue. As a result, The Company’s continuing operations and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests and on future profitable production or proceeds from the disposition of the mineral property interests.

### 2. Significant Accounting Policies

#### a) Basis of Presentation

The Company prepares its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) as set out in the Handbook of the Canadian Institute of Chartered Accountants (“CICA Handbook”). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (“IFRS”), and to require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company commenced reporting on this basis in its condensed interim consolidated financial statements for the three months ended June 30, 2011.

These condensed interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and IFRS 1 *First-time adoption of International Financial Reporting Standards* (“IFRS 1”). These condensed interim consolidated financial statements follow the same accounting policies as the condensed interim consolidated financial statements for the three months ended June 30, 2011. The Company’s accounting policies and the transition to IFRS are described in detail in the condensed interim consolidated financial statements for the three months ended June 30, 2011.

# Helio Resource Corp.

*(An Exploration Stage Company)*

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

*Canadian dollars*

*Unaudited – Prepared by Management*

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### 3. Significant Accounting Estimates and Judgements

The preparation of the condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Areas of estimate include valuation of amounts receivable, share-based payments and warrants and income taxes. Actual results may differ from the estimates made. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed interim consolidated financial statements is included in the notes to the financial statements where applicable.

#### a) Title of Mineral Property Interests

Ownership in mineral properties involves certain inherent risks due to the difficulties of determining and obtaining clear title to claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral properties. The Company has investigated ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

#### b) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about the inputs. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.b.

#### c) Other Receivables

The Company is continuing to pursue refunds of VAT paid in Namibia and Tanzania. The Company has been successful in obtaining substantial refunds in the recent past, and as a result, continues to show the balances as receivable, despite delays in processing past refund claims.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

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#### 4. Adoption of New or Revised IFRSs and IFRSs Not Yet Effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

(i) IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 introduces the new requirements for the classification, measurement and derecognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. The Company is currently assessing the impact of this new standard on the Company’s financial assets and financial liabilities.

(ii) IFRS 10 Consolidated Financial Statements (“IFRS 10”)

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27 “Consolidated and Separate Financial Statements” and SIC-12 “Consolidation – Special Purpose Entities” and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

(iii) IFRS 11 Joint Arrangements (“IFRS 11”)

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets.

(iv) IFRS 13 Fair Value Measurements (“IFRS 13”)

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies to standards that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

### 5. Receivables

#### a) Receivables and Prepaids

	September 30, 2011	March 31, 2011
Receivables and Prepaid expenses	\$ 117,558	\$ 103,504
Input Tax Credit – Tanzania	95,052	301,648
Input Tax Credit – Namibia	151,683	54,669
Input Tax Credit – Canada	74,595	52,800
	<u>\$ 438,888</u>	<u>\$ 512,621</u>

Input Tax Credits are sales taxes that are recoverable from the governments in the various jurisdictions. The *Input Tax Credit – Tanzania* and *– Namibia* amounts are past due, but amounts have historically been collected after some delay. Full recovery is expected.

#### b) Other Receivables

	September 30, 2011	March 31, 2011
Input Tax Credit – Tanzania	\$ 509,672	\$ 281,648

Other Receivables have been discounted to their present value, based on the Company's expectation of the likely timing of the receipt of the receivable. The Company has experienced delays in receiving payment after filing applications for refunds of Input Tax Credits in Tanzania. These delays have been decreasing over time, however.

### 6. Property and Equipment

Details are as follows:

	Field equipment	Office equipment	Leasehold improvements	Motor vehicle	Total
<b>2011</b>					
<b>Net book value</b>					
At April 1, 2011	\$ 42,443	\$ 54,605	\$ 21,030	\$ 423,587	\$ 541,665
Additions	40,144	20,985	29,037	83,260	173,426
Disposals	-	-	-	(4,489)	(4,489)
Amortization	(17,453)	(23,460)	(10,583)	(57,919)	(109,415)
At Sept. 30, 2011	<u>\$ 65,134</u>	<u>\$ 52,130</u>	<u>\$ 39,484</u>	<u>\$ 444,439</u>	<u>\$ 601,187</u>
Consisting of					
Cost	170,966	222,087	120,123	687,626	1,200,802
Accumulated amortization	(105,832)	(169,957)	(80,639)	(243,187)	(599,615)
At Sept. 30, 2011	<u>\$ 65,134</u>	<u>\$ 52,130</u>	<u>\$ 39,484</u>	<u>\$ 444,439</u>	<u>\$ 601,187</u>

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

### 6. Property and Equipment (continued)

2010	Field equipment	Office equipment	Leasehold improvements	Motor vehicle	Total
<b>Net book value</b>					
At April 1, 2010	\$ 51,228	\$ 73,894	\$ 40,484	\$ 208,229	\$ 373,835
Additions	16,446	6,333	2,574	293,418	318,771
Reclassification	-	4,984	(4,984)	-	-
Disposals	-	-	-	(13,077)	(13,077)
Amortization	(25,231)	(30,606)	(17,044)	(64,983)	(137,864)
At March 31, 2011	\$ 42,443	\$ 54,605	\$ 21,030	\$ 423,587	\$ 541,665
Consisting of					
Cost	136,241	216,791	92,210	660,479	1,105,721
Accumulated amortization	(93,798)	(162,186)	(71,180)	(236,892)	(564,056)
At March 31, 2011	\$ 42,443	\$ 54,605	\$ 21,030	\$ 423,587	\$ 541,665

### 7. Mineral Property Acquisition Costs:

Details are as follows:

	Saza	Saza West	Makongolosi	Namibia <sup>1</sup>	Total
Cost					
April 1, 2010	\$ 396,818	\$ 157,750	\$ 611,249	\$ --	\$ 1,165,817
Share payments	--	56,250	303,750	--	360,000
March 31, 2011	\$ 396,818	214,000	914,999	--	1,525,817
Sept. 30, 2011	\$ 396,818	\$ 214,000	\$ 914,999	\$ --	\$ 1,525,817

<sup>1</sup> - Namibian mineral-properties are wholly owned by the Company, so there have been no 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.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

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

#### b) Saza West, Tanzania

On January 1, 2009, the Company signed an option agreement with Thorn Tree whereby the Company can earn a 100% interest in the Saza West licence within the Lupa Goldfields, in southwest Tanzania. There is no minimum exploration expenditure requirement under this agreement. 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 must issue 1,025,000 common shares (400,000 issued at a fair value of \$189,000) and make a cash payment of \$25,000 (paid) to Thorn Tree over the four year earn-in period. At September 30, 2011 all earn in cash and share payments required to date have been made. There is no minimum exploration expenditure requirement under this agreement.

#### 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, Helio 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 totalling \$1,200,000 to Dhahabu.

#### d) Namibia

The Company is actively exploring four licences in Namibia that are owned 100% by the Company. The licenses comprise the Damara Gold Project.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

### 8. Exploration Costs

Details are as follows:

Six months ended September 30, 2011	Tanzania		Namibia	Total
	Saza	Makongolosi		
Geochemical Survey and Assays	\$ 12,682	\$ 71,557	\$ 201,921	\$ 286,160
Geophysical Surveys	-	-	117,521	117,521
Drilling and Geophysics	119,184	1,887,678	587,924	2,594,786
Field Expenses and Consumables	18,310	109,415	86,759	214,484
Licence and Permits	648	2,205	12,298	15,151
Consulting	4,342	16,859	48,505	69,706
Transportation and Travel	22,039	44,943	36,858	103,840
Shipping	31,519	156,249	388	188,156
Salaries and Wages	92,379	188,386	227,205	507,970
Share-based Payments	4,770	39,243	20,901	64,914
Exploration Office Expenses	13,520	111,202	188,045	312,767
Total Costs for the Six Months Ended September 30, 2011:	\$ 319,393	\$ 2,627,737	\$ 1,528,325	\$ 4,475,455

Six months ended September 30, 2010	Tanzania		Namibia	Total
	Saza	Makongolosi		
Geochemical Survey and Assays	\$ 89,216	\$ 126,420	\$ -	\$ 215,636
Geophysical Surveys	1,302	11,786	-	13,088
Drilling	237,457	1,011,146	-	1,248,603
Field Expenses and Consumables	23,946	141,933	-	165,879
Licence and Permits	-	-	1,946	1,946
Consulting	4,351	28,743	235	33,329
Transportation and Travel	15,243	44,517	-	59,760
Shipping and Administration	-	134,888	-	134,888
Salaries and Wages	117,242	320,919	-	438,161
Share-based Payments	77,207	287,555	345	365,107
Exploration Office Expenses	42,140	156,947	41,829	240,916
Total Costs for the Six Months Ended September 30, 2010:	\$ 608,104	\$ 2,264,854	\$ 44,355	\$ 2,917,313

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(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

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### 9. Share Capital

- a) Authorized share capital: Unlimited common shares without par value
- 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 in order to more closely align the grant-recipients' interests with those 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, 2010	4,645,000	\$0.70
Exercised	(25,000)	\$0.50
Cancelled	(200,000)	\$0.85
Forfeited	(75,000)	\$0.61
Outstanding, March 31, 2011	4,345,000	\$0.56
Granted	2,650,000	\$0.45
Expired	(735,000)	\$0.80
Forfeited	(75,000)	\$0.61
Outstanding, September 30, 2011	6,185,000	\$0.58

No options were exercised during the six months ended September 30, 2011 or 2010.

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(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

### 9. Share Capital (continued)

The following table summarizes information about stock options outstanding to directors, officers, employees and consultants as at September 30, 2011:

Grant date	Expiry date	Exercise price	Number of options outstanding	Remaining contractual life (years)	Number of options exercisable
Sep. 6, 2007	Sep. 6, 2012	\$0.70	560,000	0.9	560,000
Dec. 2, 2007	Dec. 2, 2012	\$0.70	100,000	1.2	100,000
July 24, 2008	July 24, 2013	\$0.85	700,000	1.8	700,000
Oct. 19, 2009	Oct. 19, 2014	\$0.61	2,175,000	3.1	2,175,000
Jun. 27, 2011	Jun. 27, 2016	\$0.45	2,650,000	4.7	--
			6,185,000	3.4	3,535,000

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:

	September 30, 2011	March 31, 2011
Average risk-free interest rate	2.18%	No options
Expected forfeiture rate over the life of the option	13.65%	were granted
Expected dividend yield	0.00%	in fiscal 2011
Expected stock price volatility	104.39%	
Average expected option life in years	4.7 years	

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.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

### 9. Share Capital (continued)

#### c) Share Purchase Warrants

Details of stock purchase warrant activity is as follows:

	Number of warrants	Weighted average exercise price
<b>As at April 1, 2010</b>	17,268,610	\$0.74
Issued	15,072,500	\$0.49
Exercised	(703,610)	\$0.49
Expired	(3,540,000)	\$0.60
<b>As at March 31, 2011</b>	28,097,500	\$0.58
Exercised	(450,000)	\$0.35
Expired	(6,825,000)	\$0.60
<b>As at September 30, 2011</b>	20,822,500	\$0.58

As at September 30, 2011, the outstanding share purchase warrants were as follows:

Expiry Date	Exercise Price	Number of Warrants
February 4, 2013	\$0.81	5,750,000
February 15, 2013	\$0.50	13,357,500
February 15, 2013	\$0.40	1,715,000
		20,822,500

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

	September 30, 2011	March 31, 2011
Average risk-free interest rate	No warrants issued during the six months ended Sept. 30, 2011	1.92%
Expected dividend yield		0.00%
Expected stock price volatility		88.8%
Average expected warrant life in years		2.0 years

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 warrants at the date of grant.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

### 9. Share Capital (continued)

#### d) Fully diluted common shares

Shares outstanding at September 30, 2011	104,977,959
Reserved for options (Note 9.b)	6,185,000
Reserved for warrants (Note 9.c)	20,822,500
Reserved for property payments (Note 7.b)	625,000
Fully diluted common shares at September 30, 2011	132,610,459
<u>Subsequent to September 30, 2011:</u>	
Options forfeited	(75,000)
Shares issued (Note 13)	5,000,000
Warrants issued (Note 13)	2,500,000
Fully diluted common shares at November 28, 2011	140,035,459

### 10. Segmented Information

The Company has one operating segment, which is mineral exploration and development in Africa.

Total assets by geographic segment are as follows:

	September 30, 2011	March 31, 2011
Canada	\$ 5,104,977	\$ 9,332,991
Namibia	553,062	343,870
Tanzania	2,465,737	2,464,390
	<u>\$ 8,123,776</u>	<u>\$ 12,141,251</u>

Cash and cash equivalents amounting to \$789,701 (March 31, 2011 - \$406,706) were held in Canada, with smaller amounts being held in Namibia and Tanzania. Short term deposits are held entirely in Canada.

Capital assets, including mineral properties, by geographic segment are as follows:

	September 30, 2011	March 31, 2011
Canada	\$ 30,560	\$ 41,910
Namibia	328,290	208,921
Tanzania	1,768,154	1,816,651
	<u>\$ 2,127,004</u>	<u>\$ 2,067,482</u>

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

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### 10. Segmented Information (continued)

Net loss by geographic segment is as follows:

	Six months ended Sept. 30, 2011	Six months ended Sept. 30, 2010
Canada	\$ 779,060	\$ 969,496
Namibia	1,517,052	52,190
Tanzania	3,098,102	2,756,466
	<u>\$ 5,394,214</u>	<u>\$ 3,778,152</u>

### 11. Related Party Transactions

#### a) Legal services

During the period, the Company received legal services in the amount of \$24,000 (September 30, 2010 – \$32,000) 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 and, in certain cases, are covered by signed agreements.

#### 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:

	Three months ended	
	September 30, 2011	September 30, 2010
Directors fees, salaries and short term employee benefits	\$ 328,720	\$ 313,534
Share-based payments	122,190	377,822
	<u>\$ 450,910</u>	<u>\$ 691,356</u>

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

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### 12. First Time Adoption of International Financial Reporting Standards

#### a) IFRS transition elections

The Company's financial statements for the year-ending March 31, 2012 are the Company's first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, *First time Adoption of International Financial Reporting Standards*, requires that comparative financial information be provided. The "Transition Date" to IFRS is the first date at which the Company has applied IFRS; in this case, April 1, 2010. IFRS 1 requires first time adopters to retrospectively apply all effective IFRS standards as of the reporting date, with certain mandatory exceptions for first time IFRS adoption. In addition, certain optional exemptions are also available for the period of transition to IFRS. Prior to transition to IFRS, the Company prepared its financial statements in accordance with pre-transition Canadian Generally Accepted Accounting Principles ("pre-transition Canadian GAAP").

In preparing the Company's opening IFRS financial statements, The Company has adjusted amounts previously reported in financial statements prepared in accordance with pre-transition Canadian GAAP.

#### i) Optional exemptions

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-transition Canadian GAAP to IFRS are as follows:

##### IFRS 2 - Share-based payment transactions:

The Company has elected to use the transition exemption available to not apply the IFRS 2 calculation method retrospectively to any share options granted after November 7, 2002 which vested before April 1, 2010.

##### IFRS 3R Business Combinations

The Company has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the Transition Date.

#### ii) Mandatory exceptions

##### Derecognition of financial assets and liabilities

The Company has applied the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement* prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-transition Canadian GAAP have not been reviewed for compliance with IAS 39.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

### 12. First Time Adoption of International Financial Reporting Standards (continued)

#### b) Reconciliations of Pre-transition Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flows for periods previously reported from Pre-transition Canadian GAAP to IFRS

##### i) Reconciliation of Pre-transition Canadian GAAP Equity to IFRS

Below is the reconciliation of equity as at September 30, 2010:

	Note	September 30, 2010
<b>Equity under Pre-transition Canadian GAAP</b>		\$ 4,580,870
Adjustments:		
Contributed surplus	(12.c.i)	(44,213)
Deficit	(12.c.i)	35,668
<b>Equity under IFRS</b>		<b>4,572,325</b>

##### ii) Reconciliation Pre-transition Canadian GAAP Comprehensive Loss to IFRS

Below is the reconciliation of Comprehensive Loss for the three and six month periods ended September 30, 2010.

	Note	Three months ended September 30, 2010	Six months ended September 30, 2010
<b>Comprehensive Loss for the period under Pre-transition Canadian GAAP</b>		\$ (1,212,331)	\$ (3,813,820)
Adjustments			
General and Administration	(12.c.i)	12,693	37,128
Exploration costs	(12.c.i)	(3,306)	(1,460)
<b>Comprehensive Loss under IFRS</b>		<b>(1,202,944)</b>	<b>(3,778,152)</b>

##### iii) Statement of cash flows

As a result of the adoption of IFRS 2, the Statement of Cash Flows has been adjusted to reflect a decrease to Share-based payments of \$9,387 for the three months and \$35,668 for the six months ended September 30, 2010. The cash flow line items of Share-based payments and Loss for the period have both decreased to reflect this adjustment. As there have been no other substantial presentational changes to the Statement of Cash Flows, a tabular reconciliation of the Statement of Cash Flows has not been prepared.

# Helio Resource Corp.

(An Exploration Stage Company)

## Notes to the Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2011

Canadian dollars

Unaudited – Prepared by Management

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### 12. First Time Adoption of International Financial Reporting Standards (continued)

#### c) Explanatory notes

The following paragraphs explain the significant differences between Canadian GAAP and the current IFRS accounting policies applied by the Company. These differences result in the adjustments in the tables above.

#### i) Share-based payments

Under IFRS the calculation of fair value of stock options granted incorporates the estimated forfeiture rate of those options as estimated on the date of grant. Under Canadian GAAP, forfeitures could be accounted for as they occurred. Based on historical forfeitures at the Transition Date, the forfeiture percentage associated with stock options averaged 2.2% per year over the life of the stock options. The Company has therefore adjusted the share-based payment values to reflect the historic forfeiture rate. Share based payment adjustments are allocated to the functions to which they relate.

At the Transition Date, the impact of IFRS 2 is a decrease in the value of share-based payments of \$8,545 which has been reflected in Contributed Surplus, Deficit, Share-based payments and Exploration Costs. Similar adjustments were made to Equity and the Statement of Loss for the three-month (\$9,387) and six month (\$35,668) periods ended September 30, 2010.

IFRS 2 is effective for the Company as at April 1, 2010 and is applicable to:

- New grants of stock options subsequent to April 1, 2010;
- Equity settled stock-option awards granted subsequent to November 7, 2002 that vested after April 1, 2010; and
- Awards that are modified on or after April 1, 2010, even if the original grant of the award was not accounted for in accordance with IFRS 2.

### 13. Subsequent Events

Subsequent to September 30, 2011,

In November 2011, the Company completed a private placement financing raising gross proceeds of \$1,700,000. The Financing was comprised of 5,000,000 Units priced at \$0.34 each. Each Unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole common share purchase warrant is exercisable for one whole common share at a price of \$0.425 and is valid for a period of 2 years from the date of closing this financing.

75,000 stock options exercisable until 2014 at \$0.61 were forfeited.

Please refer to Note 9.d for the impact of the subsequent events on fully diluted common shares.