



IFC's Summary of Proposed Investment Report on Helio Resource Corp.'s SMP Gold Project, Tanzania

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Overview

Project description

Helio Resource Corp ("Helio" or "the Company") is a Vancouver-based, TSX -V listed (HRC.V), mineral exploration company focused on exploring and developing gold and base metal deposits. Through its 100% owned subsidiary BAFEX Tanzania Ltd., Helio can earn a 100% interest, subject to a 2% royalty (which can be reduced to 1% through a cash payment prior to commencement of commercial production) in five contiguous licences, which cover a 35km strike length of the Saza Shear Zone in the southern part of Tanzania. These licenses constitute Helio's main project, the SMP Gold Project ("the Project"). Since June 2006, the Company has drill-tested thirteen targets, ten of which are hosted by the Saza Shear Zone. All thirteen targets have intersected bedrock-hosted gold mineralization, the most advanced being the Kenge and Porcupine Targets. Helio also has a portfolio of earlier stage projects in Namibia.

Helio is seeking IFC's engagement to help finance the Company's exploration activities in line with industry best practice in environmental and social sustainability.

Sponsor/Cost/Location

Project sponsor and major shareholders of project company

Helio was listed on the TSX Venture Exchange in November 2004. Helio has a good shareholder registry which includes Dundee Resources Ltd. (a wholly owned subsidiary of Dundee Corporation, a diversified holding company) and its affiliates who have a total shareholding of about 16.8% of shares outstanding, and Macquarie Bank which holds approximately 10.7% of the shares. Management and insiders have about 15%.

Total project cost and amount and nature of IFC's investment

The financial plan reflects the Company's budget for exploration activities in Tanzania over the next eighteen months. The total project cost over this period is estimated at approximately C\$10 million. Most of Helio's exploration budget is being channelled to fund the SMP Gold Project. About C\$15 million has been spent on the project to date. Currently, the Company's cash position is about C\$2.5 million. The Company is looking to raise up to C\$7.8 million from IFC, the balance to come from the equity markets, hopefully within the next 3-6 months, to meet its budget funding for up to end 2010.

The proposed IFC investment is an equity investment of up to C\$7.8 million coupled with a warrants package.

Location of project and description of site

The SMP property (238km²) covers almost 35 km of strike length along the Saza Shear Zone, the primary gold-bearing structure of the Lupa Goldfields, southwestern Tanzania where 6 colonial-era gold mines were intermittently active between 1930 and 1960. During the colonial period, the Lupa Goldfield was the second largest gold producing area in Tanzania. Helio's license area cuts across three villages, namely Ngombe (approximately 1,000 people), Patamela (approximately 2,000 people) and Saza (approximately 5,000 people); the current exploration program does not indicate that relocation will be required if a mine is developed in the future.

Development Impact

Anticipated development impact of the project

Despite the country's considerable mineral resources, the mining sector in Tanzania is concentrated in the north with the south overlooked since colonial times. A number of mining juniors, however, have started to explore the south. A successful exploration could have considerable demonstration effects and help the development of a new gold district in Tanzania with the potential of spurring economic growth in the south through infrastructure development and employment generation.

The Project is in an early exploration phase so its developmental impacts are limited in scope at this stage. However, the project is located in an under-developed part of the country and outside of key centers of commercial activity and will likely contribute significantly to the area's development should it transition into a full operating mine. The following development impacts that are anticipated at that point, include:

- an increase in formal employment locally;
- improved infrastructure and access to services in the District;
- economic opportunities through downstream linkages for service providers; and
- payments to government in the form of royalties and tax.

During the early exploration phase the following indicators will be tracked to follow the project's progress relevant to development impact: (i) finalization of drilling program, initiation and undertaking of a feasibility study (subject to continued exploration success) and conversion to a mining license (subject to positive feasibility study); (ii) number of local employees; and (iii) completion of Social and Environmental Impact Assessment (SEIA).

Governance risks assessment

The IFC has considered the governance risks to project benefits and believes that the project should be supported. In evaluating this investment, IFC considered a variety of governance metrics, including the World Bank Institute's Governance Indicators, the Country Policy and Institutional Assessment (CPIA) and the Transparency International's Corruption Perception Index (CPI). While Tanzania does not have strong governance capacity, the government has placed a priority on improving governance and tackling corruption. Moreover, the World Bank Group is actively engaged with the government authorities to promote good governance through a range of activities: advisory, technical assistance and capacity building. The government of Tanzania has indicated its commitment to increased transparency, and since February 2009 the country is a candidate to the Extractive Industries Transparency Initiative (EITI).

IFC's expected development contribution

IFC contribution during the pre-project development phase includes:

- o Mobilization of financing: IFC's involvement in the Company will provide comfort to its current investors that the Company's projects will be better prepared to attract equity and debt financiers as they will be developed in line with international best practices, in particular environmental and social matters.
- o Long-term Shareholder: IFC's shareholding also provides comfort to the Company, which is looking to establish partnerships with committed long-term investors. The Company seeks a partner who is willing to play a significant role in the future mobilization of funds.
- o Environmental and social expertise: IFC's involvement in the development of the Project will help to set new benchmarks on environmental and social sustainability practices in the Tanzanian mining sector. IFC will provide guidance to Helio and help build its internal environmental and social management capacity and ensure the Project is developed in a sustainable manner.

Environmental and social issues - Category B

The Environmental, Health & Safety, and Social (EHSS) impacts of Helio's operations are limited. IFC's review did not identify any significant adverse impacts or high risk exposures. All matters can be addressed using standard mitigation methods. Based on these considerations, this is a Category B project according to IFC's Environmental & Social Review Procedure.

Issues to address, as captured in the attached Environmental and Social Action Plan (ESAP), include:

- o Management of exploration activities specifically:
 - control of erosion;
 - rehabilitation of drill roads and drill sites; and

- safe disposal of oils and waste, etc.
- o Social:
 - management of community relations and expectations during ongoing consultation and disclosure; and
 - community development planning.

There is illegal artisanal mining activity within SMP Gold's license area but the numbers of the artisanal miners fluctuates and the precise number is unknown. The Company will commission a census to determine more precisely the number of illegal artisanal miners in its concession area.

If any of the exploration sites is proposed for mining development, Helio will prepare the environmental and social documentation required to demonstrate compliance with IFC Performance Standards and EHSS Guidelines. Should IFC be involved in financing such a project, it would be treated as a separate investment and its categorization would be determined after the necessary due diligence.

Contacts

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