HELIO RESOURCE CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

For the nine month period ended
December 31, 2016

INTRODUCTION

This MD&A was prepared by management as at February 28, 2017, 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 December 31, 2016, as well as the March 31, 2016 audited consolidated financial statements and notes, prepared in accordance with International Financial Reporting Standards ("IFRS"). The information provided herein supplements, but does not form part of the financial statements. This discussion covers the quarter ended December 31, 2016 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.

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 exploration project.

Forward-looking statements are based on a number of assumptions, including, but not limited to, ability to access sufficient funds to carry on operations, conditions in financial markets, 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, our ability to attract and retain skilled staff, our ability to procure equipment and operating supplies, the receipt of positive results from our exploration project in Tanzania, 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 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.

BUSINESS OF THE COMPANY

The principal business of the Company is the exploration and development of its gold project in Tanzania (the SMP Gold Project). The Company is involved in all aspects of operations in this jurisdiction.

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 first quarter of fiscal 2016 with cash and short-term deposits of $610,949.

The current investment climate for gold-exploration and development companies has improved since the start of 2016, with the gold price rising approximately 7% to US$1,150 per ounce at December 31, 2016, and several M&A deals and a number of financings being completed.

The current objectives of the Company are to:

1. Progress the SMP Gold Project to a production decision. The Company has identified a number of drill targets adjacent to, and extensions of, current resource areas, and plans to commence a drill programme in the next few months.
2. Minimize other outward cash-flows, particularly in relation to overhead and corporate costs.

Additional funds will be required in order to meet the Company's contractual obligations to March 31, 2017. 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.

Shareholders at the September 23, 2016 Annual and Special General Meeting voted in favour of giving the Company the authority to enact a 10:1 consolidation of share capital prior to January 31, 2017. As the date drew near, the board of directors did not deem it ideal timing to enact a share consolidation and so allowed the time to pass without enacting a consolidation.

HIGHLIGHTS FOR THE QUARTER ENDED DECEMBER 31, 2016

Debt settlement

During the quarter, the Company issued 11,654,000 shares at $0.05 to settle an aggregate amount of $582,700 owed to Plinian Capital, management and directors. These $0.05 shares were issued when the Company's share price was $0.03, resulting in a gain on settlement of debt of $233,080. The issuance of shares to Plinian required disinterested shareholder approval, which was received at the Company's September 23, 2016 Annual and Special General Meeting.

As a result of the debt settlement, the Company has 261,232,959 shares issued and outstanding. CE Mining and CE Mining II Helio Limited together own a total of 89,600,000 shares, representing 34.3% of the issued and outstanding shares.

Namibia Sale

On May 31, 2016, the Company concluded an agreement (initially announced February 18, 2016) with Osino Resources, a private mineral exploration company, to divest of the Company's Namibian projects. Helio received 17,717,857 Osino shares representing 13.3% of Osino's issued capital. In a separate arm's length transaction Helio assigned a portion of its interest to a third party in exchange for cash consideration of $456,000.

Cost reductions

During the quarter, the Company took steps to reduce ongoing recurring costs by reducing headcount. As a result, costs in the current quarter were increased, reflecting one-time costs of the restructuring.

SMP Gold Project, Tanzania

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, 81,873 ounces in 2015, 87,713 ounces in 2016 and has issued production guidance of 80,000 to 85,000 ounces for FY 2017.

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 gold fields host gold occurrences that support mine development.

EVENTS SUBSEQUENT TO THE PERIOD ENDED DECEMBER 31, 2016

N/A

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.

Quarter ended	Net Income / (Loss) from Operations and Net Loss	Comprehensive Income / (Loss)	Basic and Diluted Net Income / (Loss) per Share from Operations and Net Loss per Share
December 31, 2016	$ (174,158)	$ (174,158)	$ (0.00)
September 30, 2016	(445,685)	(440,685)	(0.00)
June 30, 2016	591,355	586,355	0.00
March 31, 2016	(608,823)	(608,823)	(0.01)
December 31, 2015	(366,364)	(373,864)	(0.00)
September 30, 2015	(506,680)	(519,180)	(0.00)
June 30, 2015	(410,118)	(410,118)	(0.00)
March 31, 2015	$ (598,099)	$ (588,099)	$ (0.00)

The variation in the Company's quarterly net income and loss over the past eight quarters is largely due to the variation in exploration activity on the Company's properties, which 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, an 8,000 m drill program was conducted in the quarter ended December 31, 2014. This program culminated in the release of the NI43-101 compliant Mineral Resource Estimate for the SMP gold project in Tanzania on March 26, 2015. In addition, the sale of the Damara Gold Project in the quarter ended June 30, 2016 helped to create the Company's first profitable quarter. The gain on the debt-settlement in the current quarter also resulted in a substantial decrease to the loss for the quarter ended December 31, 2016.

Net income / (loss) and cashflows for the nine months ended December 31, 2016

The results for the nine months ended December 31, 2016 ("YTD16") reflect a similar level of activity as in the nine months ended December 31, 2015 ("YTD15"), but show the financial benefits of selling the Damara Gold Project, and the gain on the debt settlement.

YTD16 showed a net loss of $28,488, compared to the loss of $1,283,162 for YTD15. The improvement in YTD16 was due to the substantial gain recognized on the sale of the Damara Gold Project and a gain on debt settlement in the amount of $233,080.

The remainder of the expenses tend to show decreases from YTD15 and YTD16, with Salaries, director's fees and consulting showing a $43,023 decrease from $248,951 in YTD15 due to voluntary salary reductions by senior management. Marketing costs were reduced by $35,755 to $6,042 in the current period as a result of cancelling a marketing contract that was in place in the prior year.

Exploration costs increased by $135,981 in YTD16 as compared to YTD15. This increase was primarily a result of the recovery of $110,791 recorded in YTD15, with no similar recovery recorded in YTD16. In addition Exploration Salaries and wages increased in YTD16 as a result of restructuring costs, but were largely offset by a reduction in Operator Fees.

Management is continuing to reduce costs wherever practical, and has experienced consolidated cost reductions as a result of no longer carrying the costs of the Namibian project.

Net income / (loss) and cashflows for the three months ended December 31, 2016

The results for the quarter ended December 31, 2016 ("Q316") reflect a similar level of activity as in the quarter ended December 31, 2015 ("Q315"), but include the cost-saving benefit of the Gain on debt settlement.

Q316 showed a net loss of $174,158, compared to the loss of $366,364 for Q315.

Most expenses are very similar between Q316 and Q315, with amortization, marketing and professional fees showing lower levels of expenditures in the current quarter. The decrease in marketing expenditures is related to the cancellation of a monthly marketing contract that was in place in Q315. A Q316 gain on settlement of debt of $233,080, with no comparable gain in Q315, was the most significant single contributor to the decrease in net loss. Partially offsetting this gain was an increase in exploration expenditures by $137,601 from $227,732 in Q315 to $365,333.

Liquidity, Capital Resources and Cash Flow Analysis

The Company's primary sources of funding have been from the issuance of common shares and the exercise of share purchase warrants with additional funds coming from joint venture agreements, the sale of equipment, and the recent transaction on the Namibian projects. Management is currently reviewing all options available to it with regards future financing options, be it M&A activity, traditional equity raises, or sale of its Tanzanian gold project. The current upturn in market sentiment is encouraging. However, management remains concerned about the Company's ability to raise additional funding, and continues to look at ways to cut costs and preserve its mineral assets in good standing.

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.

Cash and short-term deposits remain at a similar level to year-end reflecting a similar level of liquidity. The funds raised in the 9 months to December 31, 2016 have been used to pay for expenses during the period. Additional funds will be required in order to meet the Company's contractual obligations to March 31, 2017.

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.

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. A provision has been taken in relation to two such receivable amounts 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 liabilities. 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 Statement of Comprehensive Income / (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 presented in Note 6.b of the audited consolidated financial statements for the year ended March 31, 2016.

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 nine months ended December 31, 2016. In addition, significant components of general and administrative expenses are shown separately on the *Consolidated Statement of Comprehensive Income / (Loss),* also part of the unaudited condensed interim consolidated financial statements for the quarter ended December 31, 2016.

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.

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.

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, 2016.

The Company has not commenced commercial mining operations and has no assets other than cash, short term deposits, receivables, a small amount of prepaid expenses and a small amount of marketable securities. The Company has no history of earnings, and is not expected to generate earnings or pay dividends until the company's exploration project is sold or taken into production.

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, 2016. In addition, there have been discussions with the tax authority in Tanzania pertaining to the refundability of VAT amounts that the Company is claiming. As a result, a provision has been taken to reduce the VAT receivable in Tanzania to nil (December, 2016 - $315,000). While collection of some of this "nil" amount is possible, there also exists the potential for tax assessments to be raised that could exceed the amount that has been provided.

Liquidity of Common Shares

There can be no assurance that an active and liquid market for the Company's common shares will develop or continue to exist, and an investor may find it difficult to resell common shares. In addition, trading in the common shares of the Company may be halted at other times for other reasons, including for failure by the Company to submit documents to the Exchange in the time periods required.

RECENT ACCOUNTING PRONOUNCEMENTS

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, and is fully described in Note 3.p) of the audited consolidated financial statements for the year ended March 31, 2016.

Upcoming Changes in Accounting Standards

There are changes expected to IFRS. Those that have been announced and are most likely to have some impact on the Company are described in detail in Note 3.p) of the audited consolidated financial statements for the year ended March 31, 2016. 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.

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

a) Legal services

During the nine months ended December 31, 2016, the Company was billed approximately $30,000 (2015 - $45,000) by Vector Law Corporation and/or MOI Solicitors, law firms, 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, and other corporate matters, including the sale of the Damara Gold Project. $Nil of this amount was payable at December 31, 2016, and was included in accounts payable (2015 – $44,000).

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. Amounts due to related parties are included in accounts payable and accrued liabilities or due to related 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 and members of the senior management group. Details of key management personnel compensation is as follows:

	December 31, 2016	December 31, 2015
Salaries, fees and short-term employee benefits, including amounts recorded as exploration costs*	$ 314,900	$ 376,600
Downsizing costs	192,800	--
Directors' fees	32,000	24,500
Operator fees	194,900	288,900
Share-based payments	--	--
	$ 719,600	$ 687,000

* - Plinian Capital has agreed to reduce the operator's fees by 50%, and senior management have agreed to reductions in compensation of between 25% and 55%.

Apart from legal services, $22,000 was payable to related parties at December 31, 2016 and is included in due to related parties (2015 – $474,000).

During the nine month period, the Company issued 11,654,000 shares at $0.05 to settle an aggregate amount of $582,700 owed to Plinian Capital, management and directors, resulting in a gain on settlement of debt of $233,080 (2015 - $Nil).

OUTSTANDING SHARE DATA

There have been no changes to the share capital, stock options or warrants outstanding between December 31st, 2016, the date of the accompanying unaudited condensed interim consolidated financial statements, and February 28, 2017, the date of this document.

APPROVAL

Richard D. Williams, M.Sc., P.Geo., Helio's CEO 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