HELIO RESOURCE CORP.

(An Exploration Stage Company)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine month periods ended December 31, 2018 and 2017

Expressed in Canadian dollars

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 condensed interim consolidated financial statements.

Helio Resource Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Financial Position

Canadian Dollars

Unaudited - Prepared by Management

ASSETS	December 31, 2018	March 31, 2018
Current assets		
Cash	$ 28,944	$ 328,118
Receivables and prepaids *(Note 4)*	45,752	25,760
Marketable securities *(Note 5)*	25,000	25,000
	99,696	378,878
Non-current assets		
Property and equipment *(Note 6)*	722	2,118
	$ 100,418	$ 380,996
LIABILITIES		
Current liabilities		
Accounts payable	$ 132,582	$ 123,130
Accrued liabilities	48,674	363,227
Due to related parties *(Note 11)*	122,119	85,959
	303,375	572,316
EQUITY		
Share capital *(Note 9)*	45,852,687	45,805,187
Contributed surplus	11,747,472	11,747,472
Accumulated other comprehensive income	-	(25,000)
Deficit	(57,803,116)	(57,718,979)
	(202,957)	(191,320)
	$ 100,418	$ 380,996

Going Concern (Note 2)
Commitments (Note 12)

ON BEHALF OF THE BOARD OF DIRECTORS:

signed "Richard Williams"
Director

signed "Stephen Leahy"
Director

- See accompanying notes -

Helio Resource Corp.

(An Exploration Stage Company)

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

Canadian Dollars

Unaudited - Prepared by Management

	For the three months ended December 31, 2018	For the three months ended December 31, 2017	For the nine months ended December 31, 2018	For the nine months ended December 31, 2017
Expenses				
Amortization *(Note 6)*	$ 467	$ 482	$ 1,396	$ 1,701
Exploration costs *(Note 8)*	58,906	62,891	177,836	367,864
Filing and transfer agent fees	4,309	5,697	9,269	12,644
Professional fees *(Note 11.a)*	16,489	32,191	44,863	232,219
Marketing	2,374	(350)	6,394	5,603
Office and miscellaneous	7,030	18,955	14,688	28,519
Salaries, directors fees & consulting *(Note 11.b)*	15,131	35,980	86,672	141,899
Travel	27	2,286	13,546	2,871
	(104,733)	(158,132)	(354,664)	(793,320)
Other income / (loss)				
Interest income	-	41	-	151
Foreign exchange loss	(629)	(9,547)	(2,332)	(5,600)
Gain on debt settlement *(Note 9.a)*	114,000	-	304,201	-
Unrealized gain on marketable securities	-	-	-	-
Provision for VAT receivable *(Note 4)*	(1,071)	-	(6,342)	(20,331)
	112,300	(9,506)	295,527	(25,780)
Net income / (loss)	$ 7,567	$ (167,638)	$ (59,137)	$ (819,100)
Other comprehensive income items:				
Unrealized gain (loss) on mark.securities *(Note 5)*	-	(40,000)	-	5,000
Net and comprehensive income (loss)	$ 7,567	$ (207,638)	$ (59,137)	$ (814,100)
Net income/(loss) per share: basic & diluted	$ 0.00	$ (0.02)	$ (0.01)	$ (0.08)
Weighted average number of common shares outstanding:	10,949,318	10,449,318	10,816,107	10,449,318

- See accompanying notes -

Helio Resource Corp.

(An Exploration Stage Company)

Consolidated Statements of Changes in Equity (Deficit)

Canadian Dollars

Unaudited - Prepared by Management

	Number of Common Shares	Share Capital *(Note 9)*	Contributed Surplus	Accumulated Other Comprehensive Income / (Loss)	Deficit	Total
March 31, 2017	10,449,318	$ 45,805,187	$ 11,747,472	$ 404,892	$ (55,447,886)	$ 2,509,665
Other comprehensive income	-	-	-	5,000	-	5,000
Loss for the period	-	-	-	-	(819,100)	(819,100)
December 31, 2017	10,449,318	$ 45,805,187	$ 11,747,472	$ 409,892	$ (56,266,986)	$ 1,695,565
March 31, 2018	10,449,318	$ 45,805,187	$ 11,747,472	$ (25,000)	$ (57,718,979)	$ (191,320)
Impact of adopting IFRS 9	-	-	-	25,000	(25,000)	-
March 31, 2018 (restated)	10,449,318	$ 45,805,187	$ 11,747,472	$ -	$ (57,743,979)	$ (191,320)
Shares issued to settle debt	500,000	47,500	-	-	-	47,500
Loss for the period	-	-	-	-	(59,137)	(59,137)
December 31, 2018	10,949,318	$ 45,852,687	$ 11,747,472	$ -	$ (57,803,116)	$ (202,957)

- 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 December 31, 2018	For the three months ended December 31, 2017	For the nine months ended December 31, 2018	For the nine months ended December 31, 2017
Cash flows from operating activities				
Net income (loss) for the period:	$ 7,567	$ (167,638)	$ (59,137)	$ (819,100)
Non-operating interest income	-	(41)	-	(151)
Items not affecting cash:				
Amortization	467	482	1,396	1,701
Provision for VAT receivable	1,071	-	6,342	20,331
Gain on debt settlement	(114,000)	-	(304,201)	-
Changes in non-cash working capital:				
Receivables and prepaids	(14,604)	75,086	(26,334)	36,856
Accounts payable and accrued liabilities	29,181	(60,758)	46,600	17,820
Changes in non-current operating assets:				
VAT receivable	-	-	-	(20,331)
Due to / from related parties	33,887	85,224	36,160	-
Cash used in operating activities	(56,431)	(67,645)	(299,174)	(762,874)
Cash flows from investing activities				
Interest received	-	41	-	151
Security deposits	-	1,967	-	32,964
Proceeds from sale of marketable securities	-	-	-	885,892
Cash provided by investing activities	-	2,008	-	919,007
Net change in cash	(56,431)	(65,637)	(299,174)	156,133
Cash - beginning of period	85,375	534,094	328,118	312,324
Cash - end of period	$ 28,944	$ 468,457	$ 28,944	$ 468,457
Cash is composed of:				
Cash	$ 8,446	$ 22,691	$ 8,446	$ 22,691
Deposits held by financial institution	20,498	445,766	20,498	445,766
	$ 28,944	$ 468,457	$ 28,944	$ 468,457

Supplemental non-cash information:

On June 13, 2018, the Company issued 500,000 common shares valued at $47,500 together with a payment of $25,000 cash in settlement of accounts payable totalling $262,701 Canadian dollars (Note 9.a). In addition, a further $114,000 in payables were restructured and relate ongoing costs were eliminated, without payment or cash outflow, by renegotiating an agreement in December of 2018, resulting in an additional gain on debt settlement.

- See accompanying notes -

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 Company is listed for trading on the TSX Venture Exchange as a Tier 2 mining issuer under the symbol "HRC-V". The Company's head and registered office is located at Suite 580 - 625 Howe Street, Vancouver, British Columbia, Canada. The Company is principally engaged in the exploration and development of the Saza Makongolosi Project ("SMP") in Tanzania.

2. GOING CONCERN

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and settlement of liabilities in the normal course of business as they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material as realizable values may be substantially different from carrying values disclosed in the financial statements.

The Company holds interests in mineral properties in Tanzania and is focused on the exploration and development of these properties. The Company has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable. As at December 31, 2018, the Company has no source of revenue, has a deficit of $57,803,116 and expects to incur further losses in the exploration and development of its mineral properties which will require additional financing from external sources. All of these factors cast significant doubt upon the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon the ability of the Company to continue to obtain the necessary financing to complete the exploration and development of its mineral property interests, or upon proceeds from the disposition of its mineral property interests and ultimately upon the discovery of economically recoverable mineral reserves. Although the Company has been successful in obtaining financing in the past and has raised cash by selling marketable securities during the year ended March 31, 2018, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company.

3. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, as issued by the International Accounting Standards Board, including International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, effective for the period ending December 31, 2018, as issued and outstanding as of March 1st, 2019, the date the Board of Directors approved these financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2018.

3. BASIS OF PRESENTATION (continued)

a) Basis of presentation

These consolidated financial statements include the accounts of Helio Resource Corp. and its wholly owned subsidiaries, BAFEX Holdings Ltd. and BAFEX Tanzania Limited. All intercompany balances, transactions, and gains and losses from intercompany transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) Basis of measurement

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the audited annual consolidated financial statements for the year ended March 31, 2018.

c) Significant Accounting Policies

The accounting policies and methods of computation followed in preparing these condensed interim consolidated financial statements are consistent with interpretations by the International Financial Reporting Interpretations Committee ("IFRIC"), and are substantially the same as those followed in preparing the most recent audited annual consolidated financial statements, with the exception of the following changes to accounting policies adopted on April 1, 2018 as a result of changes to accounting standards.

> IFRS 9, Financial Instruments: This new standard replaces IAS 9 and contains requirements for the classification and measurement of financial instruments, impairment of financial assets, hedge accounting, and derecognition of financial assets and liabilities carried forward from IAS 39. As a result of adopting this standard, $25,000 was moved from *accumulated other comprehensive income* to *deficit*, resulting in an adjustment to April 1, 2018 opening balances.

One other policy adopted on April 1, 2018 resulted in no material impact to the financial statements:

> IFRS 15, Revenue from Contracts with Customers: This new standard establishes a new control-based revenue recognition model which could change the timing of revenue recognition.

For a summary of significant accounting policies and expected changes to accounting standards that have been announced but are not yet effective, please refer to the Company's audited annual consolidated financial statements for the year ended March 31, 2018.

Expressed in Canadian dollars

4. RECEIVABLES AND PREPAIDS

	December 31, 2018	March 31, 2018
Prepaid expenses	$ 28,757	$ 25,760
Receivables	16,995	--
	$ 45,752	$ 25,760

The Company is owed sales tax refunds from the government of Tanzania but the Company has historically experienced significant delays in receiving payment. In addition, there have been discussions with the tax authorities in Tanzania and Canada pertaining to the refundability of the amounts that the Company is claiming. As a result, a cumulative provision of $318,000 (March 31, 2018 - $363,000) is offsetting the underlying amount of the receivable in recognition of the credit risk, as well as the anticipated costs of collection. The Canadian dollar equivalent of the VAT receivable and the collectability provision are both eroding as the Tanzanian Shilling has generally declined in value relative to the Canadian dollar in recent years. While collection of some of the VAT owed by the government of Tanzania is possible, there also exists the potential for one or more tax assessments to be raised that could exceed the amount that has been provided.

5. MARKETABLE SECURITIES

Company name	# of shares	Fair value at December 31, 2018	Fair value at March 31, 2018
Damara Gold Corp.	500,000	$25,000	$25,000

On September 6, 2018, Damara Gold Corp. announced a planned business combination whereby Damara will consolidate its share capital at a ratio of 6:1, and will then acquire all of the outstanding shares of New Found Gold Corp. As a result of the proposed transactions, the current shareholders of New Found Gold Corp. would own a majority of the issued and outstanding Damara Gold Corp. shares following the transaction. On January 28, 2019, Damara announced that the deadline for completion of the business combination had been extended to April 30, 2019.

Damara Gold Corp. has requested a trading halt in its shares until, at the earliest, the completion of the proposed transactions. This has reduced the liquidity of the marketable securities, and has reduced the certainty over the valuation of the marketable securities.

Expressed in Canadian dollars

6. PROPERTY AND EQUIPMENT

Dec 31, 2018		Field equipment		Office equipment		Leasehold improvements		Motor vehicle		Total
Net book value										
At March 31, 2018	$	811	$	1,307	$	--	$	--	$	2,118
Amortization		(716)		(680)		--		--		(1,396)
At Dec. 31, 2018	$	95	$	627	$	--	$	--	$	722
Consisting of										
Cost	$	77,104	$	98,797	$	81,062	$	205,323	$	462,286
Accumulated amortization		(77,009)		(98,170)		(81,062)		(205,323)		(461,564)
At Dec.31, 2018	$	95	$	627	$	--	$	--	$	722

March 31, 2018		Field equipment		Office equipment		Leasehold improvements		Motor vehicle		Total
Net book value										
At March 31, 2017	$	1,762	$	2,526	$		$	--	$	4,288
Amortization		(951)		(1,219)		--		--		(2,170)
At March 31, 2018	$	811	$	1,307	$	--	$	--	$	2,118
Consisting of										
Cost	$	77,104	$	98,797	$	81,062	$	205,323	$	462,286
Accumulated amortization		(76,293)		(97,490)		(81,062)		(205,323)		(460,168)
At March 31, 2018	$	811	$	1,307	$	--	$	--	$	2,118

7. MINERAL PROPERTY ACQUISITION COSTS

The government of Tanzania has introduced significant licence uncertainty around retention licences, resulting in the impairment of mineral property acquisition costs.

	Saza	Saza West	Makongolosi	Total
March 31, 2017	$ 396,818	$ 291,500	$ 914,999	$ 1,603,317
Impairment	(396,818)	(291,500)	(914,999)	(1,603,317)
March 31, 2018 and December 31, 2018	$ --	$ --	$ --	$ --

Impairment: The Saza Makongolosi gold project (the “SMP” gold project) consists of the areas described in the following sections. The SMP has been impaired due to the government’s rewriting of the Tanzanian mining code. The Company held certain licences as “Retention Licences”, a category of licences that existed under the previous code, but does not exist under the current code, and has no written grandfathering rules. The Company is working with the government of Tanzania in an attempt to re-establish the Company’s formal legal rights over the properties that it has explored.

7. MINERAL PROPERTY ACQUISITION COSTS (CONTINUED)

a) Saza Licence, Tanzania

The Company has earned a 100% interest in the Saza licence within the Lupa Goldfields in southwest Tanzania, subject to a 2% Net Smelter Royalty which can be reduced to 1% by paying Thorn Tree Minerals Limited (“Thorn Tree”), a private Tanzanian mining company, $1,000,000 in cash prior to commencement of commercial production. See paragraph above on impairment.

b) Saza West, Tanzania

On January 1, 2009, the Company signed an option agreement with Thorn Tree through which the Company has earned a 100% interest in the Saza West 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. See paragraph above on impairment.

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. See paragraph above on impairment.

d) Other, Tanzania

The Company holds other licences in Tanzania which form part of the SMP and are adjacent to those listed above. These licences were acquired directly, with minimal acquisition costs.

Expressed in Canadian dollars

8. EXPLORATION COSTS

Nine months ended December 31, 2018	Tanzania		Total
	Saza and Saza West	Makongolosi	
Field expenses and consumables	$ 1,072	$ 2,624	$ 3,696
Geological consulting	19,347	44,582	63,929
Salaries and wages	15,376	40,237	55,613
Transportation and travel	1,971	5,159	7,130
Exploration office expenses	13,760	33,708	47,468
Total costs for the nine months ended December 31, 2018:	$ 51,526	$ 126,310	$ 177,836

Nine months ended December 31, 2017	Tanzania		Total
	Saza and Saza West	Makongolosi	
Field expenses and consumables	$ 1,032	$ 4,675	$ 5,707
Geological consulting	17,742	40,391	58,133
Licences and permits	36,939	94,184	131,123
Operator fees	15,356	34,551	49,907
Salaries and wages	13,763	36,748	50,511
Transportation and Travel	3,036	8,106	11,142
Exploration office expenses	17,882	43,459	61,341
Total costs for the nine months ended December 31, 2017:	$ 105,750	$ 262,114	$ 367,864

9. SHARE CAPITAL

a) Authorized share capital: Unlimited common shares without par value

On June 13, 2018 the Company issued 500,000 common shares and made a cash payment of $25,000 pursuant to a debt settlement agreement with an arm's length creditor of the Company to settle outstanding accounts payable of $262,701 resulting in a gain on debt settlement of $190,201. Additional debts were also settled in December 2018 by renegotiating an agreement, without the issuance of share capital, resulting in an additional unrelated gain on debt settlement.

Effective February 8, 2018, the Company completed a share consolidation on the basis of 25 pre-consolidation common shares for 1 post-consolidation common share. All share amounts presented have been retrospectively adjusted to reflect this consolidation.

Expressed in Canadian dollars

9. SHARE CAPITAL (CONTINUED)

On June 19, 2017, the Company announced that it had entered into a definitive arrangement agreement with Shanta Gold Limited ("Shanta") pursuant to which Shanta was to acquire all of the issued and outstanding common shares of Helio by way of a statutory plan of arrangement. The agreement was to be subject to shareholder and B.C. Supreme Court approval. The agreement specified the terms of a conditional, all-share transaction under which Shanta would acquire 100% of all issued and outstanding Helio shares in exchange for 59.5 million Shanta shares. If approved, Helio shareholders would have received 5.69415 Shanta shares for each Helio share. This offer was rescinded by the offeror on August 18, 2017 on the basis of actions of the Tanzanian government which created significant uncertainty over the status of retention licences. The Company is working to reduce the licence uncertainty and is considering the options available to the Company that will best protect the interests of its shareholders.

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. The goal of this plan is to more closely align the interests of option-holders with the interests 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, March 31, 2017	220,000	$ 2.75
Expired	(48,000)	$ 6.25
Outstanding, March 31, 2018 and December 31, 2018	172,000	$ 1.75

No options were granted or exercised during the periods ended December 30, 2018 or 2017.

The following table summarizes information about stock options outstanding to directors, officers, employees and consultants as at December 31, 2018:

Grant date	Expiry date	Exercise price	Number of options outstanding	Remaining contractual life (years)	Number of options exercisable
Oct. 1, 2014	Oct. 1, 2019	$1.75	172,000	0.75	172,000

c) Share Purchase Warrants

All outstanding warrants expired during the year ended March 31, 2017.

Expressed in Canadian dollars

10. SEGMENTED INFORMATION

The Company has two operating segments, which are mineral exploration and development in Tanzania and Canada. Neither segment generates revenue. Resources are allocated to projects. As the projects are in different countries, this equates to allocating resources by geographical area.

Total assets by geographical area:

		December 31, 2018		March 31, 2018
Canada	$	49,363	$	316,814
Tanzania		51,055		64,182
	$	100,418	$	380,996

Cash amounting to $7,999 (March 31, 2018 - $279,272) was held in Canada, with greater amounts being held in Tanzania.

Capital assets, including mineral properties, by geographic area:

		December 31, 2018		March 31, 2018
Canada	$	326	$	550
Tanzania		396		1,568
	$	722	$	2,118

Net income (loss) by geographic area:

		Nine months ended December 31, 2018		Nine months ended December 31, 2017
Canada*	$	31,129	$	(410,214)
Tanzania		(90,266)		(408,886)
	$	(59,137)	$	(819,100)

*The income is in relation to a gain on settlement of debt further described in Note 9.a).

Exploration expenses by geographic area:

		Nine months ended December 31, 2018		Nine months ended December 31, 2017
Tanzania	$	177,836	$	367,864

Expressed in Canadian dollars

11. RELATED PARTY TRANSACTIONS

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. Except where specifically noted, amounts due to related parties are shown as a separate category on the statement of financial position.

a) Legal services

During the period, the Company received legal services of approximately $12,000 (nine months ended December 31, 2017 – $104,000) from a law firm, in which the Corporate Secretary of the Company is a partner. $65,974 was payable at December 31, 2018 in relation to these amounts (March 31, 2018 - $71,400) and was included in 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 2018		December 31, 2017
Salaries and short-term employee benefits, including amounts recorded as exploration costs	$	61,716	$	108,000
Directors' fees		14,000		18,000
Operator fees		--		49,913
	$	75,716	$	175,913

Apart from legal services noted in a), $56,145 was payable to related parties at December 31, 2018 (March 31, 2018 - $14,600) and was included in due to related parties. These amounts relate to salaries and director's fees owing, as well as Company costs paid for by officers on behalf of the Company.

12. COMMITMENTS

The Company has no exploration commitments, nor cash payments remaining to maintain its mineral property option agreements, and is subject only to the fees and expenditure requirements required by the government of Tanzania.

The Company previously had an office-lease which was assigned to another company, effective July 1, 2017.