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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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For the three months ended  
March 31, 2023 and 2022  
(unaudited)

*(expressed in Canadian dollars)*

# **Belo Sun Mining Corp.**

## **NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Belo Sun Mining Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**

**(Expressed in Canadian dollars)**

	Notes	March 31, 2023	December 31, 2022
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 18,215,010	\$ 17,584,792
Prepaid expenses and sundry receivables	3	284,184	241,618
Promissory notes receivable	6	532,788	528,880
		19,031,982	18,355,290
<b>Non-current assets</b>			
Long-term deposits	7	-	1,625,280
Property, plant and equipment	4, 7	16,208,628	16,215,510
Term investment	5	583,849	540,099
<b>Total Assets</b>		\$ 35,824,459	\$ 36,736,179
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 1,539,716	\$ 1,491,327
Current portion of lease liabilities	9	2,629	8,921
<b>Total Liabilities</b>		1,542,345	1,500,248
<b>Equity</b>			
Share capital	10	262,771,769	262,771,769
Share-based payments reserve	11	3,553,343	3,402,844
Contributed surplus	12	49,206	37,648
Accumulated other comprehensive income		1,703,223	1,717,884
Deficit		(233,795,427)	(232,694,214)
<b>Total Equity</b>		34,282,114	35,235,931
<b>Total Liabilities and Equity</b>		\$ 35,824,459	\$ 36,736,179
Commitments and contingencies	17		

*"Carol Fries"*

Director

*"Mark Eaton"*

Director

**Belo Sun Mining Corp.**  
**Condensed Consolidated Interim Statements of Comprehensive Loss**

**(Expressed in Canadian dollars)**

	Notes	Three months ended March 31,	
		2023	2022
<b>Expenses</b>			
Salaries, wages and consulting fees	16	553,870	952,788
Accounting, audit and tax fees		17,205	36,494
Legal fees		109,894	46,442
General and administration		175,486	241,983
Depreciation	7	11,110	12,311
Share-based payments	11, 12	162,057	291,259
Exploration and evaluation expenses	4	279,661	280,462
Permitting costs	4	50,653	17,501
Foreign exchange loss (gain)		(8,523)	(59,454)
<b>Loss from operations</b>		<b>(1,351,413)</b>	<b>(1,819,786)</b>
Interest income		250,357	138,365
Interest expense		(157)	(437)
<b>Net loss for the period</b>		<b>(1,101,213)</b>	<b>(1,681,858)</b>
<b>Other comprehensive income (loss)</b>			
<b>Items that may be reclassified to profit/loss:</b>			
Exchange differences on translating foreign operations		(14,661)	(231,906)
<b>Comprehensive loss for the period</b>		<b>\$ (1,115,874)</b>	<b>\$ (1,913,764)</b>
<b>Loss per share:</b>			
Basic and diluted		\$ (0.00)	\$ (0.00)
<b>Weighted average number of shares outstanding:</b>			
Basic and diluted		455,055,248	455,055,248

**Belo Sun Mining Corp.**  
**Condensed Consolidated Interim Statements of Cash Flows**

(Expressed in Canadian dollars)

		Three months ended March 31,	
	Notes	2023	2022
<b>Cash provided by (used in) operations:</b>			
<b>Net loss</b>		\$ (1,101,213)	\$ (1,681,858)
Items not involving cash:			
Share-based payments	11, 12	162,057	291,259
Depreciation	7	11,110	12,311
Interest income		(250,357)	(138,365)
Interest income received		246,449	126,816
Unrealized loss on foreign exchange		(256,026)	(142,807)
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		1,582,714	(126,511)
Change in accounts payables and accrued liabilities		48,389	228,299
<b>Net cash provided by / (used in) operating activities</b>		<b>443,123</b>	<b>(1,430,856)</b>
<b>Investing activities</b>			
Expenditures on property, plant and equipment	4, 7	(2,891)	(15,291)
<b>Net cash (used in) investing activities</b>		<b>(2,891)</b>	<b>(15,291)</b>
<b>Financing activities</b>			
Payment of principal portion of lease liability	9	(5,002)	(4,365)
<b>Net cash (used in) financing activities</b>		<b>(5,002)</b>	<b>(4,365)</b>
Change in cash and cash equivalents		435,230	(1,450,512)
Cash and cash equivalents, beginning of the year		17,584,792	23,964,791
Effect of exchange rate on cash held		194,988	117,103
<b>Cash and cash equivalents, end of the year</b>		<b>\$ 18,215,010</b>	<b>\$ 22,631,382</b>
<b>Cash and cash equivalents are comprised of:</b>			
Cash in bank		\$ 16,481,382	\$ 20,992,819
Short-term money market instruments		1,733,628	1,638,563
		<b>\$ 18,215,010</b>	<b>\$ 22,631,382</b>

**Belo Sun Mining Corp.**  
**Condensed Consolidated Interim Statements of Changes in Equity**

**(Expressed in Canadian dollars)**

	Number of Shares	Share Capital	Contributed Surplus	Share-Based Payments Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2021	455,055,248	\$ 262,771,769	\$ 60,399	\$ 2,461,255	\$ 627,294	\$ (219,370,513)	\$ 46,550,204
Share-based compensation	-	-	11,644	279,615	-	-	291,259
Other comprehensive loss	-	-	-	-	(231,906)	-	(231,906)
Net loss	-	-	-	-	-	(1,681,858)	(1,681,858)
Balance, March 31, 2022	455,055,248	\$ 262,771,769	\$ 72,043	\$ 2,740,870	\$ 395,388	\$ (221,052,371)	\$ 44,927,699
Balance, December 31, 2022	455,055,248	\$ 262,771,769	\$ 37,648	\$ 3,402,844	\$ 1,717,884	\$ (232,694,214)	\$ 35,235,931
Share-based compensation	-	-	11,558	150,499	-	-	162,057
Other comprehensive loss	-	-	-	-	(14,661)	-	(14,661)
Net loss	-	-	-	-	-	(1,101,213)	(1,101,213)
Balance, March 31, 2023	455,055,248	\$ 262,771,769	\$ 49,206	\$ 3,553,343	\$ 1,703,223	\$ (233,795,427)	\$ 34,282,114

- See accompanying notes to these condensed consolidated interim financial statements -

**Belo Sun Mining Corp.**  
**Notes to the condensed consolidated interim financial statements**  
**March 31, 2023 and 2022**  
(Expressed in Canadian dollars unless otherwise noted)

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**1. Nature of operations**

Belo Sun Mining Corp. (“Belo Sun” or the “Company”), through its subsidiaries, is a gold exploration and development company engaged in the exploration and development of properties located in Brazil. The Volta Grande Gold project moved to the development stage in 2017 (Note 4). The other project is in the exploration and evaluation stage. The Company is a publicly listed company incorporated in the Province of Ontario. The Company’s shares are listed on the Toronto Stock Exchange and trade under the symbol “BSX”. The Company’s shares are also listing on the OTCQX best market and trade under the symbol “BSXGF”. The Company’s head office is located at 198 Davenport Road, Toronto, Ontario, Canada, M5R 1J2.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and development and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company’s continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company’s ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company’s mining assets that are located outside of North America are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, expropriation and currency exchange fluctuations and restrictions.

**2. Significant accounting policies**

**a. Statement of compliance**

These condensed consolidated interim financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These policies applied in these condensed consolidated interim financial statements are based on the International Financial Reporting Standards (“IFRS”) issued and outstanding as at March 31, 2023. The policies set out in the Company’s Annual Consolidated Financial Statements for the year ended December 31, 2022 were consistently applied to all the periods presented unless otherwise noted. The Board of Directors approved these condensed consolidated interim financial statements for issue on May 2, 2023.

**b. Basis of preparation**

These condensed consolidated interim financial statements were prepared under the historical cost basis, except for certain financial assets and liabilities which are measured at fair value, and are presented in Canadian dollars. They have been prepared on a going concern basis assuming that the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they come due for the foreseeable future.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

**Belo Sun Mining Corp.**  
**Notes to the condensed consolidated interim financial statements**  
**March 31, 2023 and 2022**  
(Expressed in Canadian dollars unless otherwise noted)

**3. Prepaid expenses and sundry receivables**

	March 31, 2023	December 31, 2022
Amounts receivables and other advances	\$ 39,785	\$ 47,238
Reimbursable court fees pending appeal	45,721	43,578
HST receivable	143,004	71,262
Prepaid insurance	55,674	79,540
	<b>\$ 284,184</b>	<b>\$ 241,618</b>

The Company has paid fees with respect to appeal proceedings which are expected to be reimbursed. The Company expects to be reimbursed the balance, R\$170,094 (\$45,721) (December 31, 2022: R\$170,094 (\$43,578)), upon successful judgment.

**4. Mineral property development and exploration and development**

The Company has determined that it has moved into the development stage for its Volta Grande Project upon receiving its construction license in February 2017 and awarding a contract for the first phase of EPC, despite the interim suspension of the license received in April 2017. The Company appealed the suspension and, in December 2017, received notice that the suspension would be upheld until an indigenous study was completed in accordance with regulatory guidelines. Since then, the Company's focus has been on completing the indigenous study and limited exploration work. The construction license expired and was to be renewed on February 2, 2020. The Company filed its renewal application in September 2019. The application is pending government approval.

The Volta Grande Gold Project comprises 4 mine concessions submitted, 3 applications for public tender, 14 exploration permits, and 63 exploration permit extensions submitted and to be submitted in 2019, covering a total area of 175,680 hectares; it is located in municipalities including Senador José Porfírio, Anapu, Vitória do Zingu and Pacajá, in the southern region of Pará State in northern Brazil. The Volta Grande Project is located on the Xingu River, north of the Carajás mineral province, approximately 60 km southeast of the city of Altamira. Development costs have been capitalized effective February 2, 2017. The Company continues to incur costs that are not related to the development of the project, and these are expensed to the consolidated statement of comprehensive loss as exploration and evaluation expenses. Exploration and evaluation expenditures expensed immediately in the consolidated statement of comprehensive loss for the three months ended March 31, 2023 amounted to \$279,661 (three months ended March 31, 2022: \$280,462). No amounts were capitalized to property, plant and equipment during the three months ended March 31, 2023 (\$Nil during the three months ended March 31, 2022) related to development costs. In November 2021, a land concession agreement was signed with Brazilian National Institute of Colonization and Agrarian Reform ("INCRA"), whereby INCRA provided the Company with access to certain INCRA designated lands for mining activities for a period of 20 years from its execution date, with the ability to extend the term. In September 2022 and in accordance with this agreement, the Company transferred land that it owned to INCRA as compensation for a small portion of the Company's mining concessions that overlapped INCRA land designated for rural development. Costs related to this agreement were recorded through permitting costs on the consolidated statement of loss.



**Belo Sun Mining Corp.**  
**Notes to the condensed consolidated interim financial statements**  
**March 31, 2023 and 2022**  
(Expressed in Canadian dollars unless otherwise noted)

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**5. Term investment**

The investment consists of a term deposit with Banco do Brasil SA to fund the potential amounts owing to Companhia de Pesquisa de Recursos Minerais (“CPRM”). As at March 31, 2023, the balance in this account was R\$2,172,059 (\$583,849) (December 31, 2022: R\$2,108,116 (\$540,099)) and the Company earned 12.30% in interest for the three months ended March 31, 2023 (December 31, 2022: 10.42%). The Company intends to renew the term deposit on maturity because it is security against the potential amount owing to the CPRM, a Brazilian state-owned company (Note 17 (1)).

**6. Promissory notes receivable**

In April 2018, certain directors and officers of the Company (“the Supporting Directors”) agreed to acquire an aggregate of 29,850,746 common shares of the Company at a price of \$0.335 per share by a private purchase from an existing shareholder for the purposes of supporting the Company’s share price and further align their interests with those of the Company’s shareholders. The Supporting Directors each acquired the number of common shares as follows: Stan Bharti 12,932,835 common shares; Peter Tagliamonte 12,932,835 common shares; Denis Arsenault 2,985,076 common shares; Mark Eaton 1,000,000 common shares.

To facilitate the Supporting Directors with the foregoing purchases, the Company loaned them an aggregate amount of \$10,000,000. Unsecured promissory notes have been entered into with each of the Supporting Directors for their respective loans. Under the original terms of the promissory notes, the Company received a per annum interest rate of LIBOR plus 1%, payable on each one-year anniversary of the loans. The principal amount of the loans was due and payable, together with all accrued and unpaid interest thereon, on April 23, 2020. Upon the sale of any shares of the Company acquired with the principal by the recipient, a portion of the principal equal to the amount of the proceeds realized from such sale shall become immediately due. Given the credit worthiness of the recipients, the Company believes credit risk is remote and has not recorded an expected loss.

In May 2019, Mark Eaton repaid his note in full. In September 2019, Denis Arsenault repaid \$444,000 of his loan and paid an additional \$84,627 in March 2020. In December 2019, Peter Tagliamonte repaid \$400,000 of his loan and paid an additional \$15,856 in April 2020.

On April 23, 2020, Denis Arsenault and Stan Bharti repaid their loans. Peter Tagliamonte repaid his annual interest owing on April 23, 2020. Peter Tagliamonte’s loan repayment date was extended to April 23, 2022 and the loan principal of \$3,916,644 remained payable. The interest rate was amended to a per annum interest rate of LIBOR, payable on each one-year anniversary of the loan.

In April 2021, Peter Tagliamonte repaid his annual interest owing of \$11,239.

In April 2022, Peter Tagliamonte’s loan repayment date was extended to October 23, 2022. The interest rate remains unchanged.

In April 2022, Peter Tagliamonte repaid interest owing of \$89,088.

In July 2022, Peter Tagliamonte repaid \$2,500,000 of principal owing on the loan, and in August 2022, Peter Tagliamonte repaid \$956,022 of principal owing on the loan.

In October 2022, Peter Tagliamonte’s loan repayment date was extended to October 23, 2023 with the same terms and the loan principal of \$460,622 remained payable.

**Belo Sun Mining Corp.**  
**Notes to the condensed consolidated interim financial statements**  
**March 31, 2023 and 2022**  
(Expressed in Canadian dollars unless otherwise noted)

**6. Promissory notes receivable (continued)**

As at March 31, 2023, the Company recognized a carrying value of \$532,788 with respect to these promissory notes (December 31, 2022: \$528,880). Interest income of \$3,907 was recognized for the three months ended March 31, 2023 (three months ended March 31, 2022: \$62,368).

	March 31, 2023	December 31, 2022
Opening balance	\$ 528,880	\$ 3,932,695
Interest accrued	3,908	141,295
Interest repaid	-	(89,088)
Principal repaid	-	(3,456,022)
Ending balance	\$ 532,788	\$ 528,880

**7. Property, plant and equipment**

Cost	Mine assets						Total
	Vehicles	Furniture & equipment	Mining equipment	Right of use assets	under construction	Land	
Balance, December 31, 2021	\$ 360,767	\$ 1,245,190	\$ 525,439	\$ 131,697	\$ 4,372,575	\$ 13,182,377	\$ 19,818,045
Disposal	-	-	-	-	-	(2,982,660)	(2,982,660)
Additions	-	640	-	-	14,700	-	15,340
FX adjustment	224,672	751,982	327,225	82,016	94,565	492,727	1,973,187
Balance, December 31, 2022	585,439	1,997,812	852,664	213,713	4,481,840	10,692,444	18,823,912
Additions	-	392	2,499	-	-	-	2,891
FX adjustment	476	2,124	1,139	174	5,612	11,070	20,595
Balance, March 31, 2023	\$ 585,915	\$ 2,000,328	\$ 856,302	\$ 213,887	\$ 4,487,452	\$ 10,703,514	\$ 18,847,398
<i>Accumulated depreciation and impairment</i>							
Balance, December 31, 2021	\$ 360,767	\$ 616,540	\$ 506,191	\$ 93,632	\$ -	\$ -	\$ 1,577,130
Charge for the year	-	26,205	5,440	15,228	-	-	46,873
FX adjustment	224,672	439,712	301,366	18,649	-	-	984,399
Balance, December 31, 2022	585,439	1,082,457	812,997	127,509	-	-	2,608,402
Charge for the period	-	6,267	712	4,131	-	-	11,110
FX adjustment	476	12,367	1,968	4,447	-	-	19,258
Balance, March 31, 2023	\$ 585,915	\$ 1,101,091	\$ 815,677	\$ 136,087	\$ -	\$ -	\$ 2,638,770
Net book value, December 31, 2022	\$ -	\$ 915,355	\$ 39,667	\$ 86,204	\$ 4,481,840	\$ 10,692,444	\$ 16,215,510
Net book value, March 31, 2023	\$ -	\$ 899,237	\$ 40,625	\$ 77,800	\$ 4,487,452	\$ 10,703,514	\$ 16,208,628

No development costs were incurred or capitalized to mine assets under construction during the three months ended March 31, 2023 (March 31, 2022: \$Nil). Depreciation for the three months ended March 31, 2023 was \$11,110 (three months ended March 31, 2022: \$12,311). Since the mining property is in the development stage, the mine assets under construction are not amortized.

**Belo Sun Mining Corp.**  
**Notes to the condensed consolidated interim financial statements**  
**March 31, 2023 and 2022**  
(Expressed in Canadian dollars unless otherwise noted)

**7. Property, plant and equipment (continued)**

During the year ended December 31, 2018, the Company amended its agreement to purchase a Semi-Autogenous Grinding (“SAG”) mill and a letter of credit was issued by the vendor. The credit of US\$1,200,000 (\$1,623,960) was to be applied against the purchase of a new SAG mill from the vendor. In March 2023, the Company terminated this agreement and this credit was returned to the Company.

**8. Accounts payable and accrued liabilities**

	March 31, 2023	December 31, 2022
Mineral properties suppliers and contractors	\$ 370,520	\$ 303,052
Property taxes	966,161	900,953
ANM taxes	1,269	1,210
Corporate payables	180,016	199,112
Audit and other accruals	21,750	87,000
	<b>\$ 1,539,716</b>	<b>\$ 1,491,327</b>

**9. Lease liabilities**

Upon the adoption of IFRS 16, operating leases were reassessed as lease liabilities for right-of-use assets using an estimated incremental borrowing rate of 7.5% per annum. The following table reflects the lease activity for the periods ended March 31, 2023 and December 31, 2022:

December 31, 2021	\$ 23,085
Lease payments for the period	(18,171)
Foreign exchange impact	4,007
December 31, 2022	\$ 8,921
Lease payments for the period	(5,002)
Foreign exchange impact	(1,290)
March 31, 2023	\$ 2,629
Current portion	\$ 2,629
Long-term portion	-
	<b>\$ 2,629</b>

Interest expense recognized with respect to these leases was \$157 for the three months ended March 31, 2023 (\$437 for the three months ended March 31, 2022).

The Company’s leases consist of premise and equipment leases. The amount of the Company’s lease liability that is due within one year is \$2,629. The amount of Company’s lease liability that is due later than one year and not later than five years is \$nil.

**Belo Sun Mining Corp.**  
**Notes to the condensed consolidated interim financial statements**  
**March 31, 2023 and 2022**  
(Expressed in Canadian dollars unless otherwise noted)

**10. Share capital**

As at March 31, 2023 and December 31, 2022, the Company's authorized number of common shares was unlimited without par value and an unlimited number of special shares. The special shares have the same features as the common shares with the exception that the special shares take preference over the common shares in the event of liquidation, dissolution or winding up of the Company. The special shares are entitled to the same dividend rights as common shares. No special shares are outstanding.

The Company had 455,055,248 shares outstanding at March 31, 2023, recorded at \$262,771,769 (December 31, 2022 – 455,055,248 shares outstanding recorded \$262,771,769).

**11. Share-based payments reserve**

Stock options

The Company has adopted a Floating Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is equivalent to up to 10% of the issued and outstanding shares of the Company. In accordance with the terms of the Plan, officers, non-independent directors, employees and consultants of the Company may be granted options to purchase common shares at exercise prices determined at the time of grant. Options under the Plan which have been exercised or which have expired shall be available for subsequent grants. The option vesting terms are determined at the discretion of the Board of Directors.

Each employee share option converts into one common share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

	Number of Options	Weighted average exercise prices	Carrying amount
December 31, 2021	7,550,000	\$0.84	\$ 2,461,255
Vested	-	\$0.00	\$ 982,428
Expired/cancelled	(50,000)	\$0.80	(26,147)
Forfeited	(50,000)	\$0.80	(14,692)
December 31, 2022	7,450,000	\$0.84	\$ 3,402,844
Vested	-	-	150,499
<b>March 31, 2023</b>	<b>7,450,000</b>	<b>\$0.84</b>	<b>\$ 3,553,343</b>

**Belo Sun Mining Corp.**  
**Notes to the condensed consolidated interim financial statements**  
**March 31, 2023 and 2022**  
(Expressed in Canadian dollars unless otherwise noted)

**11. Share-based payments reserve (continued)**

The following stock options were outstanding as at March 31, 2023:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Black-Scholes inputs			
					Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
200,000	200,000	15-Jun-18	15-Jun-23	\$ 0.23	75%	5	0%	2.08%
4,750,000	2,375,000	27-Jul-20	27-Jul-25	\$ 0.80	84%	5	0%	0.35%
2,500,000	1,250,000	4-Jan-21	4-Jan-26	\$ 0.97	84%	5	0%	0.39%
7,450,000	3,825,000			\$ 0.84				

During the three months ended March 31, 2023, no stock options were granted. The Company recorded \$150,499 in stock-based compensation expense for the three months ended March 31, 2023 (three months ended March 31, 2022: no options were granted, and \$279,615 in stock-based compensation expense was recorded). The weighted average life of the outstanding options at March 31, 2023 is 2.42 years (December 31, 2022: 2.66 years). The unvested stock options vest in four equal installments annually on the anniversary of the grant, with the first tranche vesting 12 months from the grant date.

**12. Contributed surplus**

Deferred Share Unit Incentive Plan

In 2016, the Company approved and adopted a Deferred Share Unit (“DSU”) incentive plan. In accordance with the terms of the plan, officers, directors and employees of the Company may be granted DSUs. Each vested DSU held shall be redeemed by the Company at the time that the holder ceases to be an officer, director or employee of the Company. The DSUs can be redeemed, at the election of the Company, in cash or in shares of the Company, either held in treasury (subject to shareholder approval) or purchased in the secondary market by a trustee. If the holder of a DSU ceases to be an officer, director or employee of the Company prior to vesting, other than in the event of a change of control, the DSUs shall be deemed cancelled. In the event of a change of control, or termination without cause, each DSU shall automatically vest and be redeemed.

As at March 31, 2023, 16,739,750 DSU’s were outstanding (December 31, 2022: 16,739,750).

As at March 31, 2023, 16,508,250 shares are held in trust with an independent trustee at a total recorded cost of \$6,229,900 (December 31, 2022: 16,508,250 shares at a cost of \$6,229,900) which is included in contributed surplus. The Company is the beneficiary of the shares held and the Company has full control of these shares. Vesting charges are applied against contributed surplus.

On February 10, 2020, 250,000 DSUs were granted to a director of the Company, where one-third vested immediately on grant, one-third vested on February 10, 2021, and the final third vested on February 10, 2022.

**Belo Sun Mining Corp.**  
**Notes to the condensed consolidated interim financial statements**  
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**12. Contributed surplus (continued)**

On August 14, 2020, 250,000 DSUs were granted to a director of the Company with a value per DSU of \$0.94, where one-third vested immediately on grant, one-third vested on August 14, 2021, and the final third vested on August 14, 2022.

On August 3, 2022, 250,000 DSUs were granted to a director of the Company with a value per DSU of \$0.38, where one-third vested immediately on grant, one-third vests on August 3, 2023, and the final third vests on August 3, 2024.

The following table displays the vesting activity for outstanding DSUs:

	Vested	Unvested	Total
December 31, 2021	16,898,083	166,667	17,064,750
Vested, previously granted DSUs	166,667	(166,667)	-
Paid out	(575,000)	-	(575,000)
Granted	83,333	166,667	250,000
December 31, 2022 and March 31, 2023	16,573,083	166,667	16,739,750
Anticipated future vesting:			
August 3, 2023			83,333
August 3, 2024			83,334

During the three months ended March 31, 2023, \$11,558, was recorded as share-based compensation expense related to vested DSUs on the consolidated statements of comprehensive loss (three months ended March 31, 2022: \$11,644).

**Belo Sun Mining Corp.**  
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**13. Operating segments**

*Geographical information*

The Company operates in Canada where its head office is located and in Brazil where its exploration and development properties are located. Information about the Company's assets by geographical location is detailed below.

	Current assets	Property, plant and equipment	Other non-current assets	Total Assets
December 31, 2022				
Canada	\$ 26,415,261	\$ 19,985	\$ 1,521,360	\$ 27,956,606
Brazil	1,791,663	18,220,930	434,326	20,446,919
	<u>\$ 28,206,924</u>	<u>\$ 18,240,915</u>	<u>\$ 1,955,686</u>	<u>\$ 48,403,525</u>
March 31, 2023				
Canada	\$ 16,700,406	\$ 19,985	\$ -	\$ 16,720,391
Brazil	2,331,576	16,188,643	583,849	19,104,068
	<u>\$ 19,031,982</u>	<u>\$ 16,208,628</u>	<u>\$ 583,849</u>	<u>\$ 35,824,459</u>

In the three months ended March 31, 2023, net losses of \$644,960 and \$456,253 were attributed to Canada and Brazil, respectively.

**14. Financial instruments**

Financial assets and financial liabilities as at March 31, 2023 and December 31, 2022 were classified as follows:

December 31, 2022	Assets at amortized cost	Liabilities at amortized cost	Total
Cash and cash equivalents	\$ 17,584,792	\$ -	\$ 17,584,792
Promissory notes receivable	528,880	-	528,880
Term investment	540,099	-	540,099
Accounts payable and accrued liabilities	-	(1,491,327)	(1,491,327)
Lease liabilities, current and long-term	-	(8,921)	(8,921)
<hr/>			
March 31, 2023	Assets at amortized cost	Liabilities at amortized cost	Total
Cash and cash equivalents	\$ 18,215,010	\$ -	\$ 18,215,010
Promissory notes receivable	532,788	-	532,788
Term investment	583,849	-	583,849
Accounts payable and accrued liabilities	-	(1,539,716)	(1,539,716)
Lease liabilities, current and long-term	-	(2,629)	(2,629)

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**14. Financial instruments (continued)**

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, and lease liabilities approximates fair value due to their short-term nature.

The carrying values of promissory notes receivable and the term investment are calculated at amortized cost by applying market interest rates at the inception of the financial instrument.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

The Company's risk exposures and their impacts on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the three months ended March 31, 2023.

**Credit risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparties related to its cash and cash equivalents and term investment carry an investment grade rating as assessed by external rating agencies. The Company maintains all of its cash and cash equivalents and term investment with major Canadian and Brazilian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company's promissory notes are held by directors of the Company. Management has assessed the credit risk associated with these promissory notes and based on the credit-worthiness of the parties involved, the Company has assessed the chance of loss as remote.

The Company's maximum exposure to credit risk at the statement of financial position date is the carrying value of cash and cash equivalents, promissory notes receivable and term investments.

**Liquidity risk**

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at March 31, 2023, the Company had current assets of \$19,031,982 to settle current liabilities of \$1,542,345. Approximately \$572,000 of the Company's financial liabilities as at March 31, 2023 have contractual maturities of less than 30 days and are subject to normal trade terms. Of these current liabilities, approximately \$967,000 has been payable for over 180 days.



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**14. Financial instruments (continued)**

Market risk

(a) Interest rate risk

The Company's cash and cash equivalents, term investments, and promissory note are subject to interest rate cash flow risk as they carry variable rates of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase.

Based on cash and cash equivalents, term deposit and promissory note balances on hand at March 31, 2023, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$18,200 (December 31, 2022 - \$18,700).

(b) Currency risk

Foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's currency risk arises primarily with respect to the United States dollar and Brazilian Real. Fluctuations in the exchange rates between these currencies and the Canadian dollar could materially affect the Company's business, financial condition, and results of operations. The Company does not mitigate this risk with hedging activity.

A strengthening of \$0.01 in the United States dollar against the Brazilian Real would have increased net loss by approximately \$9,800 for the three months ended March 31, 2023 (three months ended March 31, 2022 - \$3,120). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$2,000 for the three months ended March 31, 2023 (three months ended March 31, 2022 - \$700).

**15. Capital management**

The Company includes equity, comprised of issued common shares, share-based payment reserve, contributed surplus and deficit, in the definition of capital. The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management and consultants to sustain future development of the business.

The Company's Volta Grande property is in the development stage and, accordingly, the Company is dependent upon external financings to fund activities. In order to carry out planned engineering, test work, advancement and development of the mining projects, and pay for administrative costs, the Company will spend working capital and expects to raise the additional funds from time to time as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes in the Company's approach to capital management during the three months ended March 31, 2023. The Company is not subject to externally imposed capital requirements.

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**16. Related party disclosures**

The condensed consolidated interim financial statements include the financial statements of the Company and the subsidiaries at their respective ownership listed in the following table.

	Country of incorporation	% equity interest
Belo Sun Mineracao Ltda	Brazil	100
Intergemas Mineracao e Industrailizacao Ltda	Brazil	100
Aubras Mineracao Ltda	Brazil	98
Oca Mineracao Ltda	Brazil	100
Sun Exploracao Mineral Ltda.	Brazil	100

During the three months ended March 31, 2023 and 2022, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods/services Three months ended March 31,	
	2023	2022
2227929 Ontario Inc.	\$ 15,000	\$ 15,000
Directors' promissory notes interest	3,907	62,368

The Company shares office space with other companies who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly fee of \$5,000. Costs paid to 2227929 Ontario Inc. are recorded in general and administrative expenses on the consolidated statement of loss.

The following balances included in the Company's accounts were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	31-Mar-23	31-Dec-22	31-Mar-23	31-Dec-22
Directors and officers of the Company	\$ 532,788	\$ 528,880	\$ 17,396	\$ 50,700

Amounts owed by related parties reflect the promissory notes entered into with directors of the Company in April 2018.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior periods for expected credit loss in respect of the amounts owed by related parties.

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**16. Related party disclosures (continued)**

*Compensation of key management personnel of the Company*

The remuneration of directors and other members of key management personnel during the period were as follows:

	Three months ended March 31,	
	2023	2022
Short-term benefits	\$ 371,350	\$ 785,350
Share-based payments	121,021	253,423
DSU expense	11,558	11,644
	<b>\$ 503,929</b>	<b>\$ 1,050,417</b>

In accordance with IAS 24 Related Party Disclosures, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company.

**17. Commitments and contingencies**

- Under a renegotiated agreement with CPRM in March 2008, the Company maintains an interest-bearing term deposit to cover the future debt obligation plus applicable interest. In July 2021, the Company again renegotiated its agreement with CPRM. As a result of this renegotiation, the Company paid R\$1,800,000 (\$444,060) to CPRM in 2021 and it was agreed that the Company would pay CPRM R\$6,871,711 (\$1,695,251) upon the issuance of its mining license. The Company had not received its mining license as at March 31, 2023 and as such, no amounts were accrued at year end for this contingent liability. The amounts previously accrued by the Company under the prior superseded agreement with CPRM have been reversed in 2021 in the exploration and evaluation expenses on the consolidated statement of comprehensive loss.
- Minimum commitments relating to management contracts to be made for termination without cause were approximately \$4,678,000. These contracts require that additional payments of up to \$8,168,000 be made upon the occurrence of certain events such as a change of control of the Company. The change of control commitment includes a component based on the Company's current share price. As a result of this inclusion, the change of control commitment reported increases or decreases in relation to the change in share price during the period.
- The Company has agreed with INCRA to provide 60 months of support for any resettled citizens resulting from the Company's mining activities at its Volta Grande Project. The Company's obligation is contingent on resettlement of citizens. No resettlement has occurred to date and as such, no payments have been made nor any expenses accrued in relation to this agreement.
- The Federal Constitution of Brazil has established that the States, municipalities, federal district and certain agencies of the federal administration are entitled to receive royalties for the exploitation of mineral resources by holders of mining concessions (including extraction permits). The royalty rate for gold is currently 1.5% - Federal law 13,540/17 - arising from the sale of the mineral product, less the sales taxes of the mineral product. No royalties are currently due.

**17. Commitments and contingencies (continued)**

5. The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at March 31, 2023, no amounts have been accrued related to such matters.
  
6. The Company's mining, exploration and development activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public safety, health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.