



---

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS

---

For the three months ended  
March 31, 2017 and 2016

*(expressed in Canadian dollars)*

## **Belo Sun Mining Corp.**

### **NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED 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 interim consolidated 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 interim consolidated 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 interim consolidated 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 Interim Consolidated Statements of Financial Position**

(Expressed in Canadian dollars)

	Notes	March 31, 2017	December 31, 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 74,187,374	\$ 82,385,921
Prepaid expenses and sundry receivables	3	473,294	269,064
		74,660,668	82,654,985
<b>Non-current assets</b>			
Property, plant and equipment	6	14,700,740	12,084,967
Mineral property development	4	158,240	-
Term investment	5	658,486	626,233
<b>Total Assets</b>		<b>\$ 90,178,134</b>	<b>\$ 95,366,185</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 10,797,873	\$ 8,270,985
<b>Non-current liabilities</b>			
Long-term liabilities	7	2,317,396	1,223,172
		13,115,269	9,494,157
<b>Equity</b>			
Share capital		264,043,853	264,043,853
Shares held in trust for settlement of share-based payments	8	(680,651)	(454,557)
Share-based payments reserve	8	5,906,651	6,790,425
Accumulated other comprehensive income		1,346,371	1,432,903
Deficit		(193,553,359)	(185,940,596)
<b>Total Equity</b>		<b>77,062,865</b>	<b>85,872,028</b>
<b>Total Liabilities and Equity</b>		<b>\$ 90,178,134</b>	<b>\$ 95,366,185</b>
Commitments and contingencies	14		
Subsequent events	15		
Approved on behalf of the Directors:			
<u>"Denis Arsenault"</u>		<u>"Mark Eaton"</u>	
Director		Director	

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

**(Expressed in Canadian dollars)**

		Three months ended March 31,	
	Notes	2017	2016
<b>Expenses</b>			
Salaries, wages and consulting fees	13	2,139,523	1,222,075
Legal and audit fees		256,676	25,654
General and administration		699,137	335,093
Depreciation		42,404	67,396
Share-based payments	8	4,425,543	-
Exploration and evaluation expenses	4	1,107,650	582,528
Engineering studies	4	142,991	79,531
Foreign exchange loss		210,478	199,005
Loss from operations		(9,024,402)	(2,511,282)
Interest income		185,559	41,848
Net loss for the period		(8,838,843)	(2,469,434)
<b>Other Comprehensive Income:</b>			
Items that may be reclassified to profit/loss			
Exchange differences on translating foreign operations		(86,532)	(550,804)
Comprehensive loss for the period		\$ (8,925,375)	\$ (3,020,238)
<b>Loss per share:</b>			
Basic and diluted	10	\$ (0.02)	\$ (0.01)
<b>Weighted average number of shares outstanding:</b>			
Basic and diluted		465,589,915	363,249,508

**Belo Sun Mining Corp.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

		Three months ended March 31,	
	Notes	2017	2016
<b>Cash provided by (used in) operations:</b>			
<b>Net (loss)</b>		\$ (8,838,843)	\$ (2,469,434)
Items not involving cash:			
Share-based payments	8	4,425,543	-
Depreciation		42,404	67,396
Interest income		(185,559)	(41,848)
Interest income received		173,118	27,023
Unrealized (gain)/loss on foreign exchange		(2,002)	84,244
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		(204,230)	(102,085)
Change in accounts payables and accrued liabilities		70,629	664,731
<b>Net cash (used in) operating activities</b>		<b>(4,518,940)</b>	<b>(1,769,973)</b>
<b>Investing activities</b>			
Expenditures on property, plant and equipment	6	(2,773,678)	(1,211,812)
Development expenditures on mineral property	4	(158,240)	-
<b>Net cash (used in) investing activities</b>		<b>(2,931,918)</b>	<b>(1,211,812)</b>
<b>Financing activities</b>			
Private placements		-	12,020,400
Cost of issue	7	(532,754)	(35,618)
Exercise of options		-	105,000
Purchase of shares held in trust for settlement of share-based payments	8	(226,094)	-
<b>Net cash (used in)/provided by financing activities</b>		<b>(758,848)</b>	<b>12,089,782</b>
Change in cash and cash equivalents		(8,209,706)	9,107,997
Cash and cash equivalents, beginning of the period		82,385,921	9,459,780
Effect of exchange rate on cash held		11,159	2,930
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 74,187,374</b>	<b>\$ 18,570,707</b>
<b>Cash and cash equivalents are comprised of:</b>			
Cash in bank		\$ 73,705,513	\$ 18,522,500
Short-term money market instruments		\$ 481,861	\$ 48,207
		<b>\$ 74,187,374</b>	<b>\$ 18,570,707</b>

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

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Shares held in trust for settlement of share-based payments	Share-Based Payments Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2016	465,589,915	\$ 264,043,853	\$ (454,557)	\$ 6,790,425	\$ 1,432,903	\$ (185,940,596)	\$ 85,872,028
Stock-based compensation	-	-	-	342,306	-	-	342,306
Valuation allocation for expiry of options	-	-	-	(1,226,080)	-	1,226,080	-
Purchase of shares held in trust for settlement of share-based payments	-	-	(226,094)	-	-	-	(226,094)
Other comprehensive loss	-	-	-	-	(86,532)	-	(86,532)
Net loss	-	-	-	-	-	(8,838,843)	(8,838,843)
Balance, March 31, 2017	465,589,915	\$ 264,043,853	\$ (680,651)	\$ 5,906,651	\$ 1,346,371	\$ (193,553,359)	\$ 77,062,865
Balance, December 31, 2015	359,642,915	\$ 178,773,178	\$ -	\$ 9,099,780	\$ 1,726,705	\$ (172,656,456)	\$ 16,943,207
Private placement	22,680,000	12,020,400	-	-	-	-	12,020,400
Cost of issue	-	(35,618)	-	-	-	-	(35,618)
Exercise of stock options	500,000	105,000	-	-	-	-	105,000
Valuation allocation for exercise of options	-	71,500	-	(71,500)	-	-	-
Valuation allocation for expiry/cancellation of options	-	-	-	(249,129)	-	249,129	-
Other comprehensive income	-	-	-	-	(550,804)	-	(550,804)
Net loss	-	-	-	-	-	(2,469,434)	(2,469,434)
Balance, March 31, 2016	382,822,915	\$ 190,934,460	\$ -	\$ 8,779,151	\$ 1,175,901	\$ (174,876,761)	\$ 26,012,751

- See accompanying notes to these Condensed Interim Consolidated Financial Statements -

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

**1. Nature of operations**

Belo Sun Mining Corp. (“Belo Sun” or the “Company”), through its subsidiaries (Note 13), is a gold exploration company engaged in the exploration of properties located in Brazil. 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 head office is located at 65 Queen Street West, 8<sup>th</sup> Floor, Toronto, Ontario, Canada, M5H 2M5.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration 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 interim consolidated 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”). The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at March 31, 2017. The policies as set out in the Company’s Annual Consolidated Financial Statements for the twelve months ended December 31, 2016 were consistently applied to all the periods presented unless otherwise noted below. The Board of Directors approved these condensed interim consolidated financial statements for issue on May 15, 2017.

**b) Basis of preparation**

These condensed interim consolidated financial statements were prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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 Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

**2. Significant accounting policies (continued)**

**c) New and future accounting policies**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 7 – Statement of Cash Flows (“IAS 7”) was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. There was no material impact from the adoption of this standard.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is evaluating the impact of the adoption of this standard.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”) addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company will assess the impact of adopting IFRS 15 prior to commencement of commercial production.



**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

**2. Significant accounting policies (continued)**

IFRS 16 – Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is currently evaluating the impact of the adoption of IFRS 16.

**d) Principles of consolidation**

**(i) Subsidiaries**

All entities in which the Company has a controlling interest (Note 13) are fully consolidated from the date that control commences until the date that control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

**(ii) Transactions eliminated on consolidation**

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

**e) Significant accounting judgments, estimates and assumptions**

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, on a prospective basis. The revision may affect current or both current and future periods.

Information about critical judgments and estimates in applying accounting policies, and areas where assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following areas:

• **Asset impairment charges**

In the determination of potential impairment charges, management evaluates indicators in accordance with IAS 36 – Impairment of Assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

**2. Significant accounting policies (continued)**

• Recognition of deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company reassesses unrecognized income tax assets at each reporting period.

• Title to land

In assessing the recognition of land acquired with deferred payment terms as an asset, management must make an assumption as to whether the title of the land has passed. Management has determined that the Company has obtained title to the land upon execution of the land purchase agreements as outlined within the agreements themselves.

• Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. The valuation of the DSUs (Note 8) uses the assumption that they will be settled in cash.

• Assessment of the project stage for mineral properties and activities

In determining whether the Company is in the exploration and evaluation stage or the development stage, management must make an assessment as to whether the technical feasibility and commercial viability of extracting the mineral resource are demonstrable. Management assesses several considerations including technical studies performed by consultants and the status of licences to make this assessment. Effective February 2, 2017, management's assessment was that the Company has moved into the development stage on the Volta Grande project as the Company has received its construction licence and has awarded a contract for the first phase of Engineering, Procurement and Construction (EPC), despite the interim suspension of the licence, which the Company is in the process of appealing (Note 4).

• Estimation of asset lives and depreciation and amortization

Depreciation expenses are allocated based on assumed asset lives and depreciation rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the statement of comprehensive loss.

• Determination of functional currency

Under IFRS, each entity within the Company has its results measured using the currency of the primary economic environment in which the entity operates (the "functional" currency). Judgment is necessary in assessing each entity's functional currency. The Company considers the currency of expenses and outflows, as well as financing activities as part of its decision-making process.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

**2. Significant accounting policies (continued)**

- Contingencies  
Refer to Note 14.

**f) Presentation and functional currency**

The Company's condensed interim consolidated financial statements are presented in Canadian dollars. The Company's functional and presentation currency is the Canadian dollar. The Company's subsidiaries' functional currency is the United States dollar. References to R\$ refer to the Brazilian Real.

**3. Prepaid expenses and sundry receivables**

	March 31, 2017	December 31, 2016
Amounts receivables and other advances	\$ 75,507	\$ 26,377
Reimbursable court fees pending appeal	53,759	52,662
HST receivable	321,222	174,440
Prepaid insurance	22,806	15,585
	<u>\$ 473,294</u>	<u>\$ 269,064</u>

The Company paid fees during 2015 and 2016 with respect to appeal proceedings. During the three months ended March 31, 2017, no reimbursements were made to the Company with respect to these fees. The Company expects to be reimbursed the balance, R\$127,664 (\$53,759), upon successful judgment.

**4. Mineral property development and Exploration and evaluation expenses and engineering studies**

The Company has determined that it has moved into the development stage for its Volta Grande project. As a result, development costs are capitalized effective February 2, 2017. However, the Company continues to incur costs that are not related to development of the project, and these are expensed to the consolidated statement of comprehensive loss.

The Company incurred \$158,240 in development costs during the three months ended March 31, 2017 (March 31, 2016: \$nil). This includes the hiring of new staff for the project, as well as environmental costs.

Exploration and evaluation expenditures and engineering studies expensed immediately for the three months ended March 31, 2017 collectively amounted to \$1,250,641 (three months ending March 31, 2016 - \$662,059).

**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, 2017, the balance in this account was R\$1,547,684 (\$658,486) (December 31, 2016: R\$1,518,140 (\$626,233)) and the Company earned 3.00% in interest for the three months ended March 31, 2017 (March 31, 2016: 2.31%). 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 to which the Company is committed to paying royalties if a mineable deposit on the Volta Grande Property is put into production.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

**6. Property and equipment**

<i>Cost</i>	Vehicles	Furniture & equipment	Mining equipment	Assets under construction	Land	Total
Balance at December 31, 2016	564,121	1,830,470	737,591	-	10,599,095	13,731,277
Additions	-	23,124	25,250	2,725,304	-	2,773,678
Disposals	-	-	-	-	-	-
FX adjustment	(16,953)	(39,308)	(6,794)	-	(101,737)	(164,792)
Balance at March 31, 2017	547,168	1,814,286	756,047	2,725,304	10,497,358	16,340,163
<i>Accumulated depreciation and impairment</i>						
Balance at December 31, 2016	529,358	495,508	621,444	-	-	1,646,310
Charge for the year	12,186	23,169	7,049	-	-	42,404
Disposals	-	-	-	-	-	-
FX adjustment	(16,098)	(14,409)	(18,784)	-	-	(49,291)
Balance at March 31, 2017	\$525,446	\$ 504,268	\$ 609,709	\$ -	\$ -	\$ 1,639,423
Net book value as at December 31, 2016	\$ 34,763	\$1,334,962	\$ 116,147	\$ -	\$10,599,095	\$12,084,967
Net book value as at March 31, 2017	\$ 21,722	\$1,310,018	\$ 146,338	\$ 2,725,304	\$10,497,358	\$14,700,740

The Company placed an order for the Semi Autogenous Grinding (SAG) mill and paid a deposit on this purchase of \$2,705,153 during the three months ended March 31, 2017. The delivery of the SAG mill is expected in early 2018. The Company also purchased temporary lodging for the mine site.

**7. Accounts payable and accrued liabilities**

SHORT TERM	March 31, 2017	December 31, 2016
Mineral properties suppliers and contractors	\$ 728,128	\$ 529,614
Accrued royalties (Note 14(a))	2,455,277	2,387,578
Land acquisition costs payable	-	94,638
Property taxes	458,592	563,163
Departamento Nacional de Produção Mineral	55,668	121,486
Corporate payables*	396,587	844,469
Accrual for DSUs (Note 8)	6,651,350	3,672,537
Audit and other accruals	52,271	57,500
<b>TOTAL</b>	<b>\$ 10,797,873</b>	<b>\$ 8,270,985</b>

LONG TERM	March 31, 2017	December 31, 2016
Accrual for DSUs (Note 8)	\$ 2,317,396	\$ 1,223,172

\* Included in the balance at December 31, 2016 was \$532,754 of share issue costs related to the bought deal financing in 2016. The Company paid these costs during the three months ended March 31, 2017.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

**8. Share-based payments reserve**

Stock options

The Company has a stock option compensation plan for executives and employees. In accordance with the terms of the plan, officers, directors, employees and consultants of the Company may be granted options to purchase common shares at exercise prices determined at the time of grant. 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 from time to time. 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	Value of options
December 31, 2016	23,603,000	\$0.52	\$ 6,790,425
Value of vesting options	-	\$0.00	342,306
Expired/cancelled	(1,552,000)	\$1.15	(1,226,080)
<b>March 31, 2017</b>	<b>22,051,000</b>	<b>\$0.47</b>	<b>\$ 5,906,651</b>

The following stock options were in existence as at March 31, 2017:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Black-Scholes inputs		Risk-free interest rate
						Expected life (yrs)	Expected dividend yield	
100,000	100,000	14-Jun-12	14-Jun-17	\$ 1.17	94%	5	0%	1.28%
1,185,000	1,185,000	3-Jul-12	3-Jul-17	\$ 1.15	94%	5	0%	1.26%
730,000	730,000	10-Jul-12	10-Jul-17	\$ 1.15	94%	5	0%	1.18%
200,000	200,000	9-Apr-13	9-Apr-18	\$ 1.14	118%	5	0%	1.24%
1,753,000	1,753,000	19-Aug-13	19-Aug-18	\$ 0.71	118%	5	0%	1.98%
5,055,000	5,055,000	19-Nov-14	19-Nov-19	\$ 0.12	86%	5	0%	1.53%
7,520,000	7,520,000	6-Apr-15	6-Apr-20	\$ 0.22	86%	5	0%	0.76%
550,000	550,000	8-Jun-15	8-Jun-20	\$ 0.22	85%	5	0%	1.02%
4,958,000	1,652,667	14-Nov-16	14-Nov-21	\$ 0.85	83%	5	0%	0.96%
<b>22,051,000</b>	<b>18,745,667</b>							

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

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

Fair value of share options granted in the period:

During the three months ended March 31, 2017, no stock options were granted however an accrual for vesting options was recorded resulting in stock-based compensation expense of \$342,306 for the three months ended March 31, 2017 (three months March 31, 2016: \$nil). The weighted average life of the outstanding options at March 31, 2017 is 2.90 years (March 31, 2016: 3.02 years).

Deferred Share Unit Incentive Plan

The Company has 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, where the value of the DSU shall be equal to the market value of the Company’s shares at that time. 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.

During the three months ended March 31, 2017, the Company purchased, through an independent trustee, 259,500 shares of the Company from the secondary market at a cost of \$226,094, which was recorded to shares held in trust for settlement of share-based payments. As at March 31, 2017, 908,500 shares are held in trust at a total recorded value of \$680,651.

In May 2016, 12,969,000 DSUs were granted to directors, officers and employees of the Company, where one-quarter, or 3,242,250 DSUs, vested immediately on grant, and one-quarter each will vest on May 2, 2017, 2018 and 2019 respectively. In January 2017, 5,260,000 DSUs were granted to directors, officers and employees of the Company, where one-quarter vested immediately on grant, and one-quarter each will vest on January 2, 2018, 2019 and 2020 respectively. An amount of \$8,968,746 was recorded at March 31, 2017 as a liability with respect to the value of these DSUs, which represents the market value at March 31, 2017 for vested DSUs as well as an accrual for unvested DSUs recognizing the services received to period end. The liability was allocated between current and long-term liabilities on the statements of financial position based on the vesting date. During the three months ended March 31, 2017, \$4,083,237 was recorded as stock-based compensation expense related to DSUs on the consolidated statements of comprehensive loss (three months ended March 31, 2016: \$nil).

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

**9. Operating segments**

*Geographical information*

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

	Current assets	Land and equipment	Mineral property development	Other non-current assets	Total Assets
<u>March 31, 2017</u>					
Canada	\$ 73,987,503	\$ 9,119	\$ -	\$ -	\$ 73,996,622
Brazil	673,165	14,691,621	158,240	658,486	16,181,512
	<u>\$ 74,660,668</u>	<u>\$ 14,700,740</u>	<u>\$ 158,240</u>	<u>\$ 658,486</u>	<u>\$ 90,178,134</u>
<u>December 31, 2016</u>					
Canada	\$ 82,252,656	\$ 9,855	\$ -	\$ -	\$ 82,262,511
Brazil	402,329	12,075,112	-	626,233	13,103,674
	<u>\$ 82,654,985</u>	<u>\$ 12,084,967</u>	<u>\$ -</u>	<u>\$ 626,233</u>	<u>\$ 95,366,185</u>

**10. Loss per share**

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options, warrants and contracts to be settled in shares, in the weighted average number of common shares outstanding during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options, warrants and contracts to be settled in shares would be anti-dilutive.

**11. Financial instruments**

Financial assets and financial liabilities as at March 31, 2017 were classified as follows:

March 31, 2017	Other liabilities	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	\$ -	\$ 74,187,374	\$ 74,187,374
Term investment	-	658,486	658,486
Accounts payable and accrued liabilities	4,146,523	-	4,146,523

The fair value of accounts payable and accrued liabilities approximates fair value due to the short term nature of the financial instruments.



**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

**11. 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.

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.

At March 31, 2017, financial instruments that are carried at fair value, consisting of cash and cash equivalents and term investment have been classified as Level 1 within the fair value hierarchy. There were no transfers between levels during the three months ended March 31, 2017.

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, 2017.

**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 maximum exposure to credit risk at the balance sheet date is the carrying value of cash and cash equivalents, term investment and sundry receivables.

**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, 2017, the Company had current assets of \$74,660,668 to settle current liabilities of \$10,797,873. Approximately \$3,600,000 of the Company's financial liabilities as at March 31, 2017 have contractual maturities of less than 30 days and are subject to normal trade terms. Of this amount, approximately \$2,460,000 has been payable for over 180 days. The Company's DSU obligations are expected to be settled in cash at the time the holder ceases to be an officer, director or employee of the Company.



**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

**11. Financial instruments (continued)**

Market risk

(a) Interest rate risk

The Company's cash equivalents 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 equivalent balances on hand at March 31, 2017, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$74,000 (December 31, 2016 - \$82,000).

(b) Currency risk

As the Company operates on an international basis, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign 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 have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

A strengthening of \$0.01 in the United States dollar against the Brazilian Real would have decreased net income by approximately \$54,000 for the three months ended March 31, 2017 (March 31, 2016 - \$58,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$17,000 for the three months ended March 31, 2017 (March 31, 2016 - \$16,000).

**12. Capital management**

The Company includes cash and equity, comprised of issued common shares, share-based payment reserve 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 and exploration 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 properties are 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.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

**12. Capital management (continued)**

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, 2017. The Company is not subject to externally imposed capital requirements.

**13. Related party disclosures**

The condensed interim consolidated 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

During the three months ended March 31, 2017 and 2016, 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,	
	2017	2016
2227929 Ontario Inc.	\$ 93,668	\$ 90,000
Forbes & Manhattan, Inc.	325,000	225,000
Les Consultants Geo Habilis	3,600	-

The following balances included in accounts payable and accrued liabilities were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	31-Mar-17	31-Dec-16	31-Mar-17	31-Dec-16
Directors and officers of the Company	-	-	133,157	133,813
2227929 Ontario Inc.	-	-	101,700	-
Sulliden Mining Capital Inc.	2,800	-	-	-

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 \$30,000. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc., a corporation that provides strategic planning and business development services to the Company. Forbes & Manhattan, Inc. charges a monthly consulting fee of \$25,000. During the three months ended March 31, 2017, the Company paid a bonus of \$250,000 to Mr. Bharti through Forbes & Manhattan, Inc. (March 31, 2016: \$150,000).

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

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

Mr. Stephane Amireault, an officer of the Company, is an officer of Les Consultants Geo Habilis, a company that provides geological services to the Company from time to time.

Sulliden Mining Capital Inc. ("Sulliden") is a related party by virtue of common officers and directors. Mr. Stan Bharti and Mr. Willian Clarke, directors of the Company, are also directors of Sulliden. Mr. Peter Tagliamonte, an officer and director of the Company, is also an officer and director of Sulliden. The Company paid costs on behalf of Sulliden, and has billed Sulliden for reimbursement. As well, subsequent to the end of the period, the Company loaned \$1,000,000 to Sulliden as a short term loan (Note 15).

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 bad or doubtful debts in respect of the amounts owed by related parties.

*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,	
	2017	2016
Short-term benefits	\$ 1,715,250	\$ 1,064,750
Share-based payments	306,543	-
DSU expense	3,779,544	-
	<u>\$ 5,801,337</u>	<u>\$ 1,064,750</u>

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.

**14. Commitments and contingencies**

- (a) Under a successfully renegotiated agreement with CPRM in March 2008, the Company maintains an interest bearing term deposit to cover the future royalty payments, starting June 30, 2008. As at March 31, 2017, no royalty payments have been paid.
- (b) The Company is party to certain management contracts. These contracts require that additional payments of up to \$31,800,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is uncertain and it is not probable that there will be any outflow of resources to settle the commitment, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Minimum commitments remaining under these contracts were approximately \$823,000 all due within one year.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2017 and 2016**  
(Expressed in Canadian dollars unless otherwise noted)

---

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

- (c) 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, 2017 and December 31, 2016, no amounts have been accrued related to such matters.
  
- (d) The Company's mining and exploration 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.

**15. Subsequent events**

In April 2017, the Company entered into an agreement with Sulliden whereby the Company loaned Sulliden \$1,000,000 as a short-term loan. A set-up fee of \$5,000 was charged with respect to this loan, and interest of \$5,000 is payable for every 15 days the loan is outstanding. The maturity of the loan was May 2, 2017; however, this was extended and the loan was repaid to the Company on May 15, 2017. The Company and Sulliden share common officers and directors (Note 13).