



CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

For the nine months ended
September 30, 2013 and 2012

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
Unaudited

(Expressed in Canadian dollars)

	Notes	September 30, 2013	December 31, 2012
Assets			
Current assets			
Cash and cash equivalents		\$ 19,087,392	\$ 45,977,241
Prepaid expenses and sundry receivables	3	510,748	885,413
		19,598,140	46,862,654
Non-current assets			
Advances	3	425,910	-
Property and equipment	6	6,447,297	6,394,504
Term investment	5	523,921	524,131
Total Assets		\$ 26,995,268	\$ 53,781,289
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 2,956,808	\$ 4,825,228
Finance leases	8	14,750	26,397
Current taxes	16	7,091	7,091
		2,978,649	4,858,716
Non-current liabilities			
Finance leases	8	-	10,313
Deferred taxes	16	-	7,091
		2,978,649	4,876,120
Equity			
Share capital	9	157,304,907	157,177,638
Share-based payments reserve	10	15,141,493	13,270,262
Accumulated other comprehensive loss		(97,368)	(497,425)
Deficit		(148,332,413)	(121,045,306)
Total Equity		24,016,619	48,905,169
Total Liabilities and Equity		\$ 26,995,268	\$ 53,781,289
Commitments and contingencies	15		
Approved on behalf of the Directors:			
<i>"Catherine Stretch"</i>		<i>"Mark Eaton"</i>	
Director		Director	

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

(Expressed in Canadian dollars)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2013	2012	2013	2012
Expenses					
Management fees paid to directors	14	\$ 124,059	\$ 94,298	\$ 577,067	\$ 465,307
Salaries, wages and consulting fees		670,788	430,026	3,840,836	2,382,708
Legal fees		8,133	50	22,508	10,420
Audit fees		31,200	21,500	64,819	53,320
General and administration		421,989	576,477	1,610,237	1,686,620
Amortization		119,785	62,861	303,195	159,050
Share-based payments	10	2,175,000	184,050	2,426,000	6,801,550
Exploration and evaluation expenses	4	1,569,295	10,158,107	10,190,593	24,050,321
Engineering studies	4	3,167,714	1,881,736	8,788,126	5,105,652
Foreign exchange loss/(gain)		162,294	(322,976)	644,830	158,511
Loss from operations		(8,450,257)	(13,086,129)	(28,468,211)	(40,873,459)
Interest income		192,227	155,268	636,941	925,864
(Loss)/gain on sale of assets		(362)	(771)	12,148	368
(Loss)/gain on derivative liability	4	(1,011)	-	32,515	-
Net loss for the period		(8,259,403)	(12,931,632)	(27,786,607)	(39,947,227)
Exchange differences on translating foreign operations		(204,148)	(385,845)	400,057	(399,015)
Comprehensive loss for the period		\$ (8,463,551)	\$(13,317,477)	\$(27,386,550)	\$(40,346,242)
Loss per share					
Basic		\$ (0.03)	\$ (0.06)	\$ (0.10)	\$ (0.18)
Diluted		\$ (0.03)	\$ (0.06)	\$ (0.10)	\$ (0.18)
Weighted average number of shares outstanding:					
Basic and diluted		265,997,491	229,827,534	265,939,838	225,400,648

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

(Expressed in Canadian dollars)

	Notes	Nine months ended September 30,	
		2013	2012
Cash provided by (used in) operations:			
Net (loss)		\$(27,786,607)	\$(39,947,227)
Items not involving cash:			
Share-based payments	10	2,426,000	6,801,550
Amortization		303,195	159,050
Interest income		(636,941)	(925,864)
Interest income received		611,625	898,049
Gain on sale of assets		(12,148)	(368)
Impairment charge on assets	6	64,746	-
Gain on derivative liability		(32,515)	-
Unrealized loss on foreign exchange		458,768	311,486
Working capital adjustments:			
Change in prepaid expenses and sundry receivables and advances		(51,245)	(216,360)
Change in accounts payables and accrued liabilities		(602,676)	1,126,181
Change in income taxes		(7,091)	(7,091)
Net cash (used) by operating activities		(25,264,889)	(31,800,594)
Investing activities			
Expenditures on property and equipment		(191,659)	(5,193,989)
Proceeds from sale of assets		12,148	25,733
Payment against liabilities related to the acquisition of land	4	(1,185,663)	2,234,395
Redemption of term deposit		-	513,534
Net cash (used) in investing activities		(1,365,174)	(2,420,327)
Financing activities			
Exercise of warrants and options		72,000	11,028,524
Finance lease payments		(21,213)	(57,254)
Net cash provided by financing activities		50,787	10,971,270
Change in cash and cash equivalents		(26,579,276)	(23,249,651)
Cash and cash equivalents, beginning of the period		45,977,241	32,415,945
Effect of exchange rate on cash held		(310,573)	(616,360)
Cash and cash equivalents, end of the period		\$ 19,087,392	\$ 8,549,934
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 12,729,430	\$ 3,912,606
Short-term money market instruments		\$ 6,357,962	\$ 4,637,328
		\$ 19,087,392	\$ 8,549,934

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

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

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-Based Payments Reserve	Accumulated Other Comprehensive (Loss)	Deficit	Total
Balance, December 31, 2012	265,910,534	\$ 157,177,638	\$ 13,270,262	\$ (497,425)	\$ (121,045,306)	\$48,905,169
Exercise of options	200,000	72,000	-	-	-	72,000
Valuation allocation on exercise of options	-	55,269	(55,269)	-	-	-
Valuation allocation for expiry of warrants and options	-	-	(499,500)	-	499,500	-
Comprehensive (loss)	-	-	2,426,000	400,057	(27,786,607)	(24,960,550)
Balance, September 30, 2013	266,110,534	\$ 157,304,907	\$ 15,141,493	\$ (97,368)	\$ (148,332,413)	\$24,016,619
Balance, December 31, 2011	207,604,334	\$ 96,276,107	\$ 8,782,612	\$ (99,707)	\$ (72,707,382)	\$32,251,630
Exercise of stock options	690,600	394,554	-	-	-	394,554
Valuation allocation on exercise of stock options	-	235,917	(235,917)	-	-	-
Exercise of warrants	21,515,600	10,610,850	-	-	-	10,610,850
Valuation allocation on exercise of warrants	-	2,231,085	(2,231,085)	-	-	-
Valuation allocation for expiry of warrants and options	-	-	(59,240)	-	59,240	-
Comprehensive (loss)	-	-	6,617,500	(13,170)	(39,947,227)	(33,342,897)
Balance, September 30, 2012	229,810,534	\$ 109,748,513	\$ 12,873,870	\$ (112,877)	\$ (112,595,369)	\$ 9,914,137

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

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2013 and 2012
(Expressed in Canadian dollars unless otherwise noted - unaudited)

1. Nature of operations

Belo Sun Mining Corp. (“Belo Sun” or the “Company”), through its subsidiaries, 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. The Company’s head office is located at 65 Queen Street West, 8th 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 discovery of economically recoverable reserves, 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 September 30, 2013. The policies as set out in the Company’s Annual Consolidated Financial Statements for the twelve months ended December 31, 2012 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 November 12, 2013.

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
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(Expressed in Canadian dollars unless otherwise noted - unaudited)

c) New accounting policies

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2013. Updates that are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company has re-assessed its control conclusions and determined that there were no changes in the consolidation status of any of its subsidiaries.

IFRS 11, Joint Arrangements, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company currently has no joint ventures and therefore there is no impact of IFRS 11 to the Company's financial statements.

IFRS 12, Disclosure of Involvement with Other Entities, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company has determined that it is in compliance with IFRS 12 and there was no change to the financial presentation as a result of this change.

IFRS 13, Fair Value Measurement, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 (Share-based Payments); leasing transactions within the scope of IAS (17 Leases); measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 (Inventories); or value in use in IAS 36 (Impairment of Assets). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted. The Company has determined that it is in compliance with IFRS 13 and there was no impact of this change on the Company's financial statements.

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IFRIC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine* was issued by the IFRIC in October 2011. IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities. Specifically, IFRIC 20 permits capitalization of stripping costs if all of the following three criteria are met:

- probability of future economic benefit (improved access to the ore body) flowing to the entity;
- identifiability of the component of the ore body for which access has been improved; and
- measurability of the costs associated to the stripping activity.

Furthermore, where the costs of the stripping activity asset and of the inventory produced are not separately identifiable, IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013. Early application is permitted. As the Company is not in a production phase, there is no impact to the Company's financial statements as a result of this change.

IAS 1, *Presentation of Financial Statements* ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has determined that there is no impact of the amendments to IAS 1 on its financial statements.

(d) Future accounting policies

IFRS 9, *Financial Instruments: Classification and Measurement*, effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

(e) Principles of consolidation

(i) Subsidiaries

All entities in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, are fully consolidated from the date that control commences until the date that control ceases.

A controlling position is assumed to exist where the Company holds, directly or indirectly, a voting interest exceeding 50%, and where no other shareholder or group of shareholders exercises substantive participating rights which would enable it to veto or to block ordinary decisions taken by the Company.

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A controlling position also exists where the Company, holding an interest of 50% or less in an entity, possesses control over more than 50% of the voting rights by virtue of an agreement with other investors, power to direct the financial and operational policies of the entity by virtue of a statute or contract, power to appoint or remove from office the majority of the members of the Board of Directors or equivalent management body, or the power to assemble the majority of voting rights at meetings of the Board of Directors or equivalent management body. The Company consolidates special purpose entities which it controls in substance because it has the right to obtain a majority of benefits, or because it retains the majority of residual risks inherent in the special purpose entity or its assets.

(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.

(f) 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 carrying values and impairment charges**

In the determination of carrying values and impairment charges, management looks at the recoverable amount considered to be higher of value in use or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

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- 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 considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

- 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.

- 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 relies on technical studies performed by consultants to make this assessment.

- Estimation of close down and restoration costs and the timing of expenditures

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

- Estimation of asset lives and depletion, depreciation and amortization

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

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2013 and 2012
(Expressed in Canadian dollars unless otherwise noted - unaudited)

- 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.
- Contingencies
Refer to Note 15.

(g) 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. These condensed interim consolidated financial statements have been translated to the Canadian dollar in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

3. Prepaid expenses and sundry receivables

	30-Sep-13	31-Dec-12
Trade receivables and other advances	\$ 369,478	\$ 375,364
Prepaid taxes	-	338,278
HST/VAT receivable	108,230	142,794
Prepaid insurance	33,040	28,977
	<u>\$ 510,748</u>	<u>\$ 885,413</u>
Long Term Advances: Prepaid taxes	<u>\$ 425,910</u>	<u>\$ -</u>

Prepaid taxes have been reclassified as long term advances for the nine months ended September 30, 2013 as they are expected to be realized at a point in time over one year.

Receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

4. Exploration and evaluation expenses and engineering studies

Exploration and evaluation expenditures and engineering studies expensed immediately in the condensed interim consolidated statement of comprehensive loss for the three and nine months ended September 30, 2013 collectively amounted to \$4,737,009 and \$18,978,719 respectively (three and nine months ended September 30, 2012 - \$12,039,843 and \$29,155,973 respectively).

Exploration and evaluation properties comprise the following:

Volta Grande, Para State, Brazil

The gold project includes approximately 101,525 hectares in twenty-two exploration permits (2012 – 101,525 hectares in twenty-two exploration permits) and 76,862 hectares in twenty-three exploration applications (2012 – 77,034 hectares in twenty-three exploration applications) and is situated in the margin of the Xingu river, some 60 km from the city of Altamira, Para State.

Belo Sun Mining Corp.
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Under the agreement, the Company agreed to pay to OCA Mineracao Ltda., an unrelated company whose controlling shareholder is the Tenaris-Confab Group, a total of US\$600,000 of which US\$12,500 was paid in January 2004 and US\$50,000 paid in April 2004 and the outstanding balance was paid in December 2006. OCA Mineracao Ltda. ownership was transferred to the Company in March 2008. The transfer of title to the Volta Grande Property to Belo Sun occurred following the arrangements with Companhia de Pesquisa de Recursos Minerais ("CPRM"), a Brazilian state owned company, whereby the Company has committed to pay CPRM 3,740,000 Reais if a mineable deposit is defined on the Volta Grande Property. As security, the Company purchased a term deposit of 3,740,000 Reais.

In March 2008, the Company successfully renegotiated the agreement with CPRM. Under the new terms, CPRM released to the Company 3,525,087 Reais of the total term deposit of 4,273,087 Reais including accrued interest, held in security to cover the Company's potential debt owed to CPRM. In addition, the Company allocated the balance of the original term deposit that was not released, amounting to 748,000 Reais, to be retained in an interest bearing term deposit to cover future royalty payments. There has been no production at Volta Grande Property thus no royalties payable and no amounts were withdrawn by CPRM.

The Company is committed to paying approximately US\$1,500,000 to CPRM if a mineable deposit is defined on the property, and to invest a minimum US\$1,500,000 at Volta Grande over a two year period. The Company has fulfilled its investment condition on this property.

In May 2012, the Company acquired surface rights for an area covering 1,734 hectares, which was comprised of three distinct properties – *Fazenda Galo de Ouro* covering 824.8 hectares, *Fazenda Ouro Verde* covering 503.6 hectares and *Fazenda Ressaca* covering 405.9 hectares. The total consideration agreed to be paid for the acquisition was 8,200,000 Reais in cash (\$4,190,200) and the issuance of 281,217 common shares of Belo Sun (or the cash equivalent based on the fair market value of the shares on the date of settlement) which had a fair value of 500,000 Reais at the time of the agreement. The portion of the consideration that may be settled in cash equivalent to the fair market value of the shares is considered a derivative liability. The Company paid 50% of the cash consideration on signing the definitive agreement, and the balance is to be paid once the vendors complete the demobilization of all "garimpo" (artisanal mining) activities on these properties. On February 1, 2013, the Company made a cash payment of 869,018 Reais (\$437,985) in lieu of issuing shares. The Company recorded a net gain of 67,001 Reais (\$32,515) for the nine months ended September 30, 2013 to account for the settlement of the obligation. The Company realized a total loss for the transaction of 369,018 Reais (\$191,470) of which a loss of 436,019 Reais (\$223,985) was recognized in 2012 and a gain of 67,001 Reais (\$32,515) was recognized in 2013. During the nine months ended September 30, 2013, the Company paid 1,550,000 Reais (\$747,678) against this liability. The balance of the consideration of 2,550,000 Reais (\$1,181,415), has been recorded as accrued liabilities as at September 30, 2013.

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5. Term investment

The investment consisted of a term deposit with Banco do Brasil SA to fund the potential amounts owing to CPRM. As at September 30, 2013, the balance in this account was R\$1,130,847 (\$523,921) (2012: R\$1,078,680 (\$524,131)) and the Company earned 5.3574% in interest for the nine months ended September 30, 2013, an approximate annualized rate of 7.13%. The Company intends on rolling over the term deposit on maturity because it is security against the potential amount owing to the CPRM (Note 4).

6. Property and equipment

<i>Cost</i>	Vehicles	Furniture & equipment	Mining equipment	Assets under construction	Land	Total
Balance at December 31, 2011	\$471,592	\$ 504,588	\$ 248,654	\$ 204,104	\$ 7,621	\$1,436,559
Additions	237,485	644,406	271,469	(62,506)	4,462,708	5,553,562
Disposal	(42,791)	-	-	-	-	(42,791)
FX adjustment	(25,701)	(2,194)	(6,799)	(24,187)	493	(58,388)
Balance at December 31, 2012	640,585	1,146,800	513,324	117,411	4,470,822	6,888,942
Additions	4,429	270,028	23,823	(106,621)	-	191,659
FX adjustment	(3,396)	(18,118)	(11,799)	(6,945)	162,381	122,123
Balance at September 30, 2013	641,618	1,398,710	525,348	3,845	4,633,203	7,202,724
<i>Accumulated amortization and impairment</i>						
Balance at December 31, 2011	128,937	76,277	84,656	-	-	289,870
Charge for the year	82,361	63,300	110,422	-	-	256,083
Disposal	(17,116)	-	-	-	-	(17,116)
FX adjustment	(13,992)	(8,406)	(12,001)	-	-	(34,399)
Balance at December 31, 2012	180,190	131,171	183,077	-	-	494,438
Charge for the year	89,375	68,275	145,545	-	-	303,195
Impairment adjustments	33,882	34,089	(3,225)	-	-	64,746
FX adjustment	(16,153)	(67,420)	(23,379)	-	-	(106,952)
Balance at September 30, 2013	\$287,294	\$ 166,115	\$ 302,018	\$ -	\$ -	\$ 755,427
Net book value as at December 31, 2012	\$460,395	\$1,015,629	\$ 330,247	\$ 117,411	\$4,470,822	\$6,394,504
Net book value as at September 30, 2013	\$354,324	\$1,232,595	\$ 223,330	\$ 3,845	\$4,633,203	\$6,447,297

During the nine months ended September 30, 2013, the Company assessed the value of its property and equipment and, as a result, recorded an impairment adjustment of \$64,746 (nine months ended September 30, 2012: \$nil). This amount is recorded in General and administration on the consolidated statement of comprehensive loss.

As at September 30, 2013, the Company's finance leases consist of one vehicle having a net book value of \$34,969 (December 31, 2012 – two vehicles with a net book value of \$81,493).

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7. Accounts payable and accrued liabilities

	30-Sep-13	31-Dec-12
Mineral properties suppliers and contractors	\$ 1,508,035	\$ 1,606,074
Property acquisition consideration payable (Note 4)	1,181,415	2,450,403
DNPM taxes	134,535	154,744
Corporate payables	57,823	485,007
Audit and other accruals	75,000	129,000
	<u>\$ 2,956,808</u>	<u>\$ 4,825,228</u>

8. Finance leases

The Company's existing finance lease, entered into in 2012 to acquire a new vehicle, has a term of two years at an interest rate of approximately 19%. The Company has the option to purchase the vehicle for a nominal amount at the conclusion of the lease agreements.

As at September 30, 2013, the finance leases were composed of the following obligations:

2013	5,904
2014	11,807
	<u>17,711</u>
less amounts representing interest	(2,961)
	<u>\$ 14,750</u>
current portion	14,750
long term portion	-
	<u>14,750</u>

9. Share capital

(a) As at September 30, 2013 and December 31, 2012, 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.

(b) Issued and outstanding share capital (common shares)

Balance, December 31, 2012	265,910,534	\$ 157,177,638
Exercise of stock options	200,000	72,000
Exercise of stock options - value allocation		55,269
Balance, September 30, 2013	266,110,534	\$ 157,304,907

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10. Share-based payments reserves

The Company has an ownership-based compensation scheme for executives and employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, officers, directors 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	Number of Warrants	Weighted average exercise prices	Value of warrants	TOTAL VALUE
December 31, 2011	12,151,600	\$0.79	\$ 6,536,787	21,087,800	\$0.49	\$ 2,245,825	\$ 8,782,612
Granted	8,745,000	\$1.17	7,164,550	587,800	\$0.50	293,900	7,458,450
Exercised	(1,070,600)	\$0.61	(376,105)	(21,515,600)	\$0.49	(2,524,985)	(2,901,090)
Expired/forfeited	(63,000)	\$1.29	(54,970)	(160,000)	\$0.50	(14,740)	(69,710)
December 31, 2012	19,763,000	\$0.96	\$ 13,270,262	-	\$0.00	\$ -	\$ 13,270,262
Granted	4,000,000	\$0.74	2,426,000	-	\$0.00	-	2,426,000
Exercised	(200,000)	\$0.36	(55,269)	-	\$0.00	-	55,269
Expired/forfeited	(620,000)	\$1.14	(499,500)	-	\$0.00	-	499,500
September 30, 2013	22,943,000	\$0.97	\$ 15,141,493	-	\$0.00	\$ -	\$ 15,141,493

The weighted average share price on the date of exercise of options and warrants during the nine months ended September 30, 2013 was \$0.81 and \$nil (twelve months ended December 31, 2012 was \$1.11 and \$1.03 respectively).

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The following share-based payments arrangements were in existence as at September 30, 2013:

Options:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
3,611,000	3,611,000	5-Mar-10	5-Mar-15	\$ 0.34	100%	5	0%	2.59%
60,000	60,000	2-Jun-10	2-Jun-15	\$ 0.45	100%	5	0%	2.68%
1,768,000	1,768,000	29-Jul-10	29-Jul-15	\$ 0.36	104%	5	0%	2.36%
50,000	50,000	11-Nov-10	11-Nov-15	\$ 0.80	94%	5	0%	2.50%
500,000	500,000	5-Dec-10	5-Dec-15	\$ 0.89	94%	5	0%	2.40%
4,657,000	4,657,000	21-Apr-11	21-Apr-16	\$ 1.33	94%	5	0%	2.70%
3,372,000	3,372,000	31-Jan-12	31-Jan-17	\$ 1.15	94%	5	0%	1.25%
250,000	250,000	30-Apr-12	30-Apr-17	\$ 1.15	94%	5	0%	1.60%
400,000	400,000	14-Jun-12	14-Jun-17	\$ 1.17	94%	5	0%	1.28%
2,815,000	2,815,000	3-Jul-12	3-Jul-17	\$ 1.15	94%	5	0%	1.26%
1,160,000	1,160,000	10-Jul-12	10-Jul-17	\$ 1.15	94%	5	0%	1.18%
300,000	300,000	29-Nov-12	29-Nov-17	\$ 1.70	93%	5	0%	1.30%
50,000	50,000	11-Jan-13	11-Jan-18	\$ 1.58	119%	5	0%	1.48%
200,000	200,000	9-Apr-13	9-Apr-18	\$ 1.14	118%	5	0%	1.24%
3,750,000	3,750,000	19-Aug-13	19-Aug-18	\$ 0.71	118%	5	0%	1.98%
22,943,000	22,943,000							

Fair value of share options granted in the period:

During the three and nine months ended September 30, 2013, the Company granted 3,750,000 and 4,000,000 stock options respectively (three and nine months ended September 30, 2012: 4,025,000 and 8,445,000) which vested immediately. As a result, \$2,175,000 and \$2,426,000 was recorded to the statement of comprehensive loss for the three and nine months ended September 30, 2013 (September 30, 2012: \$184,050 and \$6,801,550) related to these stock options. The weighted average grant date fair value of the share options granted during the nine months ended September 30, 2013 was \$0.61 (September 30, 2012: \$0.81). Options were priced using the Black-Scholes option-pricing model. Expected volatility is based on the historical share price volatility over the past five years. The expected life of the option was calculated based on the history of option exercises. The weighted average life of the outstanding options is 3.09 years. The weighted average market price on the date of grant for options granted during the period was \$0.74 (September 30, 2012: \$1.15).

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11. Operating segments

Geographical information

The Company operates in Canada, Barbados and Brazil. The Company's information about its assets by geographical location is detailed below.

	Current assets	Property and equipment	Other long-term assets	TOTAL ASSETS
<u>September 30, 2013</u>				
Canada	\$ 13,191,745	\$ 3,449	\$ -	\$ 13,195,194
Barbados	6,110	-	-	6,110
Brazil	6,400,285	6,443,848	949,831	13,793,964
	<u>\$ 19,598,140</u>	<u>\$ 6,447,297</u>	<u>\$ 949,831</u>	<u>\$ 26,995,268</u>
<u>December 31, 2012</u>				
Canada	\$ 37,254,580	\$ 7,684	\$ -	\$ 37,262,264
Barbados	1	-	-	1
Brazil	9,608,073	6,386,820	524,131	16,519,024
	<u>\$ 46,862,654</u>	<u>\$ 6,394,504</u>	<u>\$ 524,131</u>	<u>\$ 53,781,289</u>

12. Financial instruments

Financial assets and financial liabilities as at September 30, 2013 were classified as follows:

September 30, 2013	Loans and receivables	Other liabilities	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	\$ -	\$ -	\$ 19,087,392	\$ 19,087,392
Sundry receivables	369,478	-	-	369,478
Term investment	-	-	523,921	523,921
Accounts payable and accrued liabilities	-	2,956,808	-	2,956,808
Finance leases	-	14,750	-	14,750

The fair value of sundry receivables, accounts payable and accrued liabilities and finance leases approximates fair value due to the short term nature of the financial instruments.

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.

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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 judgement.

At September 30, 2013, the Company's 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.

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 nine months ended September 30, 2013.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparty related to its cash and cash equivalents and term investment carries 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, British, US and Brazilian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Sundry receivables consist of supplies deposit and management believes that the credit risks associated with these amounts are remote.

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 September 30, 2013, the Company had current assets of \$19,598,140 to settle current liabilities of \$2,978,649.

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 September 30, 2013, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$19,000 (December 31, 2012 - \$46,000).

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(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 Reais. 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 Reais would have decreased net income by approximately \$100,000 for the nine months ended September 30, 2013 (September 30, 2012 - \$2,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$45,000 for the nine months ended September 30, 2013 (September 30, 2012 - \$1,000). At September 30, 2013, one Canadian dollar was equal to 0.9706 United States dollars (September 30, 2012 - 1.0171) and one Canadian dollar was equal to 2.1584 Brazilian Reais (September 30, 2012 - 2.0618).

(c) Price risk

The Company will be exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices of these commodities. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors may in turn be influenced by changes in international investment patterns and monetary systems and political developments.

13. Capital management

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital and share-based payments reserve. 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 to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no significant changes in the Company's approach to capital management during the nine months ended September 30, 2013. The Company is not subject to externally imposed capital requirements.

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14. 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 Mining (Barbados) Corp.	Barbados	100
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 period, 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		Nine months ended	
	September 30,		September 30,	
	2013	2012	2013	2012
2227929 Ontario Inc.	\$ 151,768	\$ 116,272	\$ 410,575	\$ 329,013
Forbes & Manhattan, Inc.	75,000	75,000	238,000	240,000
Falcon Metais Ltda.	40,470	27,059	119,001	87,683

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 fee. 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 administrative and consulting services to the Company, including but not limited to strategic planning and business development. Forbes & Manhattan, Inc. charges a monthly consulting fee of \$25,000. During the nine months ended September 30, 2013, the Company granted Mr. Bharti, through Forbes & Manhattan, Inc., a bonus of \$13,000.

Mr. Helio Diniz, Vice President of Exploration for the Company, is an officer of Falcon Metais Ltda., a company providing exploration and administration services to the Company in Brazil, including bookkeeping and secretarial services.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	30-Sep-13	31-Dec-12	30-Sep-13	31-Dec-12
2227929 Ontario Inc.	\$ 101,700	\$ 90,000	\$ -	\$ -
Directors of the Company	-	-	-	53,280
Falcon Metais Ltda.	-	-	51,091	47,057

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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 September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Short-term benefits	\$ 408,000	\$ 338,638	\$ 2,701,833	\$ 1,969,054
Share-based payments	1,288,760	389,792	1,288,760	4,249,500

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.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

15. Commitments and contingencies

(a) Long Term Investment

Under a successfully renegotiated agreement with CPRM (Note 5) in March 2008, the Company maintains an interest bearing term deposit to cover the future royalty payments, starting March 31, 2008. There has been no production at Volta Grande Property thus no royalties were payable and no amounts were withdrawn by the CPRM.

(b) The Company is party to certain management contracts. These contracts require that additional payments of up to \$7,320,000 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 \$854,000 all due within one year.

(c) 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 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.

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16. Income tax

The current tax liability of \$7,091 (December 31, 2012 - \$7,091) represents the amount of income taxes payable in respect of current and prior periods. An amount of \$7,091 was paid during the nine months ended September 30, 2013 with respect to current and prior periods.