



CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

For the three months ended
March 31, 2020 and 2019
(unaudited)

(expressed in Canadian dollars)

Belo Sun Mining Corp.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

Belo Sun Mining Corp.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	March 31, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		\$ 27,988,427	\$ 28,965,718
Prepaid expenses and sundry receivables	3	182,961	195,230
Promissory notes receivable	6	4,895,522	9,013,433
		33,066,910	38,174,381
Non-current assets			
Promissory notes receivable	6	4,012,487	-
Long-term deposits	7	1,702,440	1,558,560
Property, plant and equipment	4, 7	20,254,713	18,809,111
Term investment	5	527,687	571,181
Total Assets		\$ 59,564,237	\$ 59,113,233
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 4,084,024	\$ 4,332,233
Current portion of lease liabilities	9	18,387	20,147
		4,102,411	4,352,380
Long-term portion of lease liabilities	9	43,091	51,629
Total Liabilities		4,145,502	4,404,009
Equity			
Share capital	10	261,084,668	260,388,019
Share-based payments reserve	11	3,301,062	3,583,488
Contributed surplus	12	(61,756)	(114,662)
Accumulated other comprehensive income		2,337,425	1,120,459
Deficit		(211,242,664)	(210,268,080)
Total Equity		55,418,735	54,709,224
Total Liabilities and Equity		\$ 59,564,237	\$ 59,113,233

Commitments and contingencies 19

"Carol Fries"

Director

"Mark Eaton"

Director

Belo Sun Mining Corp.
Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Three months ended March 31,	
		2020	2019
Expenses			
Salaries, wages and consulting fees	18	760,570	743,494
Legal and audit fees		46,826	26,992
General and administration		266,263	417,522
Depreciation	7	34,555	34,705
Share-based payments	11, 12	52,906	132,834
Exploration and evaluation expenses	4	523,269	737,419
Foreign exchange (gain)		(587,084)	(3,920)
Loss from operations		(1,097,305)	(2,089,046)
Interest income		123,981	251,302
Interest expense		(1,260)	(1,863)
Gain on sale of securities	14	-	48,599
Net loss for the period		(974,584)	(1,791,008)
Other comprehensive income (loss)			
Items that may be reclassified to profit/loss:			
Exchange differences on translating foreign operations		1,216,966	(287,069)
Comprehensive (gain) loss for the period		\$ 242,382	\$ (2,078,077)
Loss per share:			
Basic and diluted	15	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding:			
Basic and diluted		448,999,827	442,631,915

Belo Sun Mining Corp.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

		Three months ended March 31,	
	Notes	2020	2019
Cash provided by (used in) operations:			
Net (loss)		\$ (974,584)	\$ (1,791,008)
Items not involving cash:			
Share-based payments	11, 12	52,906	132,834
Depreciation	7	34,555	34,705
Interest income		(123,981)	(251,302)
Interest income received		117,851	170,445
Interest on leases		-	1,863
Gain on sale of securities	14	-	(48,599)
Unrealized (gain) loss on foreign exchange		(278,320)	52,561
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		12,269	(107,843)
Change in accounts payables and accrued liabilities		(248,209)	(228,806)
Net cash (used in) operating activities		(1,407,513)	(2,035,150)
Investing activities			
Expenditures on property, plant and equipment	4, 7	(291)	(18,887)
Purchase of securities	14	-	(1,929,620)
Sale of securities	14	-	1,978,219
Promissory note repayment	6	84,627	-
Net cash provided by (used in) investing activities		84,336	29,712
Financing activities			
Payment of principal portion of lease liability	9	(5,940)	(5,074)
Option exercise	11	414,223	-
Net cash provided by (used in) financing activities		408,283	(5,074)
Change in cash and cash equivalents		(914,894)	(2,010,512)
Cash and cash equivalents, beginning of the year		28,965,718	35,378,721
Effect of exchange rate on cash held		(62,397)	(3,563)
Cash and cash equivalents, end of the year		\$ 27,988,427	\$ 33,364,646
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 27,698,212	\$ 33,239,640
Short-term money market instruments		290,215	125,006
		\$ 27,988,427	\$ 33,364,646

Belo Sun Mining Corp.
Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Share-Based Payments Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2018	442,631,915	\$ 258,924,019	\$ 493,621	\$ 4,205,908	\$ 1,790,608	\$ (202,319,489)	\$ 63,094,667
Share-based compensation	-	-	-	132,834	-	-	132,834
Other comprehensive income	-	-	-	-	(288,932)	-	(288,932)
IFRS 16 adjustment - modified approach	-	-	-	-	-	1,151	1,151
Net loss	-	-	-	-	-	(1,789,145)	(1,789,145)
Balance, March 31, 2019	442,631,915	\$ 258,924,019	\$ 493,621	\$ 4,338,742	\$ 1,501,676	\$ (204,107,483)	\$ 61,150,575
Balance, December 31, 2019	448,846,915	\$ 260,388,019	\$ (114,662)	\$ 3,583,488	\$ 1,120,459	\$ (210,268,080)	\$ 54,709,224
Share-based compensation (Note 12)	-	-	52,906	-	-	-	52,906
Other comprehensive loss	-	-	-	-	1,216,966	-	1,216,966
Stock option expiry	-	-	-	-	-	-	-
Stock option exercise	1,882,834	696,649	-	(282,426)	-	-	414,223
Net loss	-	-	-	-	-	(974,584)	(974,584)
Balance, March 31, 2020	450,729,749	\$ 261,084,668	\$ (61,756)	\$ 3,301,062	\$ 2,337,425	\$ (211,242,664)	\$ 55,418,735

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

Belo Sun Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2020 and 2019
(Expressed in Canadian dollars unless otherwise noted)

1. Nature of operations

Belo Sun Mining Corp. (“Belo Sun” or the “Company”), through its subsidiaries, is a gold exploration and development company engaged in the exploration and development of properties located in Brazil. The Volta Grande Gold project moved to the development stage in 2017. Other projects are in the exploration and evaluation stage. The Company is a publicly listed company incorporated in the Province of Ontario. The Company’s shares are listed on the Toronto Stock Exchange and trade under the symbol “BSX”. The Company’s 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 development and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

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

2. Significant accounting policies

a) Statement of compliance

These condensed 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, 2020. The policies set out in the Company’s Annual Consolidated Financial Statements for the year ended December 31, 2019 were consistently applied to all the periods presented unless otherwise noted. The Board of Directors approved these condensed interim consolidated financial statements for issue on May 13, 2020.

b) Basis of preparation

These condensed consolidated interim 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 Consolidated Interim Financial Statements
March 31, 2020 and 2019
(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, 2020 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

New standards and amendments adopted:

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

d) Principals of consolidation

(i) Subsidiaries

All entities in which the Company has a controlling interest 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 condensed consolidated interim financial statements.

e) Significant accounting judgments, estimates and assumptions

The preparation of these condensed consolidated interim 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 consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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:

2. Significant accounting policies (continued)

e) Significant accounting judgments, estimates and assumptions (continued)

- Impairment of property, plant and equipment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations. When an indication of impairment loss or a reversal of impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

- 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.

- 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 judgement 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 (Note 4).

Belo Sun Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2020 and 2019
(Expressed in Canadian dollars unless otherwise noted)

2. Significant accounting policies (continued)

e) Significant accounting judgments, estimates and assumptions (continued)

- Valuation of promissory notes receivable
Estimating the fair value of the promissory notes receivable requires the use of assumptions, the most significant being the discount rate.
- Collectability of promissory notes receivable
Management makes an assessment of whether the promissory notes receivable are collectable for each recipient based on payment history and financial condition. These estimates are continuously evaluated and updated.
- 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 19.

f) Presentation and functional currency

The Company’s condensed consolidated interim 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.

g) Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the historical rate effective on the date of the transactions. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

Financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollars as follows: all asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as exchange differences on translating foreign operations in Accumulated Other Comprehensive Income (“AOCI”).

Belo Sun Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
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3. Prepaid expenses and sundry receivables

	March 31, 2020	December 31, 2019
Amounts receivables and other advances	\$ 12,702	\$ 10,496
Reimbursable court fees pending appeal	37,487	40,780
HST receivable	109,707	106,839
Prepaid insurance	23,065	37,115
	\$ 182,961	\$ 195,230

The Company paid fees in prior years with respect to appeal proceedings which are expected to be reimbursed. During the year ended December 31, 2019, the Company lost some of their appeals resulting in the expense of R\$31,318 (\$10,742). The Company expects to be reimbursed the balance, R\$129,002 (\$37,487) (December 31, 2019: R\$129,002 (\$40,780)), upon successful judgment.

4. Mineral property development and exploration and development

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

The Volta Grande Gold Project comprises 4 mine concessions submitted, 3 applications for public tender, 11 exploration permits, and 63 exploration permit extensions submitted and to be submitted in 2019, covering a total area of 175,498 hectares; it is located in municipalities including Senador José Porfírio, Anapu, Vitória do Zingu and Pacajá, in the southern region of Pará State in northern Brazil. The Volta Grande Project is located on the Xingu River, north of the Carajás mineral province, approximately 60 km southeast of the city of Altamira. Development costs have been capitalized effective February 2, 2017. The Company continues to incur costs that are not related to the development of the project, and these are expensed to the consolidated statement of comprehensive loss as exploration and evaluation expenses. Exploration and evaluation expenditures expensed immediately in the consolidated statement of comprehensive loss for the three months ended March 31, 2020 amounted to \$523,269 (three months ended March 31, 2019: \$737,419). There were no amounts capitalized to property, plant and equipment during the three months ended March 31, 2020 (three months ended March 31, 2019: \$18,729) related to development costs.

Belo Sun Mining Corp.
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(Expressed in Canadian dollars unless otherwise noted)

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, 2020, the balance in this account was R\$1,815,896 (\$527,687) (December 31, 2019: R\$1,806,839 (\$571,181)) and the Company earned 2.01% in interest for the three months ended March 31, 2020 (December 31, 2019: 4.63%). The Company intends to renew the term deposit on maturity because it is security against the potential amount owing to the CPRM (Note 8), 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.

6. Promissory notes receivable

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

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

As at March 31, 2020, the Company recognized a carrying value of \$8,908,009 with respect to these promissory notes (December 31, 2019: \$9,013,433). Interest income of \$123,981 was recognized for the three months ended March 31, 2020 (three months ended March 31, 2019: \$251,302).

The Company received total payment for interest accrued in the amount of \$380,327 during the year ended December 31, 2019. In May 2019, Mark Eaton repaid his note in full. In September 2019, Denis Arsenault repaid \$444,000 of his loan and paid an additional \$84,627 in March 2020. In December 2019, Peter Tagliamonte repaid \$400,000 of his loan.

Denis Arsenault and Stan Bharti repaid their loans plus all accrued interest in full on April 23, 2020. Peter Tagliamonte loan repayment date was extended to April 23, 2022 and the loan principal of \$3,932,500 remains payable. Peter Tagliamonte repaid his annual interest owing on April 23, 2020.

Belo Sun Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
March 31, 2020 and 2019
(Expressed in Canadian dollars unless otherwise noted)

6. Promissory notes receivable (continued)

	March 31, 2020	December 31, 2019
Opening balance	\$ 9,013,433	\$ 10,280,381
Interest accrued	(20,797)	292,379
Interest (repaid)	-	(380,327)
Principal (repaid) / advance	(84,627)	(1,179,000)
Ending balance	\$ 8,908,009	\$ 9,013,433

7. Property, plant and equipment

Cost	Mine assets						Total
	Vehicles	Furniture & equipment	Mining equipment	Right of use assets	under construction	Land	
Balance, December 31, 2018	\$ 388,285	\$ 1,351,130	\$ 537,910	\$ -	\$ 4,314,077	\$ 14,185,477	\$ 20,776,879
Adoption of IFRS 16, modified approach	-	-	-	154,100	-	-	154,100
Additions	-	154	2,781	-	177,473	-	180,408
Disposals	-	(27,679)	-	-	-	-	(27,679)
FX adjustment	(18,443)	(50,431)	(20,270)	(19,090)	(101,943)	(678,512)	(888,689)
Balance, December 31, 2019	369,842	1,273,174	520,421	135,010	4,389,607	13,506,965	20,195,019
Additions	-	-	291	-	-	-	291
FX adjustment	33,822	116,451	67,205	12,347	151,281	1,244,064	1,625,170
Balance, March 31, 2020	\$ 403,664	\$ 1,389,625	\$ 587,917	\$ 147,357	\$ 4,540,888	\$ 14,751,029	\$ 21,820,480
<i>Accumulated depreciation and impairment</i>							
Balance, December 31, 2018	\$ 388,285	\$ 495,375	\$ 471,584	\$ -	\$ -	\$ -	\$ 1,355,244
Charge for the year	-	53,509	22,797	146,811	-	-	223,117
Disposal	-	(27,679)	-	-	-	-	(27,679)
FX adjustment	(18,443)	(9,400)	(36,931)	(100,000)	-	-	(164,774)
Balance, December 31, 2019	369,842	511,805	457,450	46,811	-	-	1,385,908
Charge for the period	-	11,032	6,146	17,377	-	-	34,555
FX adjustment	33,822	52,776	39,144	19,562	-	-	145,304
Balance, March 31, 2020	\$ 403,664	\$ 575,613	\$ 502,740	\$ 83,750	\$ -	\$ -	\$ 1,565,767
Net book value, December 31, 2019	\$ -	\$ 761,369	\$ 62,971	\$ 88,199	\$ 4,389,607	\$ 13,506,965	\$ 18,809,111
Net book value, March 31, 2020	\$ -	\$ 814,012	\$ 85,177	\$ 63,607	\$ 4,540,888	\$ 14,751,029	\$ 20,254,713

Upon the adoption of IFRS 16, the Company recognized a cost of \$135,010 for right-of-use assets. The Company used the modified retrospective approach, measuring the cost of the right-of-use assets on transition at the amount equal to the lease liabilities at transition, adjusted by the amount of prepaid lease payments. The right-of-use assets are depreciated over the term of the lease, including the estimated extension of the lease terms.

No development costs were incurred or capitalized to mine assets under construction during the three month ended March 31, 2020 (three months ended March 31, 2019: \$18,729). Depreciation for the three months ended March 31, 2020 was \$34,555 (three months ended March 31, 2019: \$34,705). Since the mining property is in the development stage, the mine assets under construction are not amortized.

During the year ended December 31, 2018, the Company acquired a 3,000 hectare land package for R\$7,000,000 (\$2,771,191). The Company made payments of R\$4,490,949 (\$1,702,098) against this purchase in December 31, 2018, with a balance owing of R\$2,509,051 (\$729,113) payable in instalments as at March 31, 2020.

Belo Sun Mining Corp.
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7. Property, plant and equipment (continued)

During the year ended December 31, 2018, the Company amended its agreement to purchase a Semi-Autogenous Grinding (“SAG”) mill and a letter of credit was issued by the vendor. The credit of US\$1,200,000 (\$1,702,440) will be applied against the purchase of a new SAG mill from the vendor. As a result, the carrying value of the advance on the mill, which was originally recorded to Mine assets under construction, has been reallocated to Long-term deposits.

8. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
Mineral properties suppliers and contractors	\$ 190,244	\$ 271,644
Accrued royalties (Note 19(1))	1,999,868	2,154,016
Land acquisition costs payable	729,113	793,165
Property taxes	786,249	721,189
ANM taxes	1,372	1,493
Corporate payables	323,906	306,623
Audit and other accruals	53,272	84,103
	\$ 4,084,024	\$ 4,332,233

9. Lease liabilities

Upon the adoption of IFRS 16, operating leases were reassessed as lease liabilities for right-of-use assets using an estimated incremental borrowing rate of 7.5%. The following table reflects the lease activity for the three months ended March 31, 2020:

January 1, 2019	\$	-
Adoption of IFRS 16		100,597
Lease payments for the period		(19,926)
Foreign exchange impact		(8,895)
December 31, 2019	\$	71,776
Lease payments for the period		(5,940)
Foreign exchange impact		(4,358)
March 31, 2020	\$	61,478
Current portion	\$	18,387
Long-term portion		43,091
	\$	61,478

Interest expense recognized with respect to these leases was \$1,260 for the three months ended March 31, 2020 (\$1,863 for the three months ended March 31, 2019).

The Company’s leases consist of premise and equipment leases. The amount of the Company’s lease liability that is due with one year is \$18,387. The amount of Company’s lease liability that is due later than one year and not later than five years is \$43,091.

Belo Sun Mining Corp.
Notes to the Condensed Consolidated Interim Financial Statements
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(Expressed in Canadian dollars unless otherwise noted)

10. Share capital

As at March 31, 2020 and December 21, 2019, the Company's authorized number of common shares was unlimited without par value and an unlimited number of special shares. The special shares have the same features as the common shares with the exception that the special shares take preference over the common shares in the event of liquidation, dissolution or winding up of the Company. The special shares are entitled to the same dividend rights as common shares. No special shares are outstanding.

	Number of Shares	Amount
Balance, December 31, 2018	442,631,915	\$ 258,924,019
Stock option exercise	6,215,000	1,464,000
Balance, December 31, 2019	448,846,915	\$ 260,388,019
Stock option exercise	1,882,834	696,649
Balance, March 31, 2020	450,729,749	\$ 261,084,668

The Company's Board of Directors believed that the underlying value of the Company was not reflected in the current market price of its common shares at that time, and had thus concluded that the repurchase and cancellation of common shares pursuant to the NCIB constituted an appropriate use of financial resources and would be in the best interest of the Company's shareholders.

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11. Share-based payments reserve

Stock options

The Company has adopted a Floating Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is equivalent to up to 9% of the issued and outstanding shares of the Company. In accordance with the terms of the Plan, officers, non-independent directors, employees and consultants of the Company may be granted options to purchase common shares at exercise prices determined at the time of grant. Options under the Plan which have been exercised or which have expired shall be available for subsequent grants. The option vesting terms are determined at the discretion of the Board of Directors.

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

	Number of Options	Weighted average exercise prices	Value of options
December 31, 2017	17,335,333	\$0.40	\$ 4,205,908
Expired/cancelled	(132,000)	\$0.26	(34,220)
Exercised	(6,215,000)	(\$0.09)	(588,200)
December 31, 2019	10,988,333	\$0.49	\$ 3,583,488
Exercised	(1,882,834)	(\$0.15)	(282,426)
March 31, 2020	9,105,499	\$0.54	\$ 3,301,062

The following stock options were in existence as at March 31, 2020:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Black-Scholes inputs			Risk-free interest rate
					Expected volatility	Expected life (yrs)	Expected dividend yield	
3,857,166	3,857,166	6-Apr-15	6-Apr-20	\$ 0.22	86%	5	0%	0.76%
350,000	350,000	8-Jun-15	8-Jun-20	\$ 0.22	85%	5	0%	1.02%
4,648,333	4,648,333	14-Nov-16	14-Nov-21	\$ 0.85	83%	5	0%	0.96%
250,000	250,000	15-Jun-18	15-Jun-23	\$ 0.23	75%	5	0%	2.08%
9,105,499	9,105,499							

During the three months ended March 31, 2020, no stock options were granted and \$nil in stock-based compensation expense was recorded (three months ended March 31, 2019, no options were granted and no vesting expense was recorded). The weighted average life of the outstanding options at March 31, 2020 is 0.93 years (December 31, 2019: 1.02 years). The weighted average market price on the date of exercise of option during the period was \$0.48 (December 31, 2019 - \$0.43).

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12. Contributed surplus

Deferred Share Unit Incentive Plan

In 2016, the Company approved and adopted a Deferred Share Unit (“DSU”) incentive plan. In accordance with the terms of the plan, officers, directors and employees of the Company may be granted DSUs. Each vested DSU held shall be redeemed by the Company at the time that the holder ceases to be an officer, director or employee of the Company, 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 year ended December 31, 2019, the Company purchased, through an independent trustee, 2,118,617 shares of the Company from the secondary market at a cost of \$949,745 with the intent of using these shares to satisfy the DSU obligation when they come due (December 31, 2018: 14,700,633 shares at a costs of \$4,961,668). As at March 31, 2020, the Company has a total of 17,714,750 shares of the Company held with an independent trustee (December 31, 2018: 17,714,750). The Company is the beneficiary of the shares held and the Company has full control of these shares. Up until April 2018, the Company had been settling DSUs in cash. The estimated fair value of the vested DSUs as well as an accrual for unvested DSUs is now recorded to equity. The estimated fair value recognized was \$0.37 per unit, based on the market value of the Company’s shares on the date of change. Further vesting charges are applied against contributed surplus.

As at March 31, 2020, 17,714,750 DSU’s were outstanding (December 31, 2019: 17,714,750).

As at March 31, 2020, 17,714,750 shares are held in trust at a total recorded value of \$6,594,029 (December 31, 2019: 17,714,750 shares at a value of \$6,594,029) which is included in contributed surplus.

DSU activity during the period:

	Number of DSUs
December 31, 2018	17,360,750
Granted	367,000
Paid	(13,000)
December 31, 2019 and March 31, 2020	17,714,750

On August 7, 2019, 367,000 DSUs were granted to directors of the Company, where one-third vested immediately on grant, one-third vests on August 7, 2020, and the final third vests on August 7, 2021.

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12. Contributed surplus (continued)

The following table displays the vesting activity for outstanding DSUs:

December 31, 2019	16,188,250	1,526,500	17,714,750
Vested, previously granted DSUs	1,281,833	(1,281,833)	-
March 31, 2020	17,470,083	244,667	17,714,750

Anticipated future vesting:

August 7, 2020	122,333
August 7, 2021	122,334
	-

During the three months ended March 31, 2020, \$52,906 was recorded as stock-based compensation expense related to vested DSUs on the consolidated statements of comprehensive loss (three months ended March 31, 2019: \$132,834).

13. Operating segments

Geographical information

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

	Current assets	Property, plant and equipment	Other non-current assets	Total Assets
December 31, 2019				
Canada	\$ 37,840,438	\$ 24,047	\$ 1,558,560	\$ 39,423,045
Brazil	333,943	18,785,064	571,181	19,690,188
	\$ 38,174,381	\$ 18,809,111	\$ 2,129,741	\$ 59,113,233
March 31, 2020				
Canada	\$ 32,720,404	\$ 23,082	\$ 5,714,927	\$ 38,458,413
Brazil	346,507	20,231,631	527,687	21,105,825
	\$ 33,066,911	\$ 20,254,713	\$ 6,242,614	\$ 59,564,238

14. Gain on sale of securities

In January 2019, the Company purchased 3,000,000 common shares of Troilus Gold Corp. for \$1,929,620, including commissions, an average price per share of \$0.643. In February 2019, the Company sold these shares at an average price of \$0.659 per share including commissions. A gain of \$48,599 was recognized with respect to this disposition of shares.

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15. 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.

16. Financial instruments

Financial assets and financial liabilities as at March 31, 2020 and December 31, 2019 were classified as follows:

December 31, 2019	Assets at amortized cost	Liabilities at amortized cost	Total
Cash and cash equivalents	\$ 28,965,718	\$ -	\$ 28,965,718
Promissory notes receivable	9,013,433	-	9,013,433
Term investment	571,181	-	571,181
Accounts payable and accrued liabilities	-	4,332,233	4,332,233

March 31, 2020	Assets at amortized cost	Liabilities at amortized cost	Total
Cash and cash equivalents	\$ 27,988,427	\$ -	\$ 27,988,427
Promissory notes receivable	8,908,009	-	8,908,009
Term investment	527,687	-	527,687
Accounts payable and accrued liabilities	-	4,084,024	4,084,024
Lease liabilities, current and long-term	-	61,478	61,478

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

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

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

The Company's risk exposures and their impacts on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the three months ended March 31, 2020.

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16. Financial instruments (continued)

Credit risk

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

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

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, 2020, the Company had current assets of \$33,066,910 to settle current liabilities of \$4,102,411. Approximately \$3,243,000 of the Company's financial liabilities as at March 31, 2020 have contractual maturities of less than 30 days and are subject to normal trade terms. Of this amount, approximately \$2,000,000 has been payable for over 180 days.

Market risk

(a) Interest rate risk

The Company's cash and 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, 2020, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$28,000 (December 31, 2019 - \$29,000).

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16. Financial instruments (continued)

(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 increased net loss by approximately \$30,000 for the three months ended March 31, 2020 (for the three months ended March 31, 2019 - \$95,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$6,000 for the three months ended March 31, 2020 (for the three months ended March 31, 2019 - \$24,000).

17. Capital management

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes in the Company's approach to capital management during the three months ended March 31, 2020. The Company is not subject to externally imposed capital requirements.

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18. Related party disclosures

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

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

During the three months ended March 31, 2020 and 2019, 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,	
	2020	2019
2227929 Ontario Inc.	\$ 120,000	\$ 120,000
Directors' promissory notes interest	20,797	72,129

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 \$40,000. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

The Company and Troilus Gold Corp. ("Troilus") previously shared common directors and officers, including Mr. Peter Tagliamonte, Mr. Bruce Humphrey, and Mr. Denis Arsenault. The Company and Troilus currently share one common officer, Mr. Ian Pritchard. See note 14.

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

	Amounts owed by related parties		Amounts owed to related parties	
	31-Mar-20	31-Dec-19	31-Mar-20	31-Dec-19
Directors and officers of the Company	\$ 8,908,009	\$ 9,013,433	\$ -	\$ 56,882
2227929 Ontario Inc.	-	-	-	17,871
Troilus Gold Corp.	-	-	-	1,743

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

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

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18. Related party disclosures (continued)

Compensation of key management personnel of the Company

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

	Three months ended March 31,	
	2020	2019
Short-term benefits	\$ 486,498	\$ 568,247
DSU expense	52,906	129,679
	\$ 539,404	\$ 697,926

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.

19. Commitments and contingencies

1. Under a renegotiated agreement with CPRM in March 2008, the Company maintains an interest-bearing term deposit to cover the future royalty payments, starting March 2008. As at March 31, 2020, no royalty payments have been paid.
2. The Company is party to certain management contracts. These contracts require that additional payments of up to \$14,291,000 be made upon the occurrence of certain events such as a change of control of the Company. The change of control commitment includes a component based on the Company's current share price. As a result of this inclusion, the change of control commitment reported increases or decreases in relation to the change in share price during the period. Minimum commitments remaining under these contracts were approximately \$3,850,000 to be made if they are terminated without cause.
3. The Federal Constitution of Brazil has established that the States, municipalities, federal district and certain agencies of the federal administration are entitled to receive royalties for the exploitation of mineral resources by holders of mining concessions (including extraction permits). The royalty rate for gold is currently 1.5% - Federal law 13,540/17 - arising from the sale of the mineral product, less the sales taxes of the mineral product. No royalties are currently due.
4. 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, 2020, no amounts have been accrued related to such matters.

19. Commitments and contingencies (continued)

5. The Company's mining, exploration and development activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public safety, health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.
6. On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown and to date has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices and has raised the prospect of an extended global recession. As well, as efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of projects may be impacted as governments have declared a state of emergency or taken other actions. If the operation or development of one or more of the operations or projects of the Company is suspended, it may have a material adverse impact on the Company's profitability, results of operations, and financial condition. The broader impact of the COVID-19 pandemic on investors, businesses, the global economy or financial and commodity markets may also have a material adverse impact on the Company's profitability, results of operations and financial conditions. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

On March 20, 2020, Brazil declared a state of emergency, freeing up funds for the federal government to fight the coronavirus. The extent to which the coronavirus impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.