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## CONSOLIDATED FINANCIAL STATEMENTS

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For the years ended  
December 31, 2020 and 2019

*(expressed in Canadian dollars)*

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Belo Sun Mining Corp.

### *Opinion*

We have audited the consolidated financial statements of Belo Sun Mining Corp., (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2020 and 2019 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Assessment of impairment indicators on property, plant and equipment (PP&E)**

*Refer to note 2e – Significant accounting policies – Significant accounting judgments, estimates and assumptions, note 2j – Significant accounting policies – Property, plant and equipment, note 4 – Mineral property development and exploration and development and note 7 - Property, plant and equipment to the consolidated financial statements.*

The net book value of PP&E, which includes mine assets under construction, amounted to \$18,378,295 as at December 31, 2020. Management assesses at each reporting period-end whether there is an indication that PP&E may be impaired. Management applies significant judgment in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as (i) whether the carrying amount of net assets of the Company exceeded its market capitalization; (ii) significant changes with an adverse effect on the company that have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment; (iii) a significant deterioration in expected future metal prices; and (iv) the Company's continued ability and plans to further develop the projects, are evaluated by management in determining whether there are any indicators of impairment. No impairment indicators were noted.

We considered this a key audit matter due to (i) the significance of the PP&E balance and (ii) the significant audit effort and subjectivity in applying audit procedures to assess the internal and external factors evaluated by management in its assessment of impairment indicators, which required significant management judgment and the use of a management expert.

#### **How our audit addressed the key audit matter**

Our approach to addressing the matter involved the following procedures, among others:

Evaluated management's assessment of indicators of impairment, which included the following:

- Assessed the completeness of external or internal factors that could be considered as indicators of impairment of the Company's PP&E.
- Assessed the status of the Company's mining rights by inspecting mineral permit status and correspondence with relevant parties involved in licensing matters.
- Evaluated management's assessment of whether any rights were not expected to be reinstated, including the work of management's experts, which were used to evaluate the reasonableness of the current status of the Company's efforts to have the suspension of its construction license removed. As a basis for using this work, management's experts' competence, capability and objectivity were evaluated, their work was understood and the appropriateness of the experts' work as audit evidence was evaluated by considering the relevance and reasonableness of their conclusions.
- Assessed whether there has been a significant decline in the market capitalization, which may indicate a decline in value of the Company's net assets.

#### *Other Information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Jakovic.

RSM Canada LLP

Chartered Professional Accountants  
Licensed Public Accountants  
March 24, 2021  
Toronto, Ontario

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

(Expressed in Canadian dollars)

	Notes	December 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 30,007,304	\$ 28,965,718
Prepaid expenses and sundry receivables	3	196,510	195,230
Promissory notes receivable	6	-	9,013,433
		30,203,814	38,174,381
<b>Non-current assets</b>			
Promissory notes receivable	6	3,926,054	-
Long-term deposits	7	1,527,840	1,558,560
Property, plant and equipment	4, 7	18,378,295	18,809,111
Term investment	5	451,870	571,181
<b>Total Assets</b>		<b>\$ 54,487,873</b>	<b>\$ 59,113,233</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	8	\$ 3,607,999	\$ 4,332,233
Current portion of lease liabilities	9	15,197	20,147
		3,623,196	4,352,380
Long-term portion of lease liabilities	9	24,933	51,629
<b>Total Liabilities</b>		<b>3,648,129</b>	<b>4,404,009</b>
<b>Equity</b>			
Share capital	10	262,771,769	260,388,019
Share-based payments reserve	11	3,184,507	3,583,488
Contributed surplus	12	(48,161)	(114,662)
Accumulated other comprehensive income		686,385	1,120,459
Deficit		(215,754,756)	(210,268,080)
<b>Total Equity</b>		<b>50,839,744</b>	<b>54,709,224</b>
<b>Total Liabilities and Equity</b>		<b>\$ 54,487,873</b>	<b>\$ 59,113,233</b>
Commitments and contingencies	19		
Subsequent event	21		
<i>"Carol Fries"</i>		<i>"Mark Eaton"</i>	
Director		Director	

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

**(Expressed in Canadian dollars)**

		Year ended December 31,	
	Notes	2020	2019
<b>Expenses</b>			
Salaries, wages and consulting fees	18	3,053,366	3,818,638
Accounting, audit and tax fees		114,173	103,020
Legal fees		145,455	122,923
General and administration		899,511	1,202,442
Depreciation	7	97,459	103,880
Share-based payments	11, 12	818,035	341,462
Exploration and evaluation expenses	4	1,092,949	2,776,049
Permitting costs		149,114	526,166
Foreign exchange (gain) loss		(579,159)	(1,940)
<b>Loss from operations</b>		<b>(5,790,903)</b>	<b>(8,992,640)</b>
Interest income		305,909	966,653
Interest expense		(3,932)	(6,574)
Gain on sale of securities	14	-	48,599
<b>Net loss for the period</b>		<b>(5,488,926)</b>	<b>(7,983,962)</b>
<b>Other comprehensive income (loss)</b>			
<b>Items that may be reclassified to profit/loss:</b>			
Exchange differences on translating foreign operations		(434,074)	(670,149)
<b>Comprehensive loss for the period</b>		<b>\$ (5,923,000)</b>	<b>\$ (8,654,111)</b>
<b>Loss per share:</b>			
Basic and diluted	15	\$ (0.01)	\$ (0.02)
<b>Weighted average number of shares outstanding:</b>			
Basic and diluted		450,894,957	444,106,737

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

(Expressed in Canadian dollars)

		Year ended December 31,	
	Notes	2020	2019
<b>Cash provided by (used in) operations:</b>			
<b>Net (loss)</b>		\$ (5,488,926)	\$ (7,983,962)
Items not involving cash:			
Share-based payments	11, 12	818,035	341,462
Depreciation	7	97,459	103,880
Interest income		(305,909)	(966,653)
Interest income received		307,872	647,317
Gain on sale of securities	14	-	(48,599)
Unrealized loss on foreign exchange		937,527	284,274
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		(1,280)	32,620
Change in accounts payables and accrued liabilities		(724,234)	(125,707)
<b>Net cash (used in) operating activities</b>		<b>(4,359,456)</b>	<b>(7,715,368)</b>
<b>Investing activities</b>			
Expenditures on property, plant and equipment	4, 7	(8,555)	(180,408)
Purchase of securities	14	-	(1,929,620)
Sale of securities	14	-	1,978,219
Promissory note repayment	6	4,904,356	1,179,000
Promissory note interest payment	6	172,636	380,327
<b>Net cash provided by investing activities</b>		<b>5,068,437</b>	<b>1,427,518</b>
<b>Financing activities</b>			
Payment of principal portion of lease liability	9	(20,580)	(19,926)
Option exercise	11	1,418,832	875,800
Purchase of shares held in trust for settlement of share-based payments	12	(183,347)	(949,745)
<b>Net cash provided by (used in) financing activities</b>		<b>1,214,905</b>	<b>(93,871)</b>
Change in cash and cash equivalents		1,923,886	(6,381,721)
Cash and cash equivalents, beginning of the year		28,965,718	35,378,721
Effect of exchange rate on cash held		(882,300)	(31,282)
<b>Cash and cash equivalents, end of the year</b>		<b>\$ 30,007,304</b>	<b>\$ 28,965,718</b>
<b>Cash and cash equivalents are comprised of:</b>			
Cash in bank		\$ 27,970,739	\$ 28,727,613
Short-term money market instruments		2,036,565	238,105
		<b>\$ 30,007,304</b>	<b>\$ 28,965,718</b>



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

**(Expressed in Canadian dollars)**

	Notes	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	12	-	-	341,462	-	-	-	341,462
Stock option expiry	11	-	-	-	(34,220)	-	34,220	-
Stock option exercise	11	6,125,000	1,464,000	-	(588,200)	-	-	875,800
Purchase of shares held in trust for settlement of share-based payments	12	-	-	(949,745)	-	-	-	(949,745)
IFRS 16 adjustment - modified approach	9	-	-	-	-	-	1,151	1,151
Other comprehensive income		-	-	-	-	(670,149)	-	(670,149)
Net loss		-	-	-	-	-	(7,983,962)	(7,983,962)
Balance, December 31, 2019		448,756,915	\$ 260,388,019	\$ (114,662)	\$ 3,583,488	\$ 1,120,459	\$ (210,268,080)	\$ 54,709,224
Share-based compensation	12	-	-	249,848	-	-	-	249,848
Stock option expiry	11	-	-	-	(2,250)	-	2,250	-
Stock option exercise	10, 11	6,208,333	2,383,750	-	(964,918)	-	-	1,418,832
Stock option grant	11	-	-	-	568,187	-	-	568,187
Purchase of shares held in trust for settlement of share-based payments	12	-	-	(183,347)	-	-	-	(183,347)
Other comprehensive loss		-	-	-	-	(434,074)	-	(434,074)
Net loss		-	-	-	-	-	(5,488,926)	(5,488,926)
Balance, December 31, 2020		455,055,248	\$ 262,771,769	\$ (48,161)	\$ 3,184,507	\$ 686,385	\$ (215,754,756)	\$ 50,839,744

- See accompanying notes to these consolidated financial statements -

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

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**1. Nature of operations**

Belo Sun Mining Corp. (“Belo Sun” or the “Company”), through its subsidiaries, is a gold exploration and development company engaged in the exploration and development of properties located in Brazil. The Volta Grande Gold project moved to the development stage in 2017 (Note 4). The other project is in the exploration and evaluation stage. The Company is a publicly listed company incorporated in the Province of Ontario. The Company’s shares are listed on the Toronto Stock Exchange and trade under the symbol “BSX”. The Company’s head office is located at 65 Queen Street West, 8<sup>th</sup> Floor, Toronto, Ontario, Canada, M5H 2M5.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and 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 consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the year ended December 31, 2020. The policies as set out below were consistently applied to all the periods presented unless otherwise noted. The Board of Directors approved these annual consolidated financial statements for issue on March 24, 2021.

**b) Basis of preparation**

These 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 Consolidated Financial Statements**  
**December 31, 2020 and 2019**  
(Expressed in Canadian dollars unless otherwise noted)

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**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 and IAS 8 – Accounting Policies, Changes in Estimates and Errors

Effective January 1, 2020, the Company has adopted the amendments in Definition of Material (amendments to IAS 1 and IAS 8). The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and aligns the definition used within the IFRS Standards. The application of the amendments did not have an impact on the Company.

*New accounting standards issued but not effective:*

IAS 16, Property, Plant and Equipment

The IASB issued an amendment to IAS 16, Property, Plant and Equipment to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The extent of the impact of adoption of this standard has not yet been determined.

IFRS 9 – Financial Instruments

The IASB has issued an amendment to IFRS 9 Financial Instruments clarifying which fees to include in the test in assessing whether to derecognize a financial liability. Only those fees paid or received between the borrower and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.

The amendment is effective for annual periods beginning on or after January 1, 2022 with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

IAS 1 – Presentation of Financial Statements

The IASB has issued an amendment to IAS 1 Presentation of Financial Statements providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.

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

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

The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively, with early adoption permitted. The extent of the impact of adoption of this standard has not yet been determined.

**d) Principals of consolidation**

**(i) Subsidiaries**

All entities in which the Company has a controlling interest (Note 18) are fully consolidated from the date that control commences until the date that control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

**(ii) Transactions eliminated on consolidation**

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

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

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

## **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).

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

### **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”).

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

### **h) Cash and cash equivalents**

Cash and cash equivalents consists of cash in banks, short-term money market instruments, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without an early redemption feature and bank accounts subject to restrictions, other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets.

### **i) Derivative financial instruments**

The Company does not use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

### **j) Property, plant and equipment**

#### **(i) Assets owned by the Company**

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost as well as the costs directly attributable to bring the asset to the location and condition necessary for its use in operations. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

#### **(ii) Subsequent costs**

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the statement of comprehensive loss as an expense as incurred.

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

### **j) Property, plant and equipment (continued)**

#### **(iii) Mining assets under construction**

When a mining project reaches the development phase, subsequent costs are capitalized to mine development costs in property, plant and equipment. The development expenditures are capitalized net of proceeds from sale of ore extracted during the development phase.

Mining assets under construction consist of property, plant and equipment costs incurred in the course of development and are not depreciated. On completion of construction or development, costs are transferred to property, plant and equipment and/or mining properties as appropriate based on the following criteria:

- Production capacity achieved;
- Recovery grade;
- Completion of reasonable period of testing of the mine plant and equipment;
- Stage of completion of development work;
- Completion of the planned capital expenditures.

#### **(iv) Depreciation**

Depreciation is charged to the statement of comprehensive loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Vehicles 5 years
- Furniture and office equipment 5 to 25 years
- Mining equipment 10 years

#### **k) Exploration and evaluation expenditures**

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral property rights, property option payments and exploration and evaluation activities (including care and maintenance costs).

Once a project has been established as commercially viable, technically feasible and the decision to proceed with development has been approved, related development expenditures incurred thereafter are capitalized. This includes costs incurred in preparing the site for mining operations, which are recorded in mining assets under construction in property, plant and equipment.

#### **l) Impairment of non-financial assets**

When events or changes in the economic environment indicate a risk of impairment to property, plant and equipment, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Recoverable amount is defined as the higher of an asset's fair value (less costs of disposal) and its value in use. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.



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

**m) Financial instruments**

The Company has classified all financial instruments as amortized cost.

Financial assets are measured at amortized cost if it meets both of the following conditions and is not designated as Fair Value Through Profit or Loss (“FVTPL”):

- it is held with the objective of collecting contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and pricing models. Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and Fair Value through Other Comprehensive Income (“FVOCI”). For the impairment of financial assets, a loss allowance for expected credit losses is recognized in Other Comprehensive Income (“OCI”) for financial assets measured at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to FVTPL instruments. The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

A financial asset is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

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

### **m) Financial instruments (continued)**

Financial liabilities are measured at amortized cost. A financial liability is derecognized when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net earnings.

### **n) Interest income**

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### **o) Share-based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based payments reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The Company also has a deferred share unit ("DSU") plan. The plan allows for the settlement of DSUs in cash or in shares of the Company at the election of the Company. The Company's expectation is the DSUs will be settled in shares. The Company has purchased its own shares which are held in trust to settle DSUs, as a result, there is no present obligation to settle in cash. Therefore, the value of the DSU's are recorded as equity. Any shares purchased and held in treasury for the purposes of settling the DSUs are recorded as a reduction of contributed surplus.

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

**p) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**q) Provisions**

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

As at December 31, 2020 and 2019, there were no provisions recorded.

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**3. Prepaid expenses and sundry receivables**

	December 31, 2020	December 31, 2019
Amounts receivables and other advances	\$ 21,977	\$ 10,496
Reimbursable court fees pending appeal	31,697	40,780
HST receivable	95,710	106,839
Prepaid insurance	47,125	37,115
	<b>\$ 196,510</b>	<b>\$ 195,230</b>

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 (\$31,697) (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 expired and was to be renewed on February 2, 2020. The Company filed its renewal application in September 2019. The application is pending government approval.

The Volta Grande Gold Project comprises 4 mine concessions submitted, 3 applications for public tender, 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 year ended December 31, 2020 amounted to \$1,242,063 (year ended December 31, 2019: \$3,302,215). There was \$7,381 capitalized to property, plant and equipment during the year ended December 31, 2020 (\$177,473 during the year ended December 31, 2019) related to development costs.

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**5. Term investment**

The investment consists of a term deposit with Banco do Brasil SA to fund the potential amounts owing to Companhia de Pesquisa de Recursos Minerais (“CPRM”). As at December 31, 2020, the balance in this account was R\$1,839,013 (\$451,870) (December 31, 2019: R\$1,806,839 (\$571,181)) and the Company earned 1.86% in interest for the year ended December 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 a debt obligation plus applicable interest.

**6. Promissory notes receivable**

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

To facilitate the Supporting Directors with the foregoing purchases, the Company loaned them an aggregate amount of \$10,000,000. Unsecured promissory notes have been entered into with each of the Supporting Directors for their respective loans. Under the original terms of the promissory notes, the Company received a per annum interest rate of LIBOR plus 1%, payable on each one-year anniversary of the loans. The principal amount of the loans 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.

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 and paid an additional \$15,856 in April 2020.

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

As at December 31, 2020, the Company recognized a carrying value of \$3,926,054 with respect to these promissory notes (December 31, 2019: \$9,013,433). A reversal of interest income of \$8,783 was recognized for the year ended December 31, 2020 (year ended December 31, 2019: \$292,379).

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

	December 31, 2020	December 31, 2019
Opening balance	\$ 9,013,433	\$ 10,280,381
Interest accrued	(10,387)	292,379
Interest repaid	(172,636)	(380,327)
Principal repaid	(4,904,356)	(1,179,000)
Ending balance	\$ 3,926,054	\$ 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	-	913	261	-	7,381	-	8,555	
FX adjustment	(8,429)	(27,443)	(1,578)	(3,077)	(32,301)	(276,353)	(349,181)	
Balance, December 31, 2020	\$ 361,413	\$ 1,246,644	\$ 519,104	\$ 131,933	\$ 4,364,687	\$ 13,230,612	\$ 19,854,393	
<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	-	54,389	15,095	27,973	-	-	97,457	
FX adjustment	(8,429)	(3,782)	5,641	(697)	-	-	(7,267)	
Balance, December 31, 2020	\$ 361,413	\$ 562,412	\$ 478,186	\$ 74,087	\$ -	\$ -	\$ 1,476,098	
Net book value, December 31, 2019	\$ -	\$ 761,369	\$ 62,971	\$ 88,199	\$ 4,389,607	\$ 13,506,965	\$ 18,809,111	
Net book value, December 31, 2020	\$ -	\$ 684,232	\$ 40,918	\$ 57,846	\$ 4,364,687	\$ 13,230,612	\$ 18,378,295	

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.

Development costs of \$7,381 were incurred or capitalized to mine assets under construction during the year ended December 31, 2020 (year ended December 31, 2019: \$177,473). Depreciation for the year ended December 31, 2020 was \$97,457 (year ended December 31, 2019: \$103,880). 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 (\$616,500) payable in instalments as at December 31, 2020.

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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 (\$1,527,840) 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**

	December 31, 2020	December 31, 2019
Mineral properties suppliers and contractors	\$ 116,940	\$ 271,644
Accrued CPRM debt obligation	1,741,234	2,154,016
Land acquisition costs payable	616,508	793,165
Property taxes	664,819	721,189
ANM taxes	1,160	1,493
Corporate payables	360,302	306,623
Audit and other accruals	107,036	84,103
	<b>\$ 3,607,999</b>	<b>\$ 4,332,233</b>

**9. Lease liabilities**

Upon the adoption of IFRS 16, operating leases were reassessed as lease liabilities for right-of-use assets using an estimated incremental borrowing rate of 7.5%. The following table reflects the lease activity for the years ended December 31, 2020 and 2019:

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		(20,580)
Foreign exchange impact		(11,066)
December 31, 2020	\$	40,130
Current portion	\$	15,197
Long-term portion		24,933
	<b>\$</b>	<b>40,130</b>

Interest expense recognized with respect to these leases was \$3,932 for the year ended December 31, 2020 (\$6,556 for the year ended December 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 \$15,197. The amount of Company’s lease liability that is due later than one year and not later than five years is \$24,933.

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**10. Share capital**

As at December 31, 2020 and December 31, 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.

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	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	6,208,333		2,383,750
Balance, December 31, 2020	455,055,248	\$	262,771,769

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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 10% of the issued and outstanding shares of the Company. In accordance with the terms of the Plan, officers, non-independent directors, employees and consultants of the Company may be granted options to purchase common shares at exercise prices determined at the time of grant. Options under the Plan which have been exercised or which have expired shall be available for subsequent grants. The option vesting terms are determined at the discretion of the Board of Directors.

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

	Number of Options	Weighted average exercise prices	Value of options
December 31, 2018	17,335,333	\$0.40	\$ 4,205,908
Expired/cancelled	(132,000)	\$0.26	(34,220)
Exercised	(6,215,000)	(\$0.14)	(588,200)
December 31, 2019	10,988,333	\$0.49	\$ 3,583,488
Granted	4,850,000	\$0.80	568,187
Expired/cancelled	(15,000)	\$0.22	(2,250)
Exercised	(6,208,333)	(\$0.22)	(964,918)
<b>December 31, 2020</b>	<b>9,615,000</b>	<b>\$0.81</b>	<b>\$ 3,184,507</b>

The weighted average share price during the year ended December 31, 2020 was \$0.80 (\$0.35 for the year ended December 31, 2019). The following stock options were outstanding as at December 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	
4,565,000	4,565,000	14-Nov-16	14-Nov-21	\$ 0.85	83%	5	0%	0.96%
200,000	200,000	15-Jun-18	15-Jun-23	\$ 0.23	75%	5	0%	2.08%
4,850,000	-	27-Jul-20	27-Jul-25	\$ 0.80	84%	5	0%	0.35%
9,615,000	4,765,000							

During the year ended December 31, 2020, 4,850,000 were granted and \$568,187 in stock-based compensation expense was recorded (year ended December 31, 2019, no options were granted and no vesting expense was recorded). The weighted average life of the outstanding options at December 31, 2020 is 2.77 years (December 31, 2019: 1.02 years).

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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, 2020, the Company purchased, through an independent trustee, 250,000 shares of the Company from the secondary market at a cost of \$183,347 with the intent of using these shares to satisfy the DSU obligation when they come due (December 31, 2019: 2,118,617 shares at a costs of \$949,745). As at December 31, 2020, the Company has a total of 16,814,750 shares of the Company held with an independent trustee (December 31, 2019: 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. Further vesting charges are applied against contributed surplus.

As at December 31, 2020, 17,064,750 DSU’s were outstanding (December 31, 2019: 17,714,750).

As at December 31, 2020, 16,814,750 shares are held in trust at a total recorded value of \$6,343,386 (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)
<b>December 31, 2019</b>	<b>17,714,750</b>
Granted	500,000
Paid	(1,150,000)
<b>December 31, 2020</b>	<b>17,064,750</b>

On August 7, 2019, 367,000 DSUs were granted to directors of the Company, where one-third vested immediately on grant, one-third vested on August 7, 2020, and the final third vests on August 7, 2021. In August 2020, the Board accelerated the vesting of 83,334 DSUs that were due to vest on August 7, 2021, leaving only 39,000 DSUs remaining to vest on August 7, 2021 from this grant.

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**12. Contributed surplus (continued)**

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

On August 14, 2020, 250,000 DSUs were granted to a director of the Company, where one-third vested immediately on grant, one-third vests on August 14, 2021, and the final third vests on August 14, 2022.

The following table displays the vesting activity for outstanding DSUs:

	Vested	Unvested	Total
December 31, 2019	16,188,250	1,526,500	17,714,750
Granted	166,666	333,334	500,000
Vested, previously granted DSUs	1,487,500	(1,487,500)	-
Paid	(1,150,000)	-	(1,150,000)
<b>December 31, 2020</b>	<b>16,692,416</b>	<b>372,334</b>	<b>17,064,750</b>

Anticipated future vesting:

August 7, 2021	39,000
February 10, 2021	83,333
February 10, 2022	83,334
August 14, 2021	83,333
August 14, 2022	83,334

During the year ended December 31, 2020, \$249,848 was recorded as stock-based compensation expense related to vested DSUs on the consolidated statements of comprehensive loss (year ended December 31, 2019: \$341,462.)

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**13. Operating segments**

*Geographical information*

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

	Current assets	Property, plant and equipment	Other non-current assets	Total Assets
December 31, 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
December 31, 2020				
Canada	\$ 28,100,334	\$ 20,187	\$ 5,453,894	\$ 33,574,415
Brazil	2,103,480	18,358,108	451,870	20,913,458
	\$ 30,203,814	\$ 18,378,295	\$ 5,905,764	\$ 54,487,873

**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.

**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.

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**16. Financial instruments**

Financial assets and financial liabilities as at December 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
Lease liabilities, current and long-term	-	71,776	71,776

  

December 31, 2020	Assets at amortized cost	Liabilities at amortized cost	Total
Cash and cash equivalents	\$ 30,007,304	\$ -	\$ 30,007,304
Promissory notes receivable	3,926,054	-	3,926,054
Term investment	451,870	-	451,870
Accounts payable and accrued liabilities	-	3,607,999	3,607,999
Lease liabilities, current and long-term	-	40,130	40,130

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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**16. Financial instruments (continued)**

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

The carrying values of promissory notes receivable and the term investment approximate fair value because they carry market rates of interest.

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 year ended December 31, 2020.

**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 December 31, 2020, the Company had current assets of \$30,203,814 to settle current liabilities of \$3,623,196. Approximately \$2,835,000 of the Company's financial liabilities as at December 31, 2020 have contractual maturities of less than 30 days and are subject to normal trade terms. Of this amount, approximately \$1,700,000 has been payable for over 180 days.

**Market risk**

**(a) Interest rate risk**

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

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**16. Financial instruments (continued)**

Based on cash and cash equivalents, term deposit and promissory note balances on hand at December 31, 2020, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$34,400 (December 31, 2019 - \$38,500).

(b) Currency risk

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

A strengthening of \$0.01 in the United States dollar against the Brazilian Real would have increased net loss by approximately \$11,000 for the year ended December 31, 2020 (year ended December 31, 2019 - \$98,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$2,000 for the year ended December 31, 2020 (year ended December 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 year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

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**18. Related party disclosures**

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

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

During the year ended December 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 Year ended December 31,	
	2020	2019
2227929 Ontario Inc.	\$ 450,000	\$ 480,000
Forbes & Manhattan Inc.	-	325,000
Directors' promissory notes interest	(8,783)	(292,379)

The Company shares office space with other companies who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly fee of \$30,000. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

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-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Directors and officers of the Company	\$ 3,926,054	\$ 9,013,433	\$ 41,224	\$ 117,221

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:

	Year ended December 31,	
	2020	2019
Short-term benefits	\$1,978,415	\$ 2,781,152
Share-based payments	459,821	-
DSU expense	248,657	308,877
	\$2,686,893	\$ 3,090,029

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 debt obligation plus applicable interest. As at December 31, 2020, no payments have been paid.
2. Minimum commitments relating to management contracts to be made for termination without cause were approximately \$3,850,000. These contracts require that additional payments of up to \$22,890,000 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.
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 December 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. The Amazon region, in the north of the country, has been hardest hit. Altamira has been hit hard by a second wave of cases that has stretched emergency services to breaking point. A coronavirus variant identified in the Brazilian Amazon may be three times more contagious.

Although the Company does expect some delays to the normal review process, at this point the delays are not expected to be excessive and government agencies have been working very well under the circumstances. The Indigenous study was approved by FUNAI (National Indian Foundation (Brazil): a Brazilian governmental protection agency for Indian interests and their culture) in November 2020. The final presentation of the Indigenous study with the Indigenous community has been delayed until the Indigenous community has been vaccinated.

Belo Sun continues to closely monitor developments around the COVID-19 pandemic. The Company quickly followed the recommended measures by public health and government authorities. The Company continues to monitor the situation with our priority being the health and safety of our employees and our surrounding communities. Belo Sun has provided assistance with coordinating the manufacturing of personal protection equipment ("PPE") in the city of Altamira and has supplied PPE to the communities surrounding the PVG and made donations to the municipality of Senador Jose Poririo.

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**20. Income taxes**

The following table reconciles income taxes calculated at a combined Canadian federal and provincial tax rate with income tax expense in these audited annual consolidated financial statements.

	2020	2019
Loss before income taxes	\$ 5,488,926	\$ 7,983,962
Statutory rate	26.50%	26.50%
Expected income tax recovery	\$ 1,454,565	\$ 2,115,750
Change in unrecognized deferred tax assets	3,717,200	1,612,800
Non-deductible expenses and permanent differences	(217,291)	(93,335)
Change in foreign exchange rates	(4,917,186)	(3,544,784)
Effect of foreign tax rates and other	(37,288)	(90,431)
Income tax expense	\$ -	\$ -

The significant components of the Company's deferred income tax assets are as follows:

	2020	2019
Deferred income tax assets and liabilities:		
Capital and non-capital tax losses carried forward	\$ 16,974,700	\$ 16,526,800
Capital assets	(1,770,200)	(1,330,500)
Unused foreign exploration and evaluation expenses	13,203,200	16,703,000
Share issue costs	-	244,800
Net deferred income tax assets and liabilities	28,407,700	32,144,100
Unrecognized deferred tax assets	(28,407,700)	(32,144,100)
Deferred income tax asset (liability)	\$ -	\$ -

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**20. Income taxes (continued)**

As at December 31, 2020, the Company has Canadian non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of \$54,127,100 expiring as follows:

2026	\$	481,900
2027		1,083,600
2028		869,700
2029		664,700
2030		2,166,200
2031		2,778,900
2032		5,485,200
2033		6,917,700
2034		4,899,500
2035		5,893,000
2036		5,559,400
2037		5,330,900
2038		3,619,100
2039		4,184,600
2040		4,192,700
	\$	54,127,100

**21. Subsequent event**

In January 2021, the Company granted 2,500,000 stock options to directors of the Company. These options have an exercise price of \$0.97 and expire five years from the date of grant. The options vest in four equal instalments over 48 months, with the first instalment vesting one year from the grant date.