



---

CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS

---

for the three months ended  
March 31, 2012 and 2011

# **BELO SUN MINING CORP.**

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

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

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

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

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

*unaudited*

**(Expressed in Canadian dollars)**

	Notes	March 31, 2012	December 31, 2011
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 35,914,183	\$ 32,415,945
Prepaid expenses and sundry receivables	3	625,869	392,823
		36,540,052	32,808,768
<b>Non-current assets</b>			
Property, plant and equipment	6	1,169,980	1,146,689
Term investment	5	562,475	548,968
<b>Total Assets</b>		<b>\$ 38,272,507</b>	<b>\$ 34,504,425</b>
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	\$ 2,971,341	\$ 2,164,777
Finance leases	8	44,116	60,264
Current taxes	17	7,091	7,091
		3,022,548	2,232,132
<b>Non-current liabilities</b>			
Finance leases	8	-	6,481
Deferred taxes	17	7,091	14,182
		3,029,639	2,252,795
<b>Equity</b>			
Share capital	9	109,369,909	96,276,107
Share -based payments reserve	10	9,186,970	8,782,612
Accumulated other comprehensive loss		(429,702)	(99,707)
Deficit		(82,884,309)	(72,707,382)
Total Equity		35,242,868	32,251,630
<b>Total Liabilities and Equity</b>		<b>\$ 38,272,507</b>	<b>\$ 34,504,425</b>
Commitments and contingencies	16		
Subsequent events	18		
Approved on behalf of the Directors:			
<i>"Peter Tagliamonte"</i>		<i>"Mark Eaton"</i>	
Director		Director	

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

*unaudited*

**(Expressed in Canadian dollars)**

	Notes	Three months ended March 31,	
		2012	2011
<b>Expenses</b>			
Management fees paid to directors	15	\$ 93,002	\$ 182,979
Salaries, wages and consulting fees		316,486	649,341
Legal fees		-	7,183
Audit fees		990	13,540
General and administration		685,034	392,763
Amortization		44,434	27,230
Share based payments	10	2,741,300	-
Exploration and evaluation expenses	4	4,805,280	3,142,639
Engineering studies	4	2,560,037	161,903
Foreign exchange (gain)		(638,252)	(51,737)
<b>Loss from operations</b>		<b>(10,608,311)</b>	<b>(4,525,841)</b>
<b>Interest income</b>		<b>416,644</b>	<b>88,590</b>
<b>Net loss for the period before taxes</b>		<b>(10,191,667)</b>	<b>(4,437,251)</b>
<b>Exchange differences on translating foreign operations</b>		<b>(329,995)</b>	<b>(45,382)</b>
<b>Comprehensive loss for the period</b>		<b>\$ (10,521,662)</b>	<b>\$ (4,482,633)</b>
<b>Loss per share</b>	<b>12</b>		
Basic		\$ (0.05)	\$ (0.03)
Diluted		\$ (0.05)	\$ (0.03)
<b>Weighted average number of shares outstanding:</b>			
Basic and diluted		216,689,913	154,719,106
Diluted		216,689,913	154,719,106

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

*unaudited*

**(Expressed in Canadian dollars)**

		Three months ended March 31,	
	Notes	2012	2011
<b>Cash provided by (used in) operations:</b>			
<b>Net (loss)</b>		\$ (10,191,667)	\$(4,437,251)
Items not involving cash:			
Share based payments	11	2,741,300	-
Amortization		44,434	27,230
Interest income		(416,644)	(88,590)
Unrealized loss/(gain) on foreign exchange		(405,165)	(20,095)
Interest income received		405,592	69,799
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		(233,046)	(234,750)
Change in accounts payables and accrued liabilities		806,564	1,150,402
Change in income taxes		(7,091)	(7,091)
<b>Net cash used by operating activities</b>		<b>(7,255,723)</b>	<b>(3,540,346)</b>
<b>Investing activities</b>			
Expenditures on property, plant and equipment		(89,719)	(112,448)
<b>Net cash used in investing activities</b>		<b>(89,719)</b>	<b>(112,448)</b>
<b>Financing activities</b>			
Proceeds from issuance of shares / units		-	51,842,000
Share issuance costs		-	(3,321,310)
Exercise of warrants/options		10,771,600	2,286,090
Lease payments		(23,751)	-
<b>Net cash provided by financing activities</b>		<b>10,747,849</b>	<b>50,806,780</b>
Change in cash and cash equivalents		3,402,407	47,153,986
Cash and cash equivalents, beginning of the period		32,415,945	7,127,226
Effect of exchange rate on cash held		95,831	-
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 35,914,183</b>	<b>\$54,281,212</b>
<b>Cash and cash equivalents are comprised of:</b>			
Cash in bank		\$ 17,151,068	\$52,067,978
Short-term money market instruments		\$ 18,763,115	\$ 2,213,234
		<u>\$ 35,914,183</u>	<u>\$54,281,212</u>

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

*unaudited*

**(Expressed in Canadian dollars)**

	Number of Shares	Share Capital	Share- Based Payments Reserve	Accumulated Other Comprehensive (Loss)	Retained Earnings (Deficit)	Total
Balance, December 31, 2011	207,604,334	\$ 96,276,107	\$8,782,612	\$ (99,707)	\$(72,707,382)	\$32,251,630
Exercise of stock options	275,000	160,750	-	-	-	160,750
Valuation allocation on exercise of stock options	-	91,117	(91,117)	-	-	-
Exercise of warrants	21,515,600	10,610,850	-	-	-	10,610,850
Valuation allocation on exercise of warrants	-	2,231,085	(2,231,085)	-	-	-
Valuation allocation for expiry of warrants	-	-	(14,740)	-	14,740.00	-
Comprehensive (loss)	-	-	2,741,300	(329,995)	(10,191,667)	(7,780,362)
Balance, March 31, 2012	229,394,934	\$109,369,909	\$9,186,970	\$ (429,702)	\$(82,884,309)	\$35,242,868
Balance, December 31, 2010	149,158,834	\$ 40,829,667	\$6,401,610	\$ (118,627)	\$(39,933,424)	\$ 7,179,226
Public offering (Note 10)	45,080,000	51,842,000	-	-	-	51,842,000
Share issuance costs	-	(3,321,310)	-	-	-	(3,321,310)
Exercise of stock options	1,451,000	857,340	-	-	-	857,340
Valuation allocation on exercise of stock options	-	666,913	(666,913)	-	-	-
Exercise of warrants	3,282,500	1,428,750	-	-	-	1,428,750
Valuation allocation on exercise of warrants	-	334,735	(334,735)	-	-	-
Comprehensive (loss)	-	-	-	(45,382)	(4,437,251)	(4,482,633)
Balance, March 31, 2011	198,972,334	\$ 92,638,095	\$5,399,962	\$ (164,009)	\$(44,370,675)	\$53,503,373

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

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(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 company engaged in the exploration of properties located in Brazil. The Company is a publicly listed company incorporated in the Province of Ontario. The Company’s shares are listed on the Toronto Stock Exchange. The Company’s head office is located at 65 Queen Street West, 8<sup>th</sup> Floor, Toronto, Ontario, Canada, M5H 2M5.

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

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

**2. Significant accounting policies**

**a) Statement of compliance**

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”), 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, 2012. The policies as set out in the Company’s Annual Consolidated Financial Statements for the twelve months ended December 31, 2011 were consistently applied to all the periods presented unless otherwise noted below. The Board of Directors approved these condensed interim financial statements for issue on May 11, 2012.

**b) Basis of preparation**

These 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 judgement in applying the Company’s accounting policies.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

---

**c) Future accounting changes**

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

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

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 11, Joint Arrangements, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 12, Disclosure of Involvement with Other Entities, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 13, Fair Value Measurement, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 (Share-based Payments); leasing transactions within the scope of IAS (17 Leases); measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 (Inventories); or value in use in IAS 36 (Impairment of Assets). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.



**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

---

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

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

Furthermore, where the costs of the stripping activity asset and of the inventory produced are not separately identifiable, IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013. Early application is permitted.

IAS 1, *Presentation of Financial Statements* ("IAS 1"), has been amended to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be recycled in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately. The amendment is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has not yet determined the impact of the amendments to IAS 1 on its financial statements.

**d) Principles of consolidation**

**(i) Subsidiaries**

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

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

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

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

---

**(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 annual 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 annual financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated annual financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, on a prospective basis. The revision may affect current or both current and future periods.

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

- Asset carrying values and impairment charges
- Estimation of asset lives
- Recognition of deferred tax assets
- Contingencies
- Share-based payments
- Assessment of the project stage for mineral properties and activities
- Estimation of close down and restoration costs and the timing of expenditures
- Estimation of environmental cleanup and the timing of expenditure and related accretion
- Depletion, depreciation and amortization
- Determination of functional currency

**f) Presentation and functional currency**

The Company's financial statements are presented in Canadian dollars. The Company's functional and presentation currency is the Canadian dollar. The Company's subsidiaries' functional currency is the United States dollar. These annual consolidated financial statements have been translated to the Canadian dollar in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

**3. Prepaid expenses and sundry receivables**

	31-Mar-12	31-Dec-11
Trade receivables and other advances	\$ 172,873	\$ 120,155
Prepaid taxes	181,494	-
HST/VAT receivable	103,537	248,157
Proceeds from exercise of warrants/options	150,000	-
Prepaid insurance	17,965	24,511
	<u>\$ 625,869</u>	<u>\$ 392,823</u>

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

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

---

**4. Exploration and evaluation expenses and engineering studies**

Exploration and evaluation expenditures and engineering studies expensed immediately in the income statement for the three months ended March 31, 2012 collectively amounted to \$7,365,317 (March 31, 2011 - \$3,304,542).

Exploration and evaluation properties comprise the following:

a) Volta Grande, Para State, Brazil

The gold project includes approximately 149,918 hectares in twenty-two Exploration Permits (2011 – 103,169 hectares in twenty-two exploration permits) and 46,749 hectares in twelve Exploration Applications (2011 – 49,906 hectares in ten exploration applications) and is situated in the margin of the Xingu river, some 60 km from the city of Altamira, Para State.

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

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

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

b) Patrocino, Para State, Brazil

This gold project is situated in the Para State and includes approximately 18,669 hectares (2011 – 18,669 hectares). Pursuant to a signed contract on October 8, 2004 the Company has the right to acquire 100% of the property. Under the terms of the contract, the Company must make 36 monthly payments of US \$1,667 and issue 200,000 common shares of the Company to the original owners. The Company is current on these payments and issued 200,000 common shares at \$0.10 on June 20, 2005. In addition, the property is subject to a 1.5% net smelter royalty and a sliding scale payment during the first two years of production from the property. The payment ranges from 606 ounces of gold assuming 100,000 ounces of proven and probable reserves to 12,121 ounces of gold assuming 1.2 million proven and probable reserve ounces.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

The Company is currently assessing its options with respect to the project including, but not limited to, joint-venture scenarios, earn-out arrangements, and further development by Belo Sun.

**5. Term investment**

The investment consists of a term deposit of 1,025,291 Reais (CDN\$562,475) (December 31, 2011 – 1,005,805 Reais (CDN\$548,968)), including accrued interest, which approximates fair value, to fund the potential amounts owing to CPRM. The term deposit matures on April 22, 2013 and bears interest at a floating rate of approximately 9.19% (December 31, 2011 – 10.2%). The Company intends on rolling over the term deposit on maturity because it is security against the potential amount owing to the CPRM (Note 4(a)) and accordingly, management has shown the investment as a long-term asset.

**6. Property, plant and equipment**

	Vehicles	Furniture & equipment	Mining equipment	Building under construction	Land	Total
Cost at December 31, 2010	\$257,094	\$ 178,812	\$ 136,237	\$ 78,009	\$7,267	\$ 657,419
Additions	203,859	349,832	74,517	124,357	-	752,565
FX adjustment	10,639	(24,056)	37,900	1,738	354	26,575
Cost at December 31, 2011	471,592	504,588	248,654	204,104	7,621	1,436,559
Additions	-	16,539	63,031	10,149	-	89,719
FX adjustment	(10,055)	(9,875)	(3,862)	(4,058)	(162)	(28,012)
Cost at March 31, 2012	461,537	511,252	307,823	210,195	7,459	1,498,266
<i>Accumulated depreciation</i>						
Balance as at December 31, 2010	69,250	37,150	33,432	-	-	139,832
Charge for the year	53,014	34,160	39,885	-	-	127,059
FX adjustment	6,673	4,967	11,339	-	-	22,979
Balance as at December 31, 2011	128,937	76,277	84,656	-	-	289,870
Charge for the year	17,726	12,026	14,682	-	-	44,434
FX adjustment	(2,768)	(1,429)	(1,821)	-	-	(6,018)
Balance at March 31, 2012	\$143,895	\$ 86,874	\$ 97,517	\$ -	\$ -	\$ 328,286
Net book value as at December 31, 2011	\$342,655	\$ 428,311	\$ 163,998	\$ 204,104	\$7,621	\$1,146,689
Net book value as at March 31, 2012	\$317,642	\$ 424,378	\$ 210,306	\$ 210,195	\$7,459	\$1,169,980

As at March 31, 2011, the Company's finance leases consist of four vehicles having a net book value of \$136,391 (December 31, 2011 - \$149,314).

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

---

**7. Accounts payable and accrued liabilities**

	31-Mar-12	31-Dec-11
Mineral properties suppliers and contractors	\$ 2,619,760	\$ 1,782,014
DNPM Taxes	220,923	219,795
Corporate payables	115,658	112,968
Audit accrual	15,000	50,000
	<u>\$ 2,971,341</u>	<u>\$ 2,164,777</u>

**8. Finance leases**

Finance leases relate to vehicles with lease terms of 1 to 2 years. The Company has options to purchase the vehicles for a nominal amount at the conclusion of the lease agreements.

As at March 31, 2012, the finance leases were composed of the following obligations:

	2012	46,819
	2013	<u>7,778</u>
		<u>54,597</u>
less amounts representing interest		(10,481)
		<u>\$ 44,116</u>
	current portion	44,116
	long term portion	-

**9. Share Capital**

- a) As at March 31, 2012 and December 31, 2011, 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.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

b) Issued and outstanding share capital

	Number of Shares	Amount
Balance, December 31, 2010	149,158,834	\$ 40,829,667
Public offering (i)	45,080,000	51,842,000
Exercise of stock options	2,659,000	1,397,078
Exercise of stock options - value allocation		958,656
Exercise of warrants	10,706,500	3,819,550
Exercise of warrants -value allocation		1,182,098
Value of warrants granted on exercise of broker units	-	(237,000)
Cost of issue		(3,515,942)
Balance, December 31, 2011	207,604,334	96,276,107
Exercise of stock options	275,000	160,750
Exercise of stock options - value allocation		91,117
Exercise of warrants	21,515,600	10,610,850
Exercise of warrants -value allocation		2,231,085
Balance, March 31, 2012	229,394,934	\$ 109,369,909

- (i) On March 25, 2011, the Company completed a bought deal financing of 45,080,000 common shares, including the full exercise of the agents' over-allotment option of 5,880,000 common shares, at a price of \$1.15 per common share for gross proceeds of \$51,842,000. The Company paid the underwriters a fee of 6% on funds raised.

**10. Share-based payments reserves**

The Company has an ownership-based compensation scheme for executives and employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, officers, directors and consultants of the Company may be granted options to purchase common shares at exercise prices determined at the time of grant. The Company has adopted a Floating Stock Option Plan (the "Plan"), whereby the number of common shares reserved for issuance under the Plan is equivalent of up to 10% of the issued and outstanding shares of the Company from time to time. The option vesting terms are determined at the discretion of the Board of Directors.

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

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

	Number of Options	Weighted average exercise prices (CAD\$)	Value of options	Number of Warrants	Weighted average exercise prices (CAD\$)	Value of warrants	<b>TOTAL VALUE</b>
December 31, 2010	9,948,400	\$0.45	\$ 3,168,085	31,556,800	\$0.44	\$ 3,233,525	\$ 6,401,610
Granted	4,922,200	\$1.33	4,380,758	610,000	\$0.50	237,000	4,617,758
Exercised	(2,659,000)	\$0.53	(958,656)	(10,706,500)	\$0.36	(1,182,098)	(2,140,754)
Expired/forfeited	(60,000)	\$1.33	(53,400)	(372,500)	\$0.24	(42,602)	(96,002)
<b>December 31, 2011</b>	<b>12,151,600</b>	<b>\$0.79</b>	<b>\$ 6,536,787</b>	<b>21,087,800</b>	<b>\$0.49</b>	<b>\$ 2,245,825</b>	<b>\$ 8,782,612</b>
Granted	3,470,000	\$1.15	2,741,300	587,800	\$0.50	293,900	3,035,200
Exercised	(275,000)	\$0.58	(91,117)	(21,515,600)	\$0.49	(2,524,985)	(2,616,102)
Expired/forfeited	-	\$0.00	-	(160,000)	\$0.50	(14,740)	(14,740)
<b>March 31, 2012</b>	<b>15,346,600</b>	<b>\$0.87</b>	<b>\$ 9,186,970</b>	<b>-</b>	<b>\$0.00</b>	<b>\$ -</b>	<b>\$ 9,186,970</b>

The following share-based payments arrangements were in existence during the current and prior reporting periods:

Options:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
250,000	250,000	10-Apr-07	10-Apr-12	\$ 0.60	99%	5	0%	4.50%
250,000	250,000	24-Oct-07	24-Oct-12	\$ 0.60	81%	5	0%	4.18%
3,794,600	3,794,600	5-Mar-10	5-Mar-15	\$ 0.34	100%	5	0%	2.59%
60,000	60,000	2-Jun-10	2-Jun-15	\$ 0.45	100%	5	0%	2.68%
1,968,000	1,968,000	29-Jul-10	29-Jul-15	\$ 0.36	104%	5	0%	2.36%
50,000	50,000	11-Nov-10	11-Nov-15	\$ 0.80	94%	5	0%	2.50%
650,000	650,000	5-Dec-10	5-Dec-15	\$ 0.89	94%	5	0%	2.40%
4,854,000	4,854,000	21-Apr-11	21-Apr-16	\$ 1.33	94%	5	0%	2.70%
3,470,000	3,470,000	31-Jan-12	31-Jan-17	\$ 1.15	94%	5	0%	1.25%
<b>15,346,600</b>	<b>15,346,600</b>							

Fair value of share options granted in the period:

During the three months ended March 31, 2012, the Company granted 3,470,000 stock options (March 31, 2011: nil). A value of \$2,741,300 was recorded to the statement of comprehensive loss for the three months ended March 31, 2012 (March 31, 2011: \$nil) related to these stock options. The weighted average grant date fair value of the share options granted during the three month period ended March 31, 2012 is \$0.79 (2011: \$nil). Options were priced using the Black-Scholes option-pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

**11. Operating segments**

*Geographical information*

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

	Current Assets	Property, Plant and Equipment	Other long-term assets	TOTAL ASSETS
<u>March 31, 2012</u>				
Canada	\$ 17,408,447	\$ 7,742	\$ -	\$ 17,416,189
Barbados	10,745	-	-	10,745
Brazil	19,120,860	1,162,238	562,475	20,845,573
	<u>\$ 36,540,052</u>	<u>\$ 1,169,980</u>	<u>\$ 562,475</u>	<u>\$ 38,272,507</u>
<u>December 31, 2011</u>				
Canada	\$ 12,439,612	\$ 9,325	\$ -	\$ 12,448,937
Barbados	1,553	-	-	1,553
Brazil	20,367,603	1,137,364	548,968	22,053,935
	<u>\$ 32,808,768</u>	<u>\$ 1,146,689</u>	<u>\$ 548,968</u>	<u>\$ 34,504,425</u>

**12. 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 and warrants, 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 and warrants would be anti-dilutive.

**13. Financial instruments**

Financial assets and financial liabilities as at March 31, 2012 and December 31, 2011:

March 31, 2012	Other liabilities	Loans and receivables	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	\$ -	\$ -	\$ 35,914,183	\$ 35,914,183
Sundry receivables	-	253,537	-	253,537
Term investment	-	-	562,475	562,475
Accounts payable and accrued liabilities	2,971,341	-	-	2,971,341
Finance lease	44,116	-	-	44,116



**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
**(Expressed in Canadian dollars unless otherwise noted)**

December 31, 2011	Other liabilities	Loans and receivables	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	\$ -	\$ -	\$ 32,415,945	\$ 32,415,945
Sundry receivables	-	120,155	-	120,155
Term investment	-	-	548,968	548,968
Accounts payable and accrued liabilities	2,164,777	-	-	2,164,777
Finance lease	66,745	-	-	66,745

At March 31, 2012, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents and term investment, have been classified as Level 1 within the fair value hierarchy.

The Company's risk exposures and the impact 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, 2012 and 2011.

**Credit risk**

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

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

**Liquidity risk**

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

As at March 31, 2012, the Company had current assets of \$36,540,052 to settle current liabilities of \$3,022,548.

**Market risk**

**(a) Interest rate risk**

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

Based on cash and cash equivalent balances on hand at March 31, 2012, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$36,000 (December 31, 2011 - \$32,000).

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
**(Expressed in Canadian dollars unless otherwise noted)**

---

(b) Currency risk

As the Company operates on an international basis, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States dollar and Brazilian Reais. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

A strengthening of \$0.01 in the United States dollar against the Brazilian Reais would have decreased net income by approximately \$306,000 for the three months ended March 31, 2012 (March 31, 2011 - \$3,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased accumulated other comprehensive income by approximately \$168,000 for the three months ended March 31, 2012 (March 31, 2011 - \$2,000). At March 31, 2012, one Canadian dollar was equal to 1.0025 United States dollars (March 31, 2011 - 1.0314) and one Canadian dollar was equal to 1.8228 Brazilian Reais (March 31, 2011 - 1.5762).

(b) Price risk

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

#### **14. Capital management**

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

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

There were no significant changes in the Company's approach to capital management during the three months ended March 31, 2012 and 2011. The Company is not subject to externally imposed capital requirements.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

**15. Related party disclosures**

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

	Country of incorporation	% equity interest
Belo Sun Mining (Barbados) Corp.	Barbados	100
Belo Sun Mineracao Ltda	Brazil	100
Intergemas Mineracao e Industrializacao Ltda	Brazil	100
Aubras Mineracao Ltda	Brazil	98

During the period, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods/services Three months ended March 31,	
	2012	2011
2227929 Ontario Inc.	\$ 67,784	\$ 75,364
Forbes & Manhattan, Inc.	75,000	98,387
Falcon Metais Ltda.	32,380	20,949

The Company shares office space with other companies who may have common officers and directors. The costs associated with this space are administered by 2227929 Ontario Inc.

Mr. Stan Bharti, the Chairman of the Company, is the Executive Chairman of Forbes and Manhattan, Inc., a corporation that provides administrative services to the Company. Forbes and Manhattan, Inc. charges a monthly consulting fee of \$25,000.

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

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

	Amounts owed by related parties		Amounts owed to related parties	
	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11
2227929 Ontario Inc.	\$ 11,128	\$ 72,209	\$ 3,468	\$ 14,893
Directors of the Company	-	-	43,498	72,936
Falcon Metais Ltda.	98,318	29,384	-	-

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

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
**(Expressed in Canadian dollars unless otherwise noted)**

---

*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,	
	2012	2011
Short-term benefits	\$ 233,917	\$ 840,000
Share-based payments	1,975,000	-

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

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

**16. Commitments and contingencies**

(a) Long Term Investment

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

(b) The Company is party to certain management contracts. These contracts require that additional payments of up to \$3,000,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is uncertain, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately \$566,000 all due within one year.

(c) The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**17. Income tax**

The current tax liability of \$7,091 (December 31, 2011 - \$7,091) represents amount of income taxes payable in respect of current and prior periods. An amount of \$7,091 is recorded as deferred taxes.

**Belo Sun Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2012 and 2011**  
(Expressed in Canadian dollars unless otherwise noted)

---

**18. Subsequent events**

Subsequent to the end of the quarter, 300,000 options were exercised for gross proceeds of \$194,500 and 250,000 were granted.