



CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended
March 31, 2014 and 2013

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

(Expressed in Canadian dollars)

	Notes	March 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents		\$ 10,135,602	\$ 13,197,670
Prepaid expenses and sundry receivables	3	204,168	279,009
		10,339,770	13,476,679
Non-current assets			
Property and equipment	6	6,764,319	6,584,995
Term investment	5	576,773	517,427
Total Assets		\$ 17,680,862	\$ 20,579,101
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 1,040,508	\$ 1,049,128
Finance leases	8	5,204	9,558
Current taxes		7,091	7,091
		1,052,803	1,065,777
Equity			
Share capital		157,304,907	157,304,907
Share-based payments reserve	9	15,141,493	15,141,493
Accumulated other comprehensive income		492,096	144,548
Deficit		(156,310,437)	(153,077,624)
Total Equity		16,628,059	19,513,324
Total Liabilities and Equity		\$ 17,680,862	\$ 20,579,101

Commitments and contingencies 14

Approved on behalf of the Directors:

"Catherine Stretch"

Director

"Mark Eaton"

Director

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

(Expressed in Canadian dollars)

	Notes	Three months ended	
		2014	March 31, 2013
Expenses			
Management fees paid to directors	13	\$ 128,155	\$ 328,972
Salaries, wages and consulting fees		619,201	2,423,992
Legal fees		-	3,484
Audit fees		27,500	25,000
General and administration		350,124	690,315
Depreciation		81,079	112,172
Share-based payments	9	-	65,000
Exploration and evaluation expenses	4	1,289,828	5,176,599
Engineering studies	4	893,392	2,891,856
Foreign exchange gain		(70,593)	(103,505)
Loss from operations		(3,318,686)	(11,613,885)
Interest income		85,873	219,509
Gain on derivative liability		-	33,889
Net loss for the period		(3,232,813)	(11,360,487)
Exchange differences on translating foreign operations		347,548	198,333
Comprehensive loss for the period		\$ (2,885,265)	\$ (11,162,154)
Loss per share			
Basic		\$ (0.01)	\$ (0.04)
Diluted		\$ (0.01)	\$ (0.04)
Weighted average number of shares outstanding:			
Basic and diluted		266,110,534	265,910,534

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

(Expressed in Canadian dollars)

	Notes	Three months ended March 31,	
		2014	2013
Cash provided by (used in) operations:			
Net (loss)		\$ (3,232,813)	\$(11,360,487)
Items not involving cash:			
Share-based payments	9	-	65,000
Depreciation		81,079	112,172
Interest income		(85,873)	(219,509)
Interest income received		73,236	210,975
(Gain) on derivative liability		-	(33,889)
Unrealized (gain) on foreign exchange		(114,196)	(213,156)
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		74,841	(218,379)
Change in accounts payables and accrued liabilities		(8,620)	993,465
Change in current income taxes		-	(7,091)
Net cash (used) by operating activities		(3,212,346)	(10,670,899)
Investing activities			
Expenditures on property and equipment		(549)	(74,156)
Payment against liabilities related to the acquisition of land		-	(437,985)
Net cash (used) in investing activities		(549)	(512,141)
Financing activities			
Finance lease payments		(4,957)	(11,374)
Net cash provided by financing activities		(4,957)	(11,374)
Change in cash and cash equivalents		(3,217,852)	(11,194,414)
Cash and cash equivalents, beginning of the period		13,197,670	45,977,241
Effect of exchange rate on cash held		155,784	258,759
Cash and cash equivalents, end of the period		\$ 10,135,602	\$ 35,041,586
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 8,245,996	\$ 30,680,059
Short-term money market instruments		\$ 1,889,606	\$ 4,361,527
		<u>\$ 10,135,602</u>	<u>\$ 35,041,586</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 Income/(Loss)	Deficit	Total
Balance, December 31, 2013	266,110,534	\$ 157,304,907	\$ 15,141,493	\$ 144,548	\$ (153,077,624)	\$19,513,324
Comprehensive (loss)	-	-	-	347,548	(3,232,813)	(2,885,265)
Balance, March 31, 2014	266,110,534	\$ 157,304,907	\$ 15,141,493	\$ 492,096	\$ (156,310,437)	\$16,628,059
Balance, December 31, 2012	265,910,534	\$ 157,177,638	\$ 13,270,262	\$ (497,425)	\$ (121,045,306)	\$48,905,169
Comprehensive (loss)	-	-	65,000	198,333	(11,360,487)	(11,097,154)
Balance, March 31, 2013	265,910,534	\$ 157,177,638	\$ 13,335,262	\$ (299,092)	\$ (132,405,793)	\$37,808,015

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

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(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, 8th Floor, Toronto, Ontario, Canada, M5H 2M5.

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

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

2. Significant accounting policies

a) Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at March 31, 2014. The policies as set out in the Company’s Annual Consolidated Financial Statements for the twelve months ended December 31, 2013 were consistently applied to all the periods presented unless otherwise noted below. The Board of Directors approved these condensed interim consolidated financial statements for issue on May 12, 2014.

b) Basis of preparation

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013
Unaudited
(Expressed in Canadian dollars unless otherwise noted)

c) Future accounting policies

IFRS 9, Financial Instruments: Classification and Measurement, introduces new requirements for the classification and measurement of financial instruments. The date of application is yet to be determined, and the Company has not yet considered the potential impact of the adoption of IFRS 9.

d) Principles of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

e) Significant accounting judgments, estimates and assumptions

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

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

• **Asset carrying values and impairment charges**

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

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013
Unaudited
(Expressed in Canadian dollars unless otherwise noted)

- 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.
- Share-based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- Assessment of the project stage for mineral properties and activities
In determining whether the Company is in the exploration and evaluation stage or the development stage, management must make an assessment as to whether the technical feasibility and commercial viability of extracting the mineral resource are demonstrable. Management relies on technical studies performed by consultants to make this assessment.
- Estimation of close down and restoration costs and the timing of expenditures
The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.
- Estimation of asset lives and depletion, depreciation and amortization
Depreciation and depletion expenses are allocated based on assumed asset lives and depletion/depreciation rates. Should the asset life or depletion/depreciation rate differ from the initial estimate, an adjustment would be made in the statement of comprehensive loss.
- 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 14.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise noted)

f) Presentation and functional currency

The Company's condensed interim consolidated financial statements are presented in Canadian dollars. The Company's functional and presentation currency is the Canadian dollar. The Company's subsidiaries' functional currency is the United States dollar.

3. Prepaid expenses and sundry receivables

	March 31, 2014	December 31, 2013
Trade receivables and other advances	\$ 73,989	\$ 139,887
HST/VAT receivable	110,172	115,539
Prepaid insurance	20,007	23,583
	<u>\$ 204,168</u>	<u>\$ 279,009</u>

4. Exploration and evaluation expenses and engineering studies

Exploration and evaluation expenditures and engineering studies expensed immediately in the consolidated statement of comprehensive loss for the three months ended March 31, 2014 collectively amounted to \$2,183,220 (March 31, 2013 - \$8,068,455).

5. Term investment

The investment consists of a term deposit with Banco do Brasil SA to fund the potential amounts owing to Companhia de Pesquisa de Recursos Minerais ("CPRM"). As at March 31, 2014, the balance in this account was R\$1,176,127 (\$576,773) (2013: R\$1,149,072 (\$517,427)) and the Company earned 2.35% in interest for the three months ended March 31, 2014. The Company intends on rolling over the term deposit on maturity because it is security against the potential amount owing to the CPRM, a Brazilian state owned company to which the Company is committed to paying royalties if a mineable deposit is defined on the Volta Grande Property.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise noted)

6. Property and equipment

<i>Cost</i>	Vehicles	Furniture & equipment	Mining equipment	Assets under construction	Land	Total
Balance at December 31, 2012	\$640,585	\$1,146,800	\$ 513,324	\$ 117,411	\$4,470,822	\$6,888,942
Additions	4,558	282,714	26,134	(109,716)	-	203,690
FX adjustment	16,435	21,228	4,563	(7,695)	312,097	346,628
Balance at December 31, 2013	661,578	1,450,742	544,021	-	4,782,919	7,439,260
Additions	-	549	-	-	-	549
FX adjustment	25,610	55,375	21,757	-	188,402	291,144
Balance at March 31, 2014	687,188	1,506,666	565,778	-	4,971,321	7,730,953
<i>Accumulated depreciation and impairment</i>						
Balance at December 31, 2012	180,190	131,171	183,077	-	-	494,438
Charge for the year	119,918	84,452	175,322	-	-	379,692
Disposal	34,980	35,664	(3,330)	-	-	67,314
FX adjustment	(8,340)	(64,586)	(14,253)	-	-	(87,179)
Balance at December 31, 2013	326,748	186,701	340,816	-	-	854,265
Charge for the year	32,083	22,434	26,562	-	-	81,079
FX adjustment	12,262	6,154	12,874	-	-	31,290
Balance at March 31, 2014	\$371,093	\$ 215,289	\$ 380,252	\$ -	\$ -	\$ 966,634
Net book value as at December 31, 2013	\$334,830	\$1,264,041	\$ 203,205	\$ -	\$4,782,919	\$6,584,995
Net book value as at March 31, 2014	\$316,095	\$1,291,377	\$ 185,526	\$ -	\$4,971,321	\$6,764,319

As at March 31, 2014, the Company's finance leases consist of one vehicle having a net book value of \$32,459 (December 31, 2013 –\$33,653).

7. Accounts payable and accrued liabilities

	March 31, 2014	December 31, 2013
Mineral properties suppliers and contractors	\$ 733,356	\$ 758,297
Departamento Nacional de Produção Mineral ("DNPM") taxes	65,412	142,533
Corporate payables	112,529	38,298
Audit and other accruals	129,211	110,000
	\$ 1,040,508	\$ 1,049,128

8. Finance leases

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

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise noted)

As at March 31, 2014, the finance leases were composed of the following obligations:

2014	6,248
	<u>6,248</u>
less amounts representing interest	(1,044)
	<u>\$ 5,204</u>
current portion	5,204
long term portion	<u>-</u>
	<u>5,204</u>

9. Share-based payments reserves

The Company has an ownership-based compensation plan for executives and employees. In accordance with the terms of the plan, 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.

	Number of Options	Weighted average exercise prices	TOTAL VALUE
December 31, 2013 and March 31, 2014	22,943,000	\$0.93	\$ 15,141,493

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise noted)

The following share-based payments arrangements were in existence as at March 31, 2014:

Options:

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

Fair value of share options granted in the period:

During the three months ended March 31, 2014, the Company did not grant stock options and no expense was incurred. For the three months ended March 31, 2013, 50,000 options were granted and \$65,000 was recorded as stock-based compensation expense. The weighted average grant date fair value of the share options granted during the three months ended March 31, 2014 is \$nil (March 31, 2013: \$1.30). Options were priced using the Black-Scholes option-pricing model. 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. The weighted average life of the outstanding options is 2.59 years. The weighted average market price on the date of grant for options granted during the period was \$nil (March 31, 2013: \$1.58).

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise noted)

10. Operating segments

Geographical information

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

	Current assets	Property and equipment	Other long-term assets	Total Assets
<u>March 31, 2014</u>				
Canada	\$ 8,411,981	\$ 2,623	\$ -	\$ 8,414,604
Brazil	1,927,789	6,761,696	576,773	9,266,258
	<u>\$ 10,339,770</u>	<u>\$ 6,764,319</u>	<u>\$ 576,773</u>	<u>\$ 17,680,862</u>
<u>December 31, 2013</u>				
Canada	\$ 11,195,075	\$ 3,036	\$ -	\$ 11,198,111
Brazil	2,281,604	6,581,959	517,427	9,380,990
	<u>\$ 13,476,679</u>	<u>\$ 6,584,995</u>	<u>\$ 517,427</u>	<u>\$ 20,579,101</u>

11. Financial instruments

Financial assets and financial liabilities as at March 31, 2014 were classified as follows:

March 31, 2014	Loans and receivables	Other liabilities	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	\$ -	\$ -	\$ 10,135,602	\$ 10,135,602
Term investment	-	-	576,773	576,773
Accounts payable and accrued liabilities	-	1,040,508	-	1,040,508
Finance leases	-	5,204	-	5,204

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

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise noted)

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

At March 31, 2014, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents and term investment, have been classified as Level 1 within the fair value hierarchy.

The Company's risk exposures and their impacts on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the three months ended March 31, 2014.

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.

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, 2014, the Company had current assets of \$10,339,770 to settle current liabilities of \$1,052,803.

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, 2014, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$10,000 (December 31, 2013 - \$13,000).

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(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 \$38,000 for the three months ended March 31, 2014 (March 31, 2013 - \$79,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$17,000 for the three months ended March 31, 2014 (March 31, 2013 - \$39,000). At March 31, 2014, one Canadian dollar was equal to 0.9046 United States dollars (March 31, 2013 - 0.9843) and one Canadian dollar was equal to 2.0392 Brazilian Reais (March 31, 2013 - 1.9857).

12. Capital management

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

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

There were no significant changes in the Company's approach to capital management during the three months ended March 31, 2014. The Company is not subject to externally imposed capital requirements.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise noted)

13. Related party disclosures

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

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

During the three months ended March 31, 2014, 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,			
	2014		2013	
2227929 Ontario Inc.	\$	92,911	\$	111,864
Forbes & Manhattan, Inc.		75,000		88,000
Falcon Metais Ltda.		41,232		34,733

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

Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc., a corporation that provides administrative and consulting services to the Company, including but not limited to strategic planning and business development. Forbes & Manhattan, Inc. charges a monthly consulting fee of \$25,000. During the three months ended March 31, 2014, the Company granted Mr. Bharti, through Forbes & Manhattan, Inc., a bonus of \$nil (March 31, 2013 - \$13,000).

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

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

	Amounts owed by related parties		Amounts owed to related parties	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
2227929 Ontario Inc.	\$ -	\$ -	\$ -	\$ 11,661
Falcon Metais Ltda.	-	-	54,863	-

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2014 and 2013

Unaudited

(Expressed in Canadian dollars unless otherwise noted)

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

Compensation of key management personnel of the Company

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

	Three months ended March 31,	
	2014	2013
Short-term benefits	\$ 412,000	\$ 1,885,833
Share-based payments	-	-

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

14. Commitments and contingencies

(a) Long Term Investment

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

(b) The Company is party to certain management contracts. These contracts require that additional payments of up to \$7,000,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is uncertain and it is not probable that there will be any outflow of resources to settle the commitment, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Minimum commitments remaining under these contracts were approximately \$866,000 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.