



CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended
March 31, 2015 and 2014

(expressed in Canadian dollars)

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, 2015	December 31, 2014
Assets			
Current assets			
Cash and cash equivalents		\$ 2,688,332	\$ 5,413,418
Prepaid expenses and sundry receivables	3	281,493	217,524
		2,969,825	5,630,942
Non-current assets			
Property and equipment	6	7,471,773	6,931,599
Term investment	5	501,961	547,236
Total Assets		\$ 10,943,559	\$ 13,109,777
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 3,271,166	\$ 3,667,455
Equity			
Share capital		163,787,228	163,787,228
Share-based payments reserve	9	10,469,916	10,335,113
Accumulated other comprehensive income		1,066,323	622,503
Deficit		(167,651,074)	(165,302,522)
Total Equity		7,672,393	9,442,322
Total Liabilities and Equity		\$ 10,943,559	\$ 13,109,777

Nature of operations and going concern	1
Commitments and contingencies	15
Subsequent event	

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 March 31,	
		2015	2014
Expenses			
Management fees paid to directors	14	\$ 166,862	\$ 128,155
Salaries, wages and consulting fees		607,498	619,201
Audit fees		10,652	27,500
General and administration		381,065	350,124
Depreciation		70,225	81,079
Share-based payments	9	1,548,000	-
Exploration and evaluation expenses	4	712,933	1,289,828
Engineering studies	4	664,796	893,392
Foreign exchange (gain)		(353,979)	(70,593)
Loss from operations		(3,808,052)	(3,318,686)
Interest income		45,231	85,873
Gain on disposal of assets	6	1,072	-
Net loss for the period		(3,761,749)	(3,232,813)
Exchange differences on translating foreign operations		443,820	347,548
Comprehensive loss for the period		\$ (3,317,929)	\$ (2,885,265)
Loss per share			
Basic	11	\$ (0.01)	\$ (0.01)
Diluted	11	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding:			
Basic and diluted		297,062,915	266,110,534

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

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

Unaudited

(Expressed in Canadian dollars)

		Three months ended March 31,	
	Notes	2015	2014
Cash provided by (used in) operations:			
Net (loss)		\$ (3,761,749)	\$ (3,232,813)
Items not involving cash:			
Share-based payments	9	1,548,000	-
Depreciation		70,225	81,079
Interest income		(45,231)	(85,873)
Interest income received		42,506	73,236
(Gain) on sale of asset		(1,072)	-
Unrealized (gain)/loss on foreign exchange		(106,726)	(114,196)
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		(63,969)	74,841
Change in accounts payables and accrued liabilities		(396,290)	(8,620)
Net cash (used) in operating activities		(2,714,306)	(3,212,346)
Investing activities			
Expenditures on property and equipment		(5,974)	(549)
Proceeds from sale of assets		21,790	-
Net cash provided by/(used) in investing activities		15,816	(549)
Financing activities			
Finance lease payments		-	(4,957)
Net cash used in financing activities		-	(4,957)
Change in cash and cash equivalents		(2,698,490)	(3,217,852)
Cash and cash equivalents, beginning of the period		5,413,418	13,197,670
Effect of exchange rate on cash held		(26,596)	155,784
Cash and cash equivalents, end of the period		\$ 2,688,332	\$ 10,135,602
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 2,452,236	\$ 8,245,996
Short-term money market instruments		\$ 236,096	\$ 1,889,606
		\$ 2,688,332	\$ 10,135,602

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, 2014	297,062,915	\$ 163,787,228	\$ 10,335,113	\$ 622,503	\$ (165,302,522)	\$ 9,442,322
Stock-based compensation	-	-	1,548,000	-	-	1,548,000
Valuation allocation for expiry of options	-	-	(1,413,197)	-	1,413,197	-
Comprehensive (loss)	-	-	-	443,820	(3,761,749)	(3,317,929)
Balance, March 31, 2015	297,062,915	\$ 163,787,228	\$ 10,469,916	\$ 1,066,323	\$ (167,651,074)	\$ 7,672,393
Balance, December 31, 2013	266,110,534	\$ 157,304,907	\$ 15,141,493	\$ 144,548	\$ (155,454,018)	\$ 17,136,930
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	\$ (158,686,831)	\$ 14,251,665

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

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2015 and 2014
(Expressed in Canadian dollars unless otherwise noted)

1. Nature of operations and going concern

Belo Sun Mining Corp. (“Belo Sun” or the “Company”), through its subsidiaries (Note 14), 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.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future, will be able to realize its assets, discharge its liabilities and commitments in the normal course of business. Because of continuing losses, the Company’s continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach a profitable level of operations. It is not possible to predict whether financing efforts will be successful or if the Company will attain a profitable level of operations. Management believes it will be successful in raising the necessary funding to continue operation in the normal course of operations, however there is no assurance that these funds will continue to be available on acceptable terms to the Company or at all and may raise significant doubt as to the Company’s ability to continue to operate as a going concern. These consolidated financial statements do not reflect any adjustments to the carrying values and classification of assets, or the amounts of, and classification of liabilities that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

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, 2015. The policies as set out in the Company’s Annual Consolidated Financial Statements for the twelve months ended December 31, 2014 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 15, 2015.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2015 and 2014
(Expressed in Canadian dollars unless otherwise noted)

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.

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, 2015 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 8 - Operating Segments ("IFRS 8") was amended to require an entity to disclose the judgments made by management in aggregating segments. IFRS 8 was also amended to clarify that an entity needs to present a reconciliation between the total reporting segment's assets to the entities' total assets if this information is usually provided to the chief operating decision maker. The amendments are effective for annual periods beginning on or after July 1, 2014. At January 1, 2015, the Company has adopted this pronouncement and has made the required disclosure.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has not yet considered the potential impact of the adoption of IFRS 9

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014. At January 1, 2015, the Company has adopted this pronouncement and there was no impact on the Company's financial statements.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2015 and 2014
(Expressed in Canadian dollars unless otherwise noted)

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.

• **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.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2015 and 2014
(Expressed in Canadian dollars unless otherwise noted)

- 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 15.

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.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2015 and 2014
(Expressed in Canadian dollars unless otherwise noted)

3. Prepaid expenses and sundry receivables

	March 31, 2015	December 31, 2014
Trade receivables and other advances	\$ 32,187	\$ 7,733
Reimbursable court fees pending appeal	73,073	-
HST/VAT receivable	160,483	183,646
Prepaid insurance	15,750	26,145
	<u>\$ 281,493</u>	<u>\$ 217,524</u>

The Company has paid approximately R\$183,000 (\$73,073) in fees with respect to appeal proceedings for which the Company expects to be reimbursed upon successful judgment.

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, 2015 collectively amounted to \$1,377,729 (March 31, 2014 - \$2,183,220).

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, 2015, the balance in this account was R\$1,259,943 (\$501,961) (December 31, 2014: R\$1,253,690 (\$547,236)) and the Company earned 2.76% in interest for the three months ended March 31, 2015 (March 31, 2014: 2.35%). The Company intends to renew 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, 2015 and 2014
(Expressed in Canadian dollars unless otherwise noted)

6. Property and equipment

<i>Cost</i>	Vehicles	Furniture & equipment	Mining equipment	Land	Total
Balance at December 31, 2013	\$661,578	\$1,450,742	\$ 544,021	\$4,782,919	\$7,439,260
Additions	-	42,065	30,714	-	72,779
Disposals	(132,246)	(4,507)	(376)	-	(137,129)
FX adjustment	62,570	141,296	58,310	434,026	696,202
Balance at December 31, 2014	591,902	1,629,596	632,669	5,216,945	8,071,112
Additions	-	(2,986)	8,960	-	5,974
Disposals	-	(61,316)	(8,942)	-	(70,258)
FX adjustment	53,172	143,175	63,157	478,871	738,375
Balance at March 31, 2015	645,074	1,708,469	695,844	5,695,816	8,745,203
<i>Accumulated depreciation and impairment</i>					
Balance at December 31, 2013	326,748	186,701	340,816	-	854,265
Charge for the year	112,541	87,443	61,154	-	261,138
Disposal	(82,492)	(3,648)	(140)	-	(86,280)
FX adjustment	46,126	25,419	38,845	-	110,390
Balance at December 31, 2014	402,923	295,915	440,675	-	1,139,513
Charge for the year	25,913	24,879	19,433	-	70,225
Disposals	-	(35,060)	(3,191)	-	(38,251)
FX adjustment	36,549	25,489	39,905	-	101,943
Balance at March 31, 2015	\$465,385	\$ 311,223	\$ 496,822	\$ -	\$1,273,430
Net book value as at December 31, 2014	\$188,979	\$1,333,681	\$ 191,994	\$5,216,945	\$6,931,599
Net book value as at March 31, 2015	\$179,689	\$1,397,246	\$ 199,022	\$5,695,816	\$7,471,773

During the three months ended March 31, 2015, the Company sold some computer and office equipment for gross proceeds of R\$50,000 (\$21,790). The computer and office equipment sale resulted from the Company's move of its site office from Belo Horizonte to Altamira. This sale was made to Falcon Metais Ltda. (Note 14). As a result of these disposals, a gain on disposal of assets of \$1,072 was recorded for the three months ended March 31, 2015 (March 31, 2014: \$nil).

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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7. Accounts payable and accrued liabilities

	March 31, 2015	December 31, 2014
Mineral properties suppliers and contractors	\$ 473,905	\$ 595,158
Accrued royalties (Note 15(a))	2,187,276	2,377,875
Property taxes	237,523	243,371
Departamento Nacional de Produção Mineral	52,667	68,440
Corporate payables	271,045	271,961
Audit and other accruals	48,750	110,650
	\$ 3,271,166	\$ 3,667,455

8. Share Capital

As at March 31, 2015 and December 31, 2014, 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.

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	Value of options	TOTAL VALUE
December 31, 2013	22,943,000	\$0.93	\$ 15,141,493	\$ 15,141,493
Granted	6,758,000	\$0.12	540,640	540,640
Expired/cancelled	(6,523,000)	\$1.19	(5,347,020)	(5,347,020)
December 31, 2014	23,178,000	\$0.62	\$ 10,335,113	\$ 10,335,113
Granted	10,320,000	\$0.22	1,548,000	1,548,000
Expired/cancelled	(4,286,000)	\$0.44	(1,413,197)	(1,413,197)
March 31, 2015	29,212,000	\$0.50	\$ 10,469,916	\$ 10,469,916

Belo Sun Mining Corp.
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The following share-based payments arrangements were in existence as at March 31, 2015:

Options:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
10,000	10,000	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%
2,074,000	2,074,000	21-Apr-11	21-Apr-16	\$ 1.33	94%	5	0%	2.70%
1,727,000	1,727,000	31-Jan-12	31-Jan-17	\$ 1.15	94%	5	0%	1.25%
100,000	100,000	14-Jun-12	14-Jun-17	\$ 1.17	94%	5	0%	1.28%
1,300,000	1,300,000	3-Jul-12	3-Jul-17	\$ 1.15	94%	5	0%	1.26%
950,000	950,000	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%
3,105,000	3,105,000	19-Aug-13	19-Aug-18	\$ 0.71	118%	5	0%	1.98%
6,758,000	6,758,000	19-Nov-14	19-Nov-19	\$ 0.12	86%	5	0%	1.53%
* 10,320,000	10,320,000	6-Apr-15	6-Apr-20	\$ 0.22	86%	5	0%	0.76%
29,212,000	29,212,000							

* These options were approved for grant during the current period, but were granted subsequent to the end of the quarter.

Fair value of share options granted in the period:

During the three months ended March 31, 2015, 10,320,000 options were approved for grant to directors, officers, employees and consultants of the Company. These options were officially granted subsequent to the end of the quarter and vested immediately on grant. As a result, stock-based compensation expense of \$1,548,000 was recorded for the three months ended March 31, 2015 (March 31, 2014: \$nil). The weighted average grant date fair value of the stock options granted during the current period is \$0.15 (March 31, 2014: \$nil). 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 at March 31, 2015 is 3.63 years (March 31, 2014: 2.59 years). The weighted average market price on the date of grant for options granted during the period was \$0.22 (March 31, 2014: \$nil).

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

10. Operating segments

Geographical information

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

	Current assets	Property and equipment	Other long-term assets	Total Assets
<u>March 31, 2015</u>				
Canada	\$ 2,608,868	\$ 970	\$ -	\$ 2,609,838
Brazil	360,957	7,470,803	501,961	8,333,721
	<u>\$ 2,969,825</u>	<u>\$ 7,471,773</u>	<u>\$ 501,961</u>	<u>\$ 10,943,559</u>

11. 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.

12. Financial instruments

Financial assets and financial liabilities as at March 31, 2015 were classified as follows:

March 31, 2015	Loans and receivables	Other liabilities	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	\$ -	\$ -	\$ 2,688,332	\$ 2,688,332
Term investment	-	-	501,961	501,961
Accounts payable and accrued liabilities	-	3,271,166	-	3,271,166

The fair value of accounts payable and accrued liabilities approximates fair value due to the short term nature of the financial instruments.

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

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

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

At March 31, 2015, 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, 2015.

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, 2015, the Company had current assets of \$2,969,825 to settle current liabilities of \$3,271,166. Approximately \$3,000,000 of the Company's financial liabilities as at March 31, 2015 have contractual maturities of less than 30 days and are subject to normal trade terms.

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, 2015, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$2,600 (December 31, 2014 - \$5,400).

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(b) Currency risk

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

A strengthening of \$0.01 in the United States dollar against the Brazilian Reais would have decreased net income by approximately \$48,000 for the three months ended March 31, 2015 (December 31, 2014 - \$44,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$15,000 for the three months ended March 31, 2015 (December 31, 2014 - \$16,000). At March 31, 2015, one Canadian dollar was equal to 0.7895 United States dollars (December 31, 2014 - 0.8620) and one Canadian dollar was equal to 2.5100 Brazilian Reais (December 31, 2014 - 2.2910).

13. Capital management

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

The properties in which the Company currently has an interest are in the exploration and development stage; consequently 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 try to 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, 2015. The Company is not subject to externally imposed capital requirements.

14. Related party disclosures

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

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

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During the three months ended March 31, 2015, 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,	
	2015	2014
2227929 Ontario Inc.	\$ 90,000	\$ 92,911
Forbes & Manhattan, Inc.	75,000	75,000
Falcon Metais Ltda.	-	41,232

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.

Mr. Helio Diniz, a director of 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. In addition to the above referenced transactions, the Company sold various computer and office equipment to Falcon Metais Ltda. during the three months ended March 31, 2015 for proceeds of R\$50,000 (\$21,790).

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

	Amounts owed by related parties		Amounts owed to related parties	
	31-Mar-15	31-Dec-14	31-Mar-15	31-Dec-14
Falcon Metais Ltda.	-	-	65,192	44,293
Directors of the Company	-	-	133,017	233,393

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,	
	2015	2014
Short-term benefits	\$ 428,000	\$ 412,000
Share-based payments	1,377,000	-

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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.

15. Commitments and contingencies

- (a) 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. As at March 31, 2015, no royalty payments have been paid.
- (b) The Company is party to certain management contracts. These contracts require that additional payments of up to \$7,090,000 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 \$950,000 all due within one year.
- (c) The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at March 31, 2015, no amounts have been accrued related to such matters.
- (d) 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.

15. Subsequent events

On May 14, 2015, the Company announced that Agnico Eagle Mines Limited ("Agnico Eagle") has entered into a share purchase agreement to make a strategic investment of C\$15,000,000 through a non-brokered private placement. As a result of the transaction, Agnico Eagle will own 17.4% of the Company on a non-diluted basis. Under terms of the share purchase agreement, Agnico Eagle will purchase a total of 62,500,000 common shares of the Company at a price of C\$0.24 per share. Upon closing of the private placement, subject to certain conditions, Agnico Eagle will have the right to participate in any future equity offerings by the Company in order to maintain its pro rata investment in the Company and to nominate one person to the board of directors of the Company. The closing of the private placement is expected to occur on or about May 21, 2015 and is subject to all necessary regulatory approvals. The common shares issuable pursuant to the private placement are subject to a mandatory four-month hold period.