



# MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2016

(Containing information through March 28, 2017 unless otherwise noted)

## Background

This Management's Discussion and Analysis ("MD&A") has been prepared based on information available to Belo Sun Mining Corp. ("we", "our", "us", "Belo Sun" or the "Company") as of March 28, 2017 unless otherwise noted. The MD&A provides a detailed analysis of the Company's operations and compares its financial results with those of the previous periods and should be read in conjunction with our audited annual consolidated financial statements and MD&A as at and for the year ended December 31, 2016. The financial statements and related notes of Belo Sun have been prepared in accordance with International Financial Reporting Standards ("IFRS") and do not reflect the adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

Please refer to the notes of the December 31, 2016 annual consolidated financial statements for disclosure of the Company's significant accounting policies. Unless otherwise noted, all references to currency in this MD&A refer to Canadian dollars. References to R\$ refer to the Brazilian Real.

The Company's annual information form can be found under the Company's profile at [www.sedar.com](http://www.sedar.com). Additional information, including our press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online under the Company's profile at [www.sedar.com](http://www.sedar.com). Additional information relating to the Company can be found on the Belo Sun website at [www.belosun.com](http://www.belosun.com).

Stéphane Amireault, P.Eng (B.Eng; MScA), Vice-President of Exploration for Belo Sun, is the in-house Qualified Person under National Instrument 43-101 for geology. Joseph C. Milbourne, FAusIMM, Vice-President of Technical Services for the Company, is the in-house Qualified Person under National Instrument 43-101 for all technical materials (except geology). Mr. Amireault and Mr. Milbourne have reviewed and approved the scientific and technical information in this MD&A.

## Cautionary Statement Regarding Forward-Looking Information

Except for statements of historical fact relating to Belo Sun, certain information contained herein constitutes forward-looking information under Canadian securities legislation. Forward-looking information includes, without limitation, statements with respect to: possible events, the future price of gold, the estimation of mineral reserves and mineral resources, the realization of mineral reserve and mineral resource estimates, the timing and amount of estimated future production, costs of production,

capital expenditures, costs and timing of the development of projects and new deposits, success of exploration, development and mining activities, permitting timelines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words “anticipates”, “plans”, “expects”, “indicative”, “intend”, “scheduled”, “timeline”, “estimates”, “forecasts”, “guidance”, “opportunity”, “outlook”, “potential”, “projected”, “schedule”, “seek”, “strategy”, “study” (including, without limitation, as may be qualified by “feasibility” and “pre-feasibility”), “targets”, “models”, or “believes”, or variations of or similar such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, or “should”, “might”, or “will be taken”, “occur” or “be achieved” and similar expressions identify forward-looking information. Forward-looking information is necessarily based upon a number of estimates and assumptions that, while considered reasonable by Belo Sun and its external professional advisors as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Forward-looking information is provided for the purpose of providing information about management’s expectations and plans relating to the future. All of the forward-looking statements made in this MD&A are qualified by these cautionary statements and those made in our other filings with the securities regulators of Canada including, but not limited to, the cautionary statements made in the “Risk Factors” section of our most recently filed Annual Information Form and this MD&A. These factors are not intended to represent a complete list of the factors that could affect Belo Sun. Economic analyses (including mineral reserve and mineral resource estimates) in technical reports are based on commodity prices, costs, sales, revenue and other assumptions and projections that can change significantly over short periods of time. As a result, economic information in a technical report can quickly become outdated. Belo Sun disclaims any intention or obligation to update or revise any forward-looking information or to explain any material difference between subsequent events and such forward-looking information, except to the extent required by applicable law.

## **Overview of the Company**

Belo Sun is a Canadian-based mineral exploration and development company with a portfolio of gold-focused properties in Brazil including its principal project, the Volta Grande Project in Pará State. Belo Sun’s other properties are the Patrocinio Gold Project in Pará State and the Rainbow Alexandrite Project in Goias State.

Highlights for the year ended December 31, 2016 include:

- In March 2016, Agnico Eagle Mines Limited (“Agnico Eagle”) and Sun Valley Gold LLC (“Sun Valley”) made strategic investments into Belo Sun through private placement financings that raised \$12,020,400 through the issuance of 22,680,000 common shares.
- In July 2016, the Company completed a bought deal financing issuing 77,320,000 common shares of the Company at a price of \$0.97 per common share for gross proceeds of \$75,000,400. The underwriters charged a fee of 5% related to this financing. Agnico Eagle participated in this financing to maintain its ownership percentage of approximately 19.2%.
- During the year ended December 31, 2016, the Company acquired additional surface rights valued at R\$4,511,150 (\$1,843,333).
- Subsequent to the end of the year, the Company received its construction license for the Volta Grande Project from the Brazilian State Government of Pará. However, shortly after receiving

the license, the Company received an order issuing a temporary 180-day injunction halting certain work related to the construction license. The Company is appealing this decision.

- Also subsequent to the end of the year, the Company awarded a contract to FLSmidth for the first phase of turnkey Engineering, Procurement and Construction (EPC) for the Volta Grande Project. The contract includes the completion of basic engineering, selection of construction contractors and the execution planning of the process facility construction. The Company has placed an order for the Semi Autogenous Grinding (SAG) mill through FLSmidth, which represents the first significant equipment purchase for the project.

## **Outlook**

For 2017, the Company continues to focus on the advancement of the Volta Grande Project with three main objectives:

- 1) Continuing project optimization with engineering studies, construction planning optimization and capital and operational cost reviews, including actively recruiting and building strong construction, management and mining teams with extensive experience building and operating mines in Brazil.
- 2) Continue to seek and evaluate the best funding solution for the Volta Grande Project.
- 3) Continue exploration activities to expand and upgrade mineral resources in the North and South Blocks of the Volta Grande project, and to demonstrate the mineral growth potential along the greenstone belt.

Belo Sun received its construction license (“LI”) for the Volta Grande Project from the Brazilian State Government of Pará. The LI is the final governmental approval authorizing the Company to proceed with construction and development of the project. The Volta Grande Project consists of an open pit, a gold recovery process facility, water and tailings management and supporting infrastructure.

However, shortly after receiving the license, the Company received an order from the judge of the Agrarian Court of Altamira issuing a temporary 180-day injunction halting certain work related to the LI. The purpose of the injunction is to provide time for the relocation of certain families living in an area in proximity to the project. The relocation plan approved in the construction license provided a program for families living near the project site allowing flexibility to decide to relocate at a time of their choosing, with expenses covered by the Company. The Company is appealing this decision and remains open to dialogue with all relevant authorities.

The Company is also engaged in tax stabilization discussions with the Pará state government that, if successful, have the potential to provide a long term reduction in indirect taxes and would provide a positive impact on the project economics. These discussions are ongoing and there can be no certainty that a positive result will be negotiated.

## Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	31-Dec	30-Sep	30-Jun	31-Mar	31-Dec	30-Sep	30-Jun	31-Mar
	2016	2016	2016	2016	2015	2015	2015	2015
Net (loss)	(\$3,146,089)	(\$4,035,960)	(\$5,826,646)	(\$2,469,434)	(\$1,884,969)	(\$1,246,706)	(\$3,417,443)	(\$3,761,749)
Net (loss) per share	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.01)
Working Capital*	\$74,384,000	\$76,667,937	\$11,052,543	\$15,357,321	\$5,698,996	\$8,870,494	\$11,466,469	(\$301,341)
Total Assets	\$95,366,185	\$98,546,047	\$28,504,003	\$29,514,638	\$20,890,407	\$21,838,320	\$22,673,256	\$10,943,559
Total Non-current Liabilities	\$1,223,172	\$1,050,696	\$379,965	\$0	\$0	\$0	\$0	\$0

\* Working Capital is defined as current assets minus current liabilities. Working capital is a Non-IFRS figure without a standardized meaning. Please see "Non-IFRS Measures" below for a reconciliation.

### Factors Affecting Comparability of Quarters

Results of operations can vary significantly as a result of a number of factors. The Company's level of activity and expenditures during a specific quarter are influenced by a number of factors, including the level of working capital, the availability of external financing, the time required to gather, analyze and report on geological data related to its properties and the nature of activity, and the number of personnel required to advance each individual project.

In addition, the granting of stock options and deferred share units ("DSUs") in a particular quarter gives rise to stock-based compensation expense. In the fourth quarter of 2016, the Company recorded stock-based compensation expense of \$640,715 (Q3 – \$1,702,566; Q2 – \$3,656,681; Q1-2016 – \$Nil; Q4-2015 – \$Nil; Q3-2015 – \$Nil; Q2-2015 – \$180,000; Q1-2015 – \$1,548,000). Exploration expenditures during quarters vary and can cause earnings to fluctuate. In the fourth quarter of 2016, the Company recorded exploration and evaluation expenses (including engineering studies) of \$1,090,004 (Q3 – \$1,061,575; Q2 – \$707,491; Q1-2016 – \$662,059; Q4-2015 – \$648,755; Q3-2015 – \$716,339; Q2-2015 – \$862,633; Q1-2015 – \$1,377,729). The Company's exploration activities slowed down in 2015 as the Company completed its feasibility study in Q1-2015. The decreasing expenditure during 2015 also reflects the weakening of the Brazilian Real as the costs are translated to Canadian dollars. Costs increased during 2016 as the Company completed further studies working towards the application of its LI.

Total assets increased during the second quarter of 2015 as a result of an increase in cash from a private placement financing. Land purchases were made during the balance of 2015 keeping total assets relatively steady. The increase in assets during Q1-2016 reflects the increase in cash resulting from the private placement financings with Agnico Eagle and Sun Valley. The increase in assets during Q3-2016 reflects the increase in cash from the bought-deal financing. There were also additional land purchases during 2016. The increase in non-current liabilities represents the DSU liability for those DSUs that vest more than one year from the period end.

Also contributing to fluctuating quarterly net (losses) are changes in foreign exchange rates. The Company holds a portion of its monetary assets and liabilities in Brazil and therefore changes in the rate of exchange between the Brazilian Real, United States dollar and the Canadian dollar result in reported gains and losses on foreign currency fluctuations.

## Results of Operations – Financial

The following is a discussion of the results of operations of the Company for the three months and year ended December 31, 2016. This should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016 and related notes.

For the quarters ended:

	Three months ended December 31,	
	2016	2015
Net loss	\$ (3,146,089)	\$ (1,884,969)
Interest income	(207,833)	(53,155)
Salaries, wages and consulting fees	771,955	714,611
Professional fees	42,302	41,226
General and administration	645,239	462,791
Depreciation	46,904	67,465
Share-based payments	640,715	-
Exploration and evaluation expenses	950,438	518,256
Engineering studies	139,566	130,499
Loss on foreign exchange	116,917	2,848
(Gain)/loss on disposal of assets	(114)	428

For the three months ended December 31, 2016, the Company recorded a net loss of \$3,146,089 (\$0.01 per share) compared to a net loss of \$1,884,969 (\$0.01 per share) for the three months ended December 31, 2015.

Salaries, wages and consulting fees increased marginally by \$57,344 or 8% in Q4-2016 compared to Q4-2015 as a result of new staff in Brazil.

General and administration costs increased by \$182,448 in Q4-2016 compared to Q4-2015 primarily as a result of higher travel costs and increased administrative costs in Brazil, in large part associated with work on the LI.

The Company recorded a cost of \$640,715 in share-based payments during Q4-2016 related to a stock option grant as well as the issuance of DSUs to the Company directors, officers and employees. The Company granted 4,958,000 stock options to executive officers, employees and consultants of the Company generating an expense of \$1,104,253. This was partially offset by the adjustment to market value of DSUs that have vested as well as an accrual for unvested DSUs as at December 31, 2016. The share price of the Company declined during Q4-2016 resulting in a lower accrual, and a credit to expense. No DSUs or stock options were granted during the comparative period.

Evaluation expenses, including engineering studies, and exploration were \$1,090,004 for the three months ended December 31, 2016 compared to \$648,755 for the three months ended December 31, 2015. These costs have increased as a result of studies related to the application for the LI.

The Company also recognized a foreign exchange loss of \$116,917 during Q4-2016 (Q4-2015 –\$2,848) as a result of the effect of fluctuations in the exchange rates between the Brazilian Real and the U.S. dollar.

During the three months ended December 31, 2016, the Company spent \$2,121,571 on operations (three months ended December 31, 2015: \$2,241,548). During the three months ended December 31, 2016, the Company acquired land and some equipment for \$1,274,316, of which \$1,048,439 represented the change in accounts payable related to these acquisitions. During the three months ended December 31, 2016, the Company raised \$344,838 from option exercises, and incurred \$38,810 in issue costs related to the bought-deal financing in July 2016.

For the year ended:

	Year ended December 31,	
	2016	2015
Net loss	\$ (15,478,129)	\$ (10,310,867)
Interest income	(425,009)	(215,040)
Salaries, wages and consulting fees	3,503,104	4,069,238
Professional fees	125,680	122,687
General and administration	1,942,631	1,405,744
Depreciation	213,390	272,079
Share-based payments	5,999,962	1,728,000
Exploration and evaluation expenses	2,794,091	2,466,709
Engineering studies	727,038	1,138,747
Loss/(gain) on foreign exchange	602,976	(664,635)
(Gain) on disposal of assets	(5,734)	(12,662)

For the year ended December 31, 2016, the Company recorded a net loss of \$15,478,129 (\$0.04 per share) compared to a net loss of \$10,310,867 (\$0.03 per share) for the year ended December 31, 2015.

Salaries, wages and consulting fees decreased by \$566,134 in 2016 compared to 2015 as a result of lower bonuses granted during 2016 compared to 2015, as well as severances paid out during the year ended December 31, 2015.

General and administration costs increased by \$536,887 in 2016 compared to 2015 primarily as a result of higher travel costs and increased Brazilian administrative costs associated with the LI.

The Company recorded a cost of \$5,999,962 in share-based payments during 2016 related to the issuance of DSUs to the Company directors, officers and employees, as well as the issuance of stock options. As a result of the issuance of 4,958,000 stock options, \$1,104,253 was recorded as share-based payments. An expense of \$4,895,709 was recorded as DSU expense representing the fair market value of the number of DSUs that have vested as at December 31, 2016 as well as an accrual for unvested DSUs. Share-based payments expense of \$1,728,000 was recorded during 2015 represented the value of 11,520,00 stock options granted during that period.

Evaluation expenses, including engineering studies, and exploration, were \$3,521,129 for the year ended December 31, 2016 compared to \$3,605,456 for the year ended December 31, 2015. The Company reduced expenditures in Brazil earlier in the year resulting in this decrease.

The Company also recognized a foreign exchange loss of \$602,976 during 2016 (2015 – a gain of \$664,635) as a result of the effect of fluctuations in the exchange rates between the Brazilian Real and the U.S. dollar. The Company carries a net liability in Brazilian Real, and the Brazilian Real strengthened compared to the U.S. dollar during the year ended December 31, 2016, resulting in this loss.

During the year ended December 31, 2016, the Company spent \$8,393,939 on operations (year ended December 31, 2015: \$9,069,562). The Company spent \$2,866,846 on equipment purchases and land acquisitions during the year ended December 31, 2016 (year ended December 31, 2015: \$1,714,264). As well, the Company sold equipment for net proceeds of R\$15,000 (\$5,734) during 2016 (2015: gross proceeds of R\$80,000 (\$33,493)). During the year ended December 31, 2016, the Company raised \$82,402,276 net of issue costs from private placement financings and the public offering where \$532,754 is payable at December 31, 2016 (year ended December 31, 2015: \$14,969,950), and \$1,648,780 from the exercise of stock options (year ended December 31, 2015: \$9,600). The Company also purchased 649,000 shares in trust for the settlement of share-based payments from the market at a cost of \$454,557.

## **Liquidity and Capital Resources**

Given the nature of the Company's operations, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the development of a property that leads to the production of gold. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

The Company currently has a negative operating cash flow and finances its mineral exploration activities through equity financings. The Company's financial success will be dependent on the economic viability of its mineral exploration properties and the extent to which it can establish economic mineral reserves and operations.

The Company had working capital (see Non-IFRS Measures) of \$74,384,000 as at December 31, 2016 (December 31, 2015 - \$5,698,996) including cash and cash equivalents of \$82,385,921 (December 31, 2015 - \$9,459,780). None of the cash equivalents are invested in asset-backed securities.

In March 2016, the Company completed private placement financings with Agnico Eagle and Sun Valley raising \$12,020,400 in gross proceeds. Following their respective transactions, Agnico Eagle owned 19.95% and Sun Valley owned 18.19% of the Company on a non-diluted basis. Under the terms of its subscription agreement, Agnico Eagle purchased 11,680,000 common shares of the Company at a price of \$0.53 per share and reserved the right to participate in any future equity offerings by the Company in order to maintain its pro rata investment in the Company and the right to nominate one person to the board of directors of the Company. Sun Valley purchased 11,000,000 common shares of the Company at a price of \$0.53 per share. The common shares issued pursuant to the private placement were subject to a statutory four-month hold period.

In July 2016, the Company completed a bought deal financing raising gross proceeds of approximately \$75,000,000 through the issuance of 77,320,000 common shares of the Company at a price of \$0.97 per common share. The Company incurred underwriter fees with respect to this financing of 5% of gross proceeds as well as additional legal and filing fees totaling \$4,618,524. Agnico Eagle participated in this financing maintaining its prorata interest.

The Company is currently focusing its efforts on the Volta Grande Project.

### Term Investment

The Company is carrying a term deposit with Banco do Brasil to fund potential amounts owing to Companhia de Pesquisa de Recursos Minerais ("CPRM"). As at December 31, 2016, the balance of this deposit was R\$1,518,140 (\$626,233) (December 31, 2015: R\$1,362,123 (\$475,926)).

## Non-IFRS Measures

The Company has referred to working capital throughout this document. Working capital is a Non-IFRS performance measure. In the gold mining industry, it is a common Non-IFRS performance measure but does not have a standardized meaning. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following tables provide a reconciliation of working capital to the financial statements as at December 31, 2016 and December 31, 2015.

	December 31, 2016	December 31, 2015
<b>Current assets</b>		
Cash and cash equivalents	\$ 82,385,921	\$ 9,459,780
Prepaid expenses and sundry receivables	269,064	186,416
	<u>82,654,985</u>	<u>9,646,196</u>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 8,270,985	\$ 3,947,200
<b>Working Capital, current assets less current liabilities</b>	<u>\$ 74,384,000</u>	<u>\$ 5,698,996</u>

## Capital Risk Management

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.



## **Commitments and contingencies**

### Management Contract Commitments

The Company is party to certain management contracts. These contracts require that additional payments of up to \$20,800,000 be made upon the occurrence of certain events such as a change of control of the Company. Minimum commitments remaining under these contracts were approximately \$787,000, all due within one year.

### Legal contingencies

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 that may be required to be paid in connection thereto, will have a material effect on the financial condition or future results of operations. As at December 31, 2016 and December 31, 2015, no amounts have been accrued related to such matters.

### Environmental Commitments

The Company's mining and exploration activities are subject to various federal, state 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.

### Other Commitments

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 June 30, 2008. As at December 31, 2016, no royalty payments have been paid.

The only capital resource of the Company is the land and equipment at \$12,084,967 (net book value).

## **Results of Operation - Exploration**

### **VOLTA GRANDE PROPERTY**

Volta Grande, the Company's primary focus, is an advanced-stage exploration project located in Pará State, Brazil where gold mineral resources and reserves have been estimated.

### Agreement

In 2005, the Company signed an agreement modifying the terms of the acquisition of a 100 percent interest in the Volta Grande Property located in the Pará State, approximately 65 kilometres southeast of the city of Altamira in northern Brazil (the "Volta Grande Property"). Under the original terms of the contract signed in 2004, the Company was to pay to the vendor US\$3 million over four years. Under the modified agreement the Company agreed to pay to the vendor a total of US\$600,000 which was paid in 2006. The transfer of title to the Volta Grande Property occurred following the arrangements with CPRM, whereby the Company has committed to pay CPRM R\$3,740,000 if a mineable deposit is defined on the Volta Grande Property. Payments would begin two years following production and could be paid over ten years on a quarterly basis. As security, the Company had purchased a term deposit of R\$3,740,000.

In March 2008, the Company successfully renegotiated the agreement with CPRM. Under the new terms, CPRM released to the Company R\$3,525,087 of the total term deposit of R\$4,273,087 held in security to cover the Company's debt owed to CPRM. In addition the Company allocated the balance of the original term deposit that was not released, amounting to R\$748,000, to be retained in an interest bearing term deposit to cover future royalty payments.

### Background

The 100% owned Volta Grande Project is located approximately 65 kilometres southeast of the town of Altamira (pop. 100,000) in the northern region of Pará State.

Gold mineralization was identified at numerous sites in the 1990s by past operators TVX Gold Inc. (now part of Kinross Gold Corporation) and Battle Mountain Exploration (now part of Newmont Mining Corporation). Historical drilling by these companies included more than 27,000 metres of combined core, auger, and reverse circulation drilling and several thousand channel and soil samples. Preliminary metallurgical work indicated that Volta Grande mineralization is amenable to conventional milling and cyanidation process methods, with gold recoveries of up to 95% in bottle roll tests.

The shear-hosted mineral resource at Volta Grande is contained in three main areas (Ouro Verde and Grota Sêca located in the North Block, and the South Block), all of which have or have had development in the form of artisanal workings. Within these areas, there are numerous narrow zones of high-grade gold mineralization, with potential for expansion along strike and at depth. There is also potential for the discovery of additional mineralized zones within the large alteration envelope in the host intrusives, which has been traced for more than seven kilometres along strike in the North Block. Two types of gold mineralization are present: primary gold in intrusive rocks and secondary gold in the saprolitic zone overlying the primary mineralization.

The property has been mined historically by garimpeiros (informal miners) for several decades using both open pit and underground mining methods with several shafts of 80 to up to 300 metres along high-grade veins. Grab samples from these shafts have assayed as high as 474.9 g/t Au.

Since 2010, Belo Sun has carried out a large drill exploration program that consisted of over 700 drill holes for a total of over 180,000m drilled (mostly by diamond drilling) at Ouro Verde, Grota Sêca and South Block. The results outlined the size of the mineralizing system with a pit-constrained resource extending over 4km on strike and over 0.5km deep for Ouro Verde and Grota Sêca.

### Feasibility Study

In March 2015, the Company completed a Feasibility Study on its 100% owned Volta Grande Project. The Feasibility Study was prepared in accordance with the definitions set out in National Instrument 43-101 (NI 43-101) of the Canadian Securities Administrators. Projections include:

- Annual gold production of 205,000 oz averaged over a 17.2 year mine life
- Post-tax Internal Rate of Return of 26% using a gold price of US\$1,200/oz and an exchange rate of 3.1:1 (Brazil R\$3.1: US\$1)
- Post-tax Net Present Value of US\$665 million at a 5% discount rate
- Initial capital costs of US\$298 million, including pre-production costs and taxes
- Average cash operating costs of US\$618/oz and all-in sustaining costs of US\$779/oz
- Proven and Probable mineral reserves of 3.8 million ounces of gold (see table below)

See "Cautionary Statement Regarding Forward-Looking Information".

Summary of Volta Grande Economic Results by Gold Price

	High Case	Base Case	Low Case
Gold Price (US\$ per oz)	\$1,300	\$1,200	\$1,100
Pre-Tax NPV (5%)	\$1,171 million	\$942 million	\$712 million
Pre-Tax IRR	43%	37%	29%
Post-Tax NPV (5%)	\$855 million	\$665 million	\$472 million
Post-Tax IRR	32%	26%	20%

Volta Grande Project Capital Expenditures Estimate Breakdown (Post-tax), in US\$

Initial Capital	
Process & Infrastructure	\$244 million
Mining	\$20 million
Pre-Production Costs - Process	\$3 million
Pre-Production Costs - Mining	\$32 million
<b>Total -- Initial Capital</b>	<b>\$298 million</b>
<b>Total -- Expansion Capital</b>	<b>\$63 million</b>
<b>Average Sustaining Capital over life of mine</b>	<b>\$7.3 million / year</b>

Values have been rounded to the nearest million.

The Feasibility Study capital and operating cost estimates for the Volta Grande Project are summarized below.

Summary of Volta Grande Project Operating Cost Estimates Average Life-of-Mine Operating Cost

Mining	US\$10.62/tonne milled
Processing	US\$7.26/tonne milled
G&A	US\$0.84/tonne milled
Total Operating Cost	US\$18.72/tonne milled
Cash Operating Cost	US\$618/oz
All in Sustaining Cost	US\$779/oz

Volta Grande Mineral Reserves

The mineral reserves for the Volta Grande Project are based on the conversion of measured and indicated mineral resources within the current Feasibility Study mine plan. A portion of the measured mineral resources are converted directly to proven mineral reserves and a portion of the indicated mineral resources to probable reserves. The total fully diluted mineral reserves for the Volta Grande Project are shown below.

**Volta Grande Project Proven and Probable Reserves\***

Classification	Tonnes (t)	Gold Grade (g/t)	Contained Gold (oz)
Proven	41,757,000	1.07	1,442,000
Probable	74,212,000	0.98	2,346,000
<b>Proven + Probable</b>	<b>115,969,000</b>	<b>1.02</b>	<b>3,788,000</b>

*\*This mineral reserve estimate is as of March 25, 2015 and is based on the new mineral resource estimate dated March 2015. The mineral reserve calculation was completed under the supervision of Gordon Zurowski, P.Eng of AGP Mining Consultants Inc, who is a Qualified Person as defined under National Instrument 43-101. Mineral reserves are stated within the final design pit based on a USD\$1,020 gold price pit shell with a USD\$1,200 gold price for revenue. The cutoff grade was 0.37 g/t for Ouro Verde and 0.40 g/t for Grota Seca. The mining cost averaged USD\$10.90/tonne milled, processing was USD\$7.25/tonne milled*

*and G&A was USD\$0.84/tonne milled. The process recovery averaged 93%. The exchange rate assumption applied was R\$3.10 equal to US\$1.00 The Feasibility Study only considers the Volta Grande open pit mineralized zones. The Feasibility Study does not include the South Block, nor the Greia Zone. Mineral resources that were part of the March 2015 mineral resource associated with South Block and underground mineral resources were left outside of the scope of the Feasibility Study.*

### Mining

The Feasibility Study considers open pit mining using a 100% owner operated equipment fleet including trucks, loaders and drills. The mine has been designed to deliver an initial 3.5 million tonnes per year (10,000 tonnes per day) of mill feed and expand to 7 million tonnes per year (20,000 tonnes per day) reaching full production in Year 3. The Feasibility Study contemplates a mine that will extract ore over a 17.2-year period not including eight months of pre-production stripping. The Feasibility Study optimizes the mine plan for the first eleven years with an average delivered head grade of 1.3 g/t. Material from the last three months of pre-production stripping will be used to commission the process plant.

The average strip ratio for the life of the mine is estimated at 4.3:1. Open pit bench heights of 10 meters will be mined and ore hauled with 136-tonne haul trucks and matching loading equipment. Best practice grade control drilling will be done with reverse circulation drilling and rock sampling on mine benches prior to blasting. This is intended to provide flexibility for grade control during operations while maintaining reasonable mine operating costs and production capability.

### Metallurgy

Extensive feasibility level test work was completed by SGS, using representative run-of-mine composites, that confirmed the material from the Volta Grande mineral deposits is amenable to a conventional crush, grind, gravity concentration, cyanide leach and carbon-in-pulp (CIP) flow sheet. Test work results indicated that 40% to 50% of the gold will be recovered in a gravity concentrate.

### Infrastructure

The Volta Grande Project is located in Pará State, approximately 60 kilometres south-east of the city of Altamira. Altamira is a major regional centre with a population of 100,000 and is serviced by a local airport and the Trans-Amazonian Highway. Altamira acts as the service center for many large industrial projects in the region.

The climate in the area of the Project is tropical with a rainy season from January to April and a dry season from May to December. The mean temperature is constant throughout the year (25°C to 30°C) and the relative humidity ranges from 65% to 85%.

Access to the mine site from the city of Altamira is by an existing 60 kilometer road that is paved for the first 30 kilometres. The remaining 30km of access road will be upgraded and paved during the mine operation.

Power for the Project will originate from a sub-station located 20 kilometres away and will be brought to the mine project by a 230 kV power line.

Water requirements for the Project will be provided by capturing precipitation and surface run-off. The water collected in storage ponds and augmented by reclaimed water from the tailings management facility should be sufficient to meet operating requirements.

The scientific and technical information contained in the feasibility study pertaining to the Volta Grande Project has been reviewed and approved by the following Qualified Persons: Dr. Jean Francois Couture, PGeo and Dr. Oy Leuangthong, P.Eng (Mineral Resource) of SRK Consulting (Canada) Inc.; Gordon Zurowski, P.Eng (Mining), of AGP Mining Consultants Inc.; Alexandre Luz, MAusIMM (Economic

Analysis) of L&M Advisory; Aron Cleugh (Metallurgy and Process) and Stefan Gueorguiev, P.Eng (Infrastructure and Author of the Technical Report), of Lycopodium Minerals Canada Ltd., each of whom are independent of Belo Sun.

**See “Cautionary Statement Regarding Forward-Looking Information”.**

The revised mineral resource estimate for the North Block of the Volta Grande Project is outlined in the table below with an effective date of March 16, 2015.

Deposit	Category	Quantity Mt	Gold Grade g/t Au	Contained Gold KOz
Ouro Verde Open Pit				
Saprolite	Measured	750	0.96	23
	Indicated	709	0.78	18
	Inferred	216	0.67	5
Unweathered	Measured	18,532	1.16	693
	Indicated	52,647	1.06	1,796
	Inferred	22,576	0.89	643
Grota Seca Open Pit				
Saprolite	Measured	249	0.96	8
	Indicated	1,386	0.74	33
	Inferred	832	0.61	16
Unweathered	Measured	24,270	1.00	782
	Indicated	54,611	0.87	1,519
	Inferred	12,557	0.82	332
Junction Open Pit				
Saprolite	Measured	2	1.53	0
	Indicated	215	0.78	5
	Inferred	82	0.66	2
Unweathered	Measured	271	0.71	6
	Indicated	2,950	0.77	73
	Inferred	1,491	0.75	36
Greia Open Pit				
Saprolite	Inferred	512	1.06	17
Unweathered	Inferred	1,503	2.04	98
Total Open Pit				
	Measured	44,075	1.07	1,512
	Indicated	112,518	0.95	3,444
	Measured + Indicated	156,593	0.98	4,956
	Inferred	39,767	0.90	1,151

**Notes:**

(1) The 0.4 g/t Au open pit cut-off grade underlying the resource estimates is based on a number of parameters and assumptions including gold price of US\$1,400 per troy ounce, pit angles set at 31 degrees for saprolite and 53 degrees for hard rock, and metallurgical gold recovery of 94% for unweathered and weathered rock. Assumed costs are as follow: open pit mining costs of US\$2.05/tonne of ore, process costs of US\$8.12/tonne, general & administrative costs of US\$0.99/tonne, royalty of 1%.

(2) The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there has been insufficient exploration to define the inferred mineral resources as Indicated or

measured mineral resources and it is uncertain if further exploration will result in upgrading them to indicated or measured mineral resource categories.

(3) The mineral resources have been classified according to the Canadian Institute of Mining, Metallurgy and Petroleum Standards for Mineral Resources and Reserves (November 2010). The effective date of this mineral resource estimate is March 30, 2015.

(4) The mineral resource estimate was authored Dr. Oy Leuangthong, P.Eng, a Qualified Person as defined by National Instrument 43-101 and is independent of Belo Sun. SRK Consulting (Canada) Inc. is not aware of any legal, political, environmental or other risks that could materially affect the potential development of the mineral resources.

Below is a summary of the mineral resource estimation parameters pertinent to the current resource estimate.

The estimation was prepared for the gold deposits located in the North Block. Four zones were separated. The majority of the estimation was carried out for the Ouro Verde and Grota Sêca deposits. The Greia zone was separated from Grota Sêca, it consists of a near-pit target to the North of the Grota Sêca deposit. The Junction Zone is the connection between Ouro Verde and Grota Sêca. It highlights some exploration potential along strike length between the two deposits.

The database consists of a total of 33,191 metres of drilling obtained from previously reported drilling and from 180,650 metres of drilling completed and assayed by Belo Sun since April 2010, for the Ouro Verde and Grota Sêca deposits.

The mineralized zones at the Ouro Verde deposit extend for about 2,200 m along strike whereas the Grota Sêca extends for 2,900m along strike.

For each deposit, Very Low, Low, Medium and High Grade domains were modelled in hard rock as well as in saprolite. The gold mineralization thickness ranges from 2 to 70 metres.

The composite length selected was 2.0 m. Residual composite of length of 0.5m and longer were included in the resource estimation.

Capping analysis was performed on composites for all grade domains. All domains were capped except High Grade Saprolite.

All estimations are based on a fully diluted block model with unitary dimension of 5 m E, 5 m N and 5 m elevation rotated -17° clockwise.

Three estimation passes with progressively relaxed parameters were used for each grade domain. The grade estimation was done using ordinary kriging interpolation. Additional restrictions were set to constrain the grade and radius of influence for the high grade part of the Mid Grade Domain.

Classification was performed using the density of the informing composites. Measured blocks are informed by composites at average distances of 25m (maximum distance is 40m). Indicated blocks are informed by composites at average distances of 50m (maximum distance of 80m).

Tonnage estimates are based on rock specific gravity of 2.75 tonnes per cubic metre for the Grota Sêca and Ouro Verde deposits, and 1.36 tonnes per cubic metre for saprolite.

## Environmental and construction licensing

In December 2013, the Environmental Council of Pará State, Brazil (COEMA) approved the Environmental Impact Assessment (“EIA”) for Belo Sun’s Volta Grande Project (see press release dated November 18, 2013). The approval of the Environmental Impact Assessment and receipt of the Previous Licence (LP) were key milestones in the advancement of the project towards construction phase. The Company received its Previous Licence in February 2014, which was issued with conditions related to training and capacity building, environmental monitoring, social education and development of local industries.

The Company built a training centre in the local village where training and capacity building workshops in conjunction with the Federal and Pará State agencies are ongoing. As well, the Company completed a study on the indigenous peoples in the region as part of the conditions of the LP. This study involved consultation with the indigenous tribes and other potential indigenous stakeholders in the region.

In February 2017, Belo Sun received its construction license (“LI”) for the Volta Grande Project. The LI is the final governmental approval authorizing the Company to proceed with construction and development of the project.

However, shortly after receiving the license, the Company received an order from the judge of the Agrarian Court of Altamira issuing a temporary 180-day injunction halting certain work related to the LI. The purpose of the injunction is to provide time for the relocation of certain families living in an area in proximity to the project. The relocation plan approved in the construction license provided a program for families living near the project site allowing flexibility to decide to relocate at a time of their choosing, with expenses covered by the Company. The Company is appealing this decision and remains open to dialogue with all relevant authorities.

## Community relations

The Company operates two information offices in order to improve communication and opportunities between the Company and the local community. The first is in the city of Senador José Porfírio, the municipality that hosts the Volta Grande Project. The office is located in the downtown core, near the City Hall where City Council and other public institutions are located. The second office is located in the Resaca Village near the Volta Grande Project.

Belo Sun is also contributing to the improved accessibility of public services such as health care and education to the local population near the Volta Grande Project by helping to transport doctors, nurses, dentists and teachers to the area. Among other things, these efforts promote the eradication of malaria in the Volta Grande area. Belo Sun also provides transportation on the weekends to local area residents who take a four-hour round trip boat ride to attend mining-oriented technical courses in the city of Altamira.

## **Off Balance Sheet Arrangements**

The Company is not party to any off-balance sheet arrangements.

## **Related Party Transactions**

During the year ended December 31, 2016 and 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	
	Years ended	
	December 31,	
	2016	2015
2227929 Ontario Inc.	\$ 363,655	\$ 360,000
Forbes & Manhattan, Inc.	\$ 497,500	512,500
Les Consultants Geo Habilis	-	27,600
Falcon Metais Ltda.	-	58,907

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

Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc., a corporation that provides strategic planning and business development services to the Company. Forbes & Manhattan, Inc. charges a monthly consulting fee of \$25,000. During the year ended December 31, 2016, the Company paid Mr. Bharti, through Forbes & Manhattan, Inc., bonuses totaling \$197,500 (December, 2015: \$212,500).

Mr. Stephane Amireault, an officer of the Company, is an officer of les Consultants Geo Habilis, a company that provides geological services to the Company from time to time.

Mr. Helio Diniz, a former director of the Company, is an officer of Falcon Metais Ltda., a company that provided exploration and administration services to the Company in Brazil, including bookkeeping and secretarial services.

The following balances included in accounts payable and accrued liabilities were outstanding at the end of the reporting periods:

	Amounts owed to related parties	
	31-Dec-16	31-Dec-15
	Directors and officers of the Company	133,813
2227929 Ontario Inc.	-	17,091

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 periods were as follows:

	Years ended	
	December 31,	
	2016	2015
Short-term benefits	\$ 2,751,833	\$ 2,965,518
Share-based payments	988,883	1,557,000
DSU expense	4,558,230	-
	<u>\$ 8,298,946</u>	<u>\$ 4,522,518</u>



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 compensation committee having regard to the performance of individuals and market trends.

More detailed information regarding the compensation of officers and directors of the Company is disclosed in the management information circular. The most recent management information circular is available under profile of the Company on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Financial Instruments and Other Instruments**

The carrying value of cash and cash equivalents, prepaid expenses, sundry receivable, accounts payable and finance leases approximate their fair values due to the short maturity of those instruments.

The Company's risk exposures and their impacts on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the year ended December 31, 2016.

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. 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 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**

Liquidity risk is the risk that the Company may be unable to meet short-term financial obligations. The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at December 31, 2016, the Company had current assets of \$82,654,985 (2015: \$9,646,196) to settle current liabilities of \$8,270,985 (2015: \$3,947,200). Approximately \$3,850,000 of the Company's financial liabilities as at December 31, 2016 have contractual maturities of less than 30 days and are subject to normal trade terms. Of this amount, approximately \$2,400,000, which relates to the accrued royalties, has been payable for over 180 days. The Company's DSU obligations are expected to be settled in cash at the time the holder ceases to be an officer, director or employee of the Company.

## Market risk

### (a) Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the level of interest rates. 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 December 31, 2016, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$82,000 (December 31, 2015 - \$9,400).

### Currency Risk

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

A strengthening of \$0.01 in the United States dollar against the Brazilian Real would have decreased net income by approximately \$65,000 for the year ended December 31, 2016 (December 30, 2015 - \$68,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$20,000 for the year ended December 31, 2016 (December 31, 2015 - \$17,000).

As at December 31, 2016 the monetary balances in non-Canadian dollar currencies are as follows:

		Brazilian Reais	United States Dollar
Cash	R\$	823,122	
Accounts receivable and prepaid expenses		152,219	-
Long term investment		1,518,140	-
Accounts payable		(8,961,161)	
	R\$	(6,467,680)	\$ -

### Outstanding Share Data

Authorized unlimited common shares without par value – 465,589,915 are issued and outstanding as at March 28, 2017.

Authorized unlimited special shares – zero outstanding.

There were no warrants outstanding as at March 28, 2017.

Stock options outstanding as at March 28, 2017 are as follows:

Number of stock options outstanding	Exercise price	Expiry date
100,000	\$ 1.17	14-Jun-17
1,185,000	\$ 1.15	3-Jul-17
730,000	\$ 1.15	10-Jul-17
200,000	\$ 1.14	9-Apr-18
1,753,000	\$ 0.71	19-Aug-18
5,055,000	\$ 0.12	19-Nov-19
7,520,000	\$ 0.22	6-Apr-20
550,000	\$ 0.22	8-Jun-20
4,958,000	\$ 0.85	14-Nov-21
22,051,000	\$ 0.47	

As at March 28, 2017, there were 18,214,000 DSU's outstanding, of which 4,542,250 have vested at March 28, 2017.

### **Subsequent events**

Subsequent to the end of the year, 5,260,000 DSUs were granted to directors, officers and employees of the Company. In addition, 259,500 shares were purchased for \$226,094 and held in trust for the settlement of share-based payments.

On January 31, 2017, 1,552,000 options expired unexercised.

Subsequent to the end of the year, the Company received its construction license, and awarded a contract for the first phase of Engineering, Procurement and Construction of the Volta Grande Project. These events have triggered the reassessment of the project stage. Going forward, the Company will consider itself to be in the development stage for the project and will start capitalizing project costs. Shortly after receiving the construction license, the Company received an order issuing a temporary 180-day injunction halting certain work related to the construction license. The Company is appealing this decision.

### **Risks and Uncertainties**

The operations of the Company are speculative due to the high-risk nature of its business, which are the acquisition, financing, exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company. Please refer to the Company's Annual Information Form for the year ended December 31, 2016 filed on SEDAR on March 28, 2017 for a full description of the Company's risks in addition to those highlighted below.

#### Nature of Mining, Mineral Exploration and Development Projects

Development projects have no operating history upon which to base estimates of future capital and operating costs. For development projects, mineral resource estimates and estimates of operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other

sampling techniques, and feasibility studies, which derive estimates of capital and operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the mineral deposit, expected recovery rates of minerals from ore, estimated operating costs, and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish measured, indicated and inferred mineral resources through drilling. Upon completion of a feasibility study, with an accompanying economic analysis, proven and probable mineral reserves may be estimated. Because of these uncertainties, no assurance can be given that exploration programs will result in the expansion of mineral resources or the establishment of mineral reserves. There is no certainty that the expenditures made towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

Mine development capital cost estimates are vulnerable to market forces, cost escalations and reductions, exchange rate fluctuations and supplier price changes. These factors can affect capital cost estimates.

#### Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and reserves, including many factors beyond the control of the Corporation. Such estimates are a subjective process, and the accuracy of any mineral resource or reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in geological interpretation. These amounts are estimates only and the actual level of recovery of minerals from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices, market conditions and actual events could have a material adverse effect on the Corporation's mineral resource and reserve estimates, financial position and results of operations.

#### Uncertainty Relating to Mineral Resources

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Due to the uncertainty that may attach to mineral resources, there is no assurance that mineral resources will be upgraded to mineral reserves.

#### Foreign Operations

At present, the mineral properties of Belo Sun are located in Brazil. As a result, the operations of the Corporation are exposed to various levels of political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to, currency exchange rates; price controls; import or export controls; currency remittance; high rates of inflation; labour unrest; renegotiation or nullification of existing permits, applications and contracts; tax disputes; changes in tax policies; restrictions on foreign exchange; changing political conditions; community relations; currency controls; and governmental regulations that may require the awarding of contracts of local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitudes in Brazil or other countries in which Belo Sun may conduct business, may adversely affect the operations of the Corporation. The Corporation may become subject to local political unrest or poor community relations that could have a debilitating impact on operations and, at its extreme, could result in damage and injury to personnel and site infrastructure.

Failure to comply with applicable laws and regulations may result in enforcement actions and include corrective measures requiring capital expenditures, installing of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

#### Licences and Permits, Laws and Regulations

The Corporation's exploration and development activities, including mine, mill and infrastructure facilities, require permits and approvals from various government authorities, and are subject to extensive federal, state and local laws and regulations governing prospecting, development, production, transportation, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more time consuming and costly. In addition, the Corporation may be required to compensate those suffering loss or damage by reason of its activities. The Corporation will be required to obtain additional licences and permits from various governmental authorities to continue and expand its exploration and development activities. There can be no assurance that the Corporation will be able to maintain or obtain all necessary licences, permits and approvals that may be required to explore and develop its properties, commence construction or to operate its mining facilities.

The costs and potential delays associated with obtaining the necessary authorizations and licences and complying with these authorizations, licences and applicable laws and regulations could stop or materially delay or restrict the Corporation from proceeding with the development of the Volta Grande Project. Any failure to comply with applicable laws, regulations, authorizations or licences, even if inadvertent, could result in interruption or termination of exploration, development or mining operations or logistics operations, or material fines, penalties or other liabilities which could have a material adverse effect on the Corporation's business, properties, results of operations, financial condition or prospects. The Corporation can make no assurance that it will be able to maintain or obtain all of the required mineral licences and authorizations on a timely basis, if at all. The Corporation only has exploration permits and the preliminary licence which was granted on December 2, 2013. There is no assurance that it will obtain the corresponding mining concessions, or that if they are granted, that the process will not be heavily contested and thus costly and time consuming to the Corporation. In addition, it may not obtain one or more licences. Any such failure may have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Environmental Secretary Office of the State of Pará is the regulatory authority responsible for evaluating and determining the appropriateness of preliminary licences. As part of the standard application process the Environmental Secretary Office holds public hearings. There can be no assurances that the Environmental Secretary Office of the State of Pará will grant a licence to the Corporation.

#### Environmental

The Company's activities are subject to extensive federal, state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are more stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Furthermore, any failure to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

The current and future operations of the Corporation, including development and mining activities, are subject to extensive federal, state and local laws and regulations governing environmental protection, including protection and remediation of the environment and other matters. Activities at the Corporation's properties may give rise to environmental damage and create liability for the Corporation for any such damage or any violation of applicable environmental laws. To the extent the Corporation is subject to environmental liabilities, the payment of such liabilities or the costs that the Corporation may incur to remedy environmental pollution would reduce otherwise available funds and could have a material adverse effect on the Corporation. If the Corporation is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect. The Corporation intends to minimize risks by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to applicable environmental standards.

Many of the local, state and federal environmental laws and regulations require the Corporation to obtain licences for its activities. The Corporation must update and review its licences from time to time, and is subject to environmental impact analyses and public review processes prior to approval of new activities. In particular, the Corporation's mineral project is located in the Volta Grande do Xingu region, in the area proximal to the Belo Monte hydroelectric plant, on the Xingu River, which is one of the Amazon's most important rivers. Due to the existence of communities of indigenous peoples and the region's biodiversity, the environmental licensing process of the Belo Monte dam has attracted a great deal of attention from the local communities, non-governmental organizations, the Federal Public Prosecutor Office, the Brazilian Institute of Environment and Renewable Natural Resources, and other Brazilian and foreign institutions. Therefore, environmental licensing of the Volta Grande Project and relations with local communities may be more challenging and time consuming and subject to greater scrutiny as compared to the environmental licensing process and community and social relations for other mineral projects conducted in Brazil. Belo Sun can make no assurance that it will be able to maintain or obtain all of the required environmental and social licences on a timely basis, if at all.

In addition, it is possible that future changes in applicable laws, regulations and authorizations or changes in enforcement or regulatory interpretation could have a significant impact on the Corporation's activities. Those risks include, but are not limited to, the risk that regulatory authorities may increase bonding requirements beyond the Corporation's or its subsidiaries' financial capabilities. Developments elsewhere in the Brazilian mining industry or in relation to Brazilian mining legislation may add to regulatory processes and requirements, including additional scrutiny of all current permitting applications.

#### Liquidity Concerns and Future Financings

The Corporation will require significant capital and operating expenditures in connection with the development of the Volta Grande Project. There can be no assurance that the Corporation will be successful in obtaining the required financing as and when needed. Volatile markets may make it difficult or impossible for the Corporation to obtain debt or equity financing on favourable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Corporation to postpone or slow down its development plans, forfeit rights in some or all of the Corporation's properties or reduce or terminate some or all of its activities. In the event that the Corporation completes an equity financing, such financing could be extremely dilutive to current shareholders who invested in the Corporation at higher share prices and dilutive as compared to the Corporation's estimated net asset value per share and mineral resource or reserve ounces per share.

### Title to Properties

The acquisition of title to resource properties is a very detailed and time-consuming process. The Corporation holds its interest in its properties indirectly through exploration permits and exploration applications. Title to, and the area of, the permits may be disputed or applications may lapse. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Corporation may have an interest, which, if successful, could result in the loss or reduction of the Corporation's interest in the properties. There are garimpeiros (informal miners) operating within the Corporation's property, and there may be issues and difficulties that could arise, including title disputes and the risk of the garimpeiros encroaching onto active areas of the Volta Grande Project.

The Corporation may need to acquire title to additional surface rights and property interests to further exploration and development activities. There can be no assurances that the Corporation will be able to acquire such additional surface rights. To the extent additional surface rights are available, they may only be acquired at significantly increased prices, potentially adversely affecting financial performance of the Corporation.

### Project Development Costs

The Company plans to continue to develop its Volta Grande Project. There can be no assurance that this project will be fully developed in accordance with the Company's current plans or completed on time or to budget, or at all.

### Litigation

Belo Sun has entered into legal binding agreements with various third parties on a consulting and partnership basis. The rights and obligations that arise from such agreements are open to interpretation and Belo Sun may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause Belo Sun to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any future disputes could have a material adverse effect on Belo Sun.

### Dependence on Key Personnel

The success of the Company is dependent upon the efforts and abilities of its senior management and board of directors. The loss of any member of the management team or board of directors could have a material adverse effect upon the business and prospects of the Company. In such event, the Company will seek satisfactory replacements but there can be no guarantee that appropriate personnel will be found.

### Conflicts of Interest

Certain of the directors and officers of the Company may serve from time to time as directors, officers, promoters and members of management of other companies involved in mining or natural resource exploration and development and therefore it is possible that a conflict may arise between their duties as a director or officers of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of

interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and the directors and officers will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

## **Disclosure Controls and Procedures**

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Chief Financial Officer by others within those entities.

### Internal Control Over Financial Reporting

Belo Sun's management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. Under their supervision, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions, acquisitions and dispositions of the assets of the Company;
- Provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual or interim financial statements.

The CEO and CFO have certified that Internal Controls over Financial Reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission on Internal Control (COSO - 1992) Framework to design the Company's internal control over financial reporting. The Audit Committee of the Company has reviewed this MD&A and the consolidated financial statements for the year ended December 31, 2016, and Belo Sun's Board of Directors approved these documents prior to their release.

### Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.



## Significant Accounting Policies

The Company's significant accounting policies can be found in Note 2 of its annual consolidated financial statements for the year ended December 31, 2016.

### New and Future Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

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.

IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”) addresses how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services. The Section provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company will assess the impact of adopting IFRS 15 prior to commencement of commercial production.

IFRS 16 – Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is still evaluating the impact of the adoption of IFRS 16.

### Critical Accounting Estimates

The preparation of the Company's Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reported period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and impact estimates for asset retirement obligations and reclamation costs.

Other significant estimates made by the Company include factors affecting valuations of stock based compensation and the valuation of income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.,