



**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011**  
(Containing information through August 26, 2011 unless otherwise noted)

**BACKGROUND**

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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 August 26, 2011 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 unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2011 and 2010 and related notes. The financial statements and related notes of Belo Sun have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Please refer to the notes of the March 31, 2011 condensed interim 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.

Additional information, including our press releases, have 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).

The Company's annual information form can be found 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).

David Gower, P.Geo, an advisor to the Company and a Qualified Person under National Instrument 43-101 of the Canadian Securities Administrators, has reviewed and approved the scientific and technical information in this MD&A.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS**

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The Canadian Accounting Standards Board requires publicly accountable enterprises such as the Company to adopt IFRS for fiscal years beginning on or after January 1, 2011. Accordingly, the Company's consolidated interim financial statements for the six months ending June 30, 2011 have been prepared in accordance with IFRS as published by the International Accounting Standards Board.

For each reporting period in 2011, we will also present comparative information for 2010, both for interim and annual financial statements, as applicable, on an IFRS basis. Our consolidated financial statements for the year ending December 31, 2011, will be our first annual financial statements that comply with IFRS. As this will be our first year of reporting under IFRS, First time Adoption of IFRS (IFRS 1) is applicable.

In accordance with IFRS 1, we have applied IFRS retrospectively as of January 1, 2010 (the Transition Date) for comparative purposes. In preparing our opening balance sheet in accordance with IFRS, we have adjusted amounts reported previously in our financial statements prepared in accordance with pre-conversion Canadian GAAP (for detailed information see Changes in Accounting Policies).

For further information, please refer to the Company's Condensed Interim Consolidated Financial Statements and Notes for the three and six months ended June 30, 2011.

#### **CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION**

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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, but is not limited to, statements with respect to the Company's development potential and timetable of the Company's properties; future mineral prices; ability to raise additional financing; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; the timing and amount of estimated future exploration and development; capital expenditures; success of exploration activities; currency exchange rates; reliance on qualified personnel; competition; dependence on outside parties; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the opinions and estimates of management as of the date such statements are made. Estimates regarding the anticipated timing, amount and cost of future exploration at the Volta Grande Gold Project are based on management expectations, exploration done to date and recommended programs, purchase orders placed by the Company to date, actual expenditures incurred, recent estimates of exploration costs and other factors that are set out herein. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during construction; expansion and start-up; variations in mineral grade and recovery rates; revocation of government approvals; timing and availability of external financing on acceptable terms; ability to finalize required agreements for operations; actual results of current exploration activities; changes in project parameters as plans continue to be refined; future mineral prices; failure of equipment or processes to operate as anticipated; accidents, labour or community disputes and other risks of the mining industry. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

#### **OVERVIEW OF THE COMPANY**

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Belo Sun is a Canadian mineral exploration company with a portfolio of properties including the Volta Grande Gold Project. Belo Sun's other properties include the Patrocinio Gold Project in Para State and the Rainbow Alexandrite Project in Goias state.

Highlights for six months ended June 30, 2011:

- The Company closed a bought deal offering of 45.08 million common shares at a price of \$1.15 per common share for gross proceeds of \$51,842,000. The aggregate number of common shares issued included 5.88 million common shares issued pursuant to the full exercise of the overallotment option granted to the underwriters pursuant to the offering. The net proceeds of the offering are intended to be used to finance further exploration and development of the company's mineral properties, in particular the Volta Grande Gold Project and for general corporate purposes.

- The Company released assay results for additional 39 drill holes from the diamond drilling program at Volta Grande Gold Project. The program is designed to upgrade the mineral resource designation in support of a planned feasibility study and expanding the existing mineral resource estimate. Drilling highlights are included in the Results of Operations – Exploration section.
- The Company has initiated drilling on the South Block of the Volta Grande Gold Project. The focus of the program is to follow up on geophysical and geochemical surveys aimed at discovering the source rocks responsible for the major alluvial gold deposits of the Itata River and its tributaries.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management.

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to 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.

## OUTLOOK

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- Belo Sun's principal focus is the Volta Grande Gold Project. The Volta Grande Gold Project has a National Instrument 43-101 compliant **estimated indicated mineral resource of 1,307,000 ounces of gold** (29.2 million tonnes grading 1.39 grams per tonne gold) and an **estimated inferred mineral resource of 2,136,000 ounces of gold** (53.6 million tonnes grading 1.24 grams per tonne gold) based on 0.50-gram-per-tonne-gold cut off, as outlined by the National Instrument 43-101 study undertaken by Scott Wilson Roscoe Postle Associates Inc., of Toronto (see the company's news releases of April 4, 2011, January 11, 2011, September 21, 2010 and September 29, 2009 and Technical Reports filed on SEDAR). Approximately 86% (71 million tonnes) of the mineral resource occur within 200 metres from the surface.
- Belo Sun is fully financed to complete approximately 90,000 metres of drilling at the Ouro Verde and Grota Seca deposit areas of the Volta Grande Gold Project as well as additional drilling on new and untested targets at the South Block.
- Belo Sun has completed 140 drill holes (35,592 metres) at the Volta Grande Gold Project of which assays are pending for 35 holes.
- Belo Sun has selected AMEC Minpro Engenharia e Consultoria Limitada to conduct a bankable feasibility study
- The Company has been granted priority on its application for an additional 14 claims which comprise an area totaling 111,032 hectares. Total land package now consists of a total of 24 claims which cover 130,541 hectares.
- Belo Sun has eleven drill rigs on the Volta Grande Gold Project to accelerate the program.

## SUMMARY OF QUARTERLY RESULTS

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

	IFRS				Canadian GAAP			
	Jun 30 2011	Mar 31 2011	Dec 30 2010	Sep 30 2010	Jun 30 2010	Mar 31 2010	Dec 31 2009	Sept 30 2009
Net Income (loss)	\$(8,711,105)	\$(4,437,251)	\$(3,327,295)	\$(2,797,719)	\$(1,501,725)	\$(2,581,184)	\$(272,431)	\$(206,073)
Net loss per share	\$(0.04)	\$(0.03)	\$(0.03)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.01)	\$0.00
Working Capital	\$49,955,689	\$52,374,800	\$6,157,334	\$2,714,565	\$5,081,071	\$6,494,026	\$1,893,048	\$77,618
Total Assets	\$53,606,410	\$55,897,308	\$8,391,615	\$4,982,222	\$6,826,684	\$7,637,778	\$10,703,508	\$8,649,943
Total Long-Term Liabilities	\$42,189	\$58,103	\$47,828	\$49,763	-	-	-	-

### 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 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 in a particular quarter gives rise to stock-based compensation expense. In the second quarter of 2011, the Company recorded stock-based compensation expense of \$4,380,758 (Q1 2011 – Nil, Q4 2010 - \$447,000 Q3 2010 - \$567,470, Q2 2010 - \$(188,944), Q1 2010 - \$1,199,501, Q4 2009 - \$6,189, Q3 2009 – \$9,246). The negative stock-based compensation expense in Q2 2010 is the result of a correction to the grant date and stock price assumptions.

In addition, the exploration expenditures during quarters vary and can cause earnings to fluctuate. In the second quarter of 2011, the Company recorded exploration and evaluation expenses of \$4,016,818 (Q1 2011 - \$3,304,542, Q4 2010 - \$2,302,616, Q3, 2010 - \$1,923,414, Q2 2010 - \$1,132,332, Q1 2010 – \$223,390).

Also contributing to fluctuating quarterly net income (loss) are changes in foreign exchange rates. The Company holds the majority 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

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The following is a discussion of the results of operations of the Company for the three and six months ended June 30, 2011. They should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2011 and related notes.

## For the Three Months Ended June 30, 2011

	Three Months Ended June 30,	
	2011	2010
Net loss	\$ 8,711,105	\$ 1,501,725
Interest income	263,709	40,039
Management fees to directors	16,486	48,387
Salaries, wages and consulting fees	209,796	149,934
Professional fees	44,768	23,686
General and administration	408,284	123,707
Amortization	26,272	14,248
Share-based payments	4,380,758	52,895
Exploration and evaluation expenses	4,016,818	1,132,332
Gain (loss) on foreign exchange	(128,368)	(12,186)
Gain on sale of capital assets	-	15,611

For the three months ended June 30, 2011, the Company recorded a net loss of \$8,711,105 (\$0.04 per share) compared to a net loss of \$1,501,725 (\$0.01 per share) for the three months ended June 30, 2010. The larger loss is attributable in large part to higher exploration and evaluation expenses. As well, the Company incurred higher stock-based compensation. General and administration expenses and salaries and wages were marginally higher during Q2-2011 compared to Q2-2010. These were offset by higher interest income and lower management fees to directors.

Salaries, wages and consulting fees and general and administration costs were higher during Q2-2011 compared to Q2-2010 reflecting the increased activity of the Company.

Exploration and evaluation expense was \$4,016,818 for the three months ended June 30, 2011 compared to \$1,132,332 for the three months ended June 30, 2010. In 2011, the Company's actively explored its Volta Grande Gold Project completing approximately 35 drill holes and working on environmental technical studies. Exploration work at Volta Grande Gold Project began to ramp up in particular during the three months ended June 30, 2010.

Interest income was \$263,709 for the three months ended June 30, 2011 compared to \$40,039 for the three months ended June 30, 2010. The Company raised \$51.8 million dollars from a bought-deal financing during Q1-2011 and as a result had larger cash balances during Q2-2011. Due to the larger cash balance versus the three months ended June 30, 2010, interest income was significantly higher.

Stock-based compensation was \$4,380,758 for the three months ended June 30, 2011 compared to \$52,895 for the three months ended June 30, 2010. The Company issued 4,922,200 stock options to directors, officers and consultants of the Company during Q2-2011 compared to 200,000 granted during Q2-2010.

During the three months ended June 30, 2011, the Company spent \$4,372,610 on operations, raised \$2,269,480 from the exercise of warrants and options, incurred \$194,632 in additional issue costs related to the financing from Q1-2011, and purchased capital assets of \$195,018. During the three months ended June 30, 2010, the Company spent \$1,027,304 on operations, raised \$nil from financing activities and incurred \$82,909 in capital asset expenditures.

The Company also recognized a foreign exchange gain in other comprehensive income of \$4,168 (Q2-2010 - \$139,515) related to the conversion of subsidiaries whose functional currency is not the Canadian dollar.

## For the Six Months Ended June 30, 2011

	Six Months Ended June 30,	
	2011	2010
Net loss	\$ 13,148,356	\$ 4,082,909
Interest income	352,299	50,950
Management fees to directors	199,465	787,887
Salaries, wages and consulting fees	859,137	349,173
Professional fees	65,491	116,029
General and administration	801,047	258,371
Amortization	53,502	25,930
Share-based payments	4,380,758	1,252,396
Exploration and evaluation expenses	7,321,360	1,355,722
Gain (loss) on foreign exchange	(180,105)	(3,962)
Gain on sale of capital assets	-	15,611

For the six months ended June 30, 2011, the Company recorded a net loss of \$13,148,356 (\$0.07 per share) compared to a net loss of \$4,082,909 (\$0.03 per share) for the six months ended June 30, 2010. The larger loss is attributable in large part to higher exploration and evaluation expenditures and increased stock-based compensation. General and administration expenses and salaries and wages were higher during Q2-2011 compared to Q2-2010. These were offset by higher interest income and lower management fees to directors.

Salaries, wages and consulting fees were \$859,137 during 2011 compared to \$349,173 during 2010. This increase is a result of increased staff and increased activity as well as bonuses granted upon achieving a three million mineral resources estimate at Volta Grande. General and administration costs were higher during 2011 compared to 2010 reflecting the increased activity of the company with higher shareholder communications costs, higher travel costs and higher transfer agent and regulatory fees.

Management fees paid to directors was \$199,465 in 2011 compared to \$787,887 in 2010. In 2010, the Company paid \$779,500 in termination payments to former directors of the Company.

Exploration and evaluation expense was \$7,321,360 for the six months ended June 30, 2011 compared to \$1,355,722 for the six months ended June 30, 2010. In 2011, the Company actively explored its Volta Grande Gold Project completing approximately 35 drill holes and working on environmental technical studies. Exploration work at Volta Grande commenced during the six months ended June 30, 2010.

Interest income was \$352,299 for the six months ended June 30, 2011 compared to \$50,950 for the six months ended June 30, 2010. The Company raised \$51.8 million dollars from a bought-deal financing during 2011 and as a result had larger cash balances during the six month period. Due to the larger cash balance versus the six months ended June 30, 2010, interest income was significantly higher.

Stock-based compensation was \$4,380,758 for the six months ended June 30, 2011 compared to \$1,252,396 for the six months ended June 30, 2010. The Company issued 4,922,200 stock options to directors, officers and consultants of the Company during 2011 compared to 4,777,400 granted during 2010. The value of stock-based compensation is estimated using the Black-Scholes option pricing model.

During the six months ended June 30, 2011, the Company spent \$7,912,956 on operations, raised \$48,326,058 net of issue costs from a bought deal financing, raised \$4,555,570 from the exercise of warrants and options, and purchased capital assets of \$307,466. During the six months ended June 30, 2010, the Company spent \$2,496,524 on operations, raised \$5,912,975 from a private placement financing, raised \$62,560 from the exercise of warrants and options, and incurred \$82,909 in capital asset expenditures.

The Company also recognized a foreign exchange loss in other comprehensive income of \$41,214 (2010 – a gain of \$111,741) related to the conversion of subsidiaries whose functional currency is not the Canadian dollar.

## **LIQUIDITY AND CAPITAL RESOURCES**

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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 discovery of economically recoverable reserves. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

The Company currently has negative operating cash flow and finances its mineral exploration activities through equity financing. 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 reserves and operations.

The Company had working capital of \$49,955,689 as at June 30, 2011 (December 31, 2010 - \$6,157,334) including cash and cash equivalents of \$52,026,853 (December 31, 2010 - \$7,127,226). None of the cash equivalents are invested in asset-backed securities.

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

### **Financings**

On March 25, 2011, the Company closed a bought deal financing of 45,080,000 common shares, including the exercise of the overallotment of 5,880,000 common shares, at a price of \$1.15 per common share for gross proceeds of \$51,842,000. The Company paid the underwriters a fee of 6% on funds raised. The net proceeds of the offering are intended to be used to finance further exploration and development of the company's mineral properties, in particular the Volta Grande Gold Project and for general corporate purposes.

### **Exercise of Warrants and Options**

During the six months ended June 30, 2011, 12,019,500 warrants and options were exercised for proceeds of \$4,555,570. Subsequent to June 30, 2011, an additional 170,000 warrants and options were exercised for proceeds of \$82,500.

### **Long Term Investment**

The investment consists of a term deposit of 960,348 Reals (December 31, 2010 – 921,297 Reals), including accrued interest, to fund potential amounts owing to Companhia de Pesquisa de Recursos Minerais ("CPRM"). The term deposit matures on April 22, 2013 and bears interest at a floating rate of approximately 9.17% (December 31, 2010 – 9.17%).

### **Currency Risk**

The Company operates internationally and is exposed to foreign exchange risk as certain expenditures are denominated in non-Canadian dollar currencies. Foreign exchange risk is predominantly to the United States dollar and Brazilian Real.

A strengthening of \$0.01 in the United States dollar against the Brazilian Reals would have increased net income by approximately \$130,000. A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased accumulated other comprehensive income by approximately \$83,000 for the six months ended June 30, 2011. At June 30, 2011, one Canadian dollar was equal to 1.0368 United States dollars and one Canadian dollar was equal to 1.6179 Brazilian Reals.

As at June 30, 2011 the monetary balances in non-Canadian dollar currencies are as follows:

	Brazilian Reals	United States Dollar
Cash	\$ 15,163,134	\$ 6,444
Accounts receivable and prepaid expenses	194,787	-
Long term investment	960,348	-
Accounts payable	(3,089,050)	(520)
Lease payable	(206,037)	-
	<u>\$ 13,023,182</u>	<u>\$ 5,924</u>

### **Capital Risk Management**

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

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition 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 exploration stage and, accordingly, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise the additional funds 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 six months ended June 30, 2011. The Company is not subject to externally imposed capital requirements.

### **Commitments**

#### ***Long Term Investment***

The Company maintains an interest bearing term deposit to cover the future royalty payments. There has been no production at Volta Grande thus no royalties payable and no amounts were withdrawn by the CPRM.

#### ***Brazil Land Taxes***

On December 31, 2010, the Company received notice from the Departamento Nacional de Producao Mineral ("DNPM") that it owes 51,406,850 Reais (2009 – 1,857,128 Reais) in land taxes. For the six months ended March 31, 2011, the Company had accrued 454,459 Reais (C\$271,636) based on management's estimate and understanding of the laws governing the DNPM. The Company believes that an administrative error has been made on the part of the DNPM. The Company has hired local counsel in Brazil to investigate. Local counsel has concluded their investigation and the Company has been paying down land taxes that local counsel has confirmed to be correct and valid. The Company is negotiating a settlement for the land taxes that are either invalid or illegal. This is not expected to have a material effect on the Company.



### **Management Contract Commitments**

The Company is party to certain management contracts. These contracts require that additional payments of up to \$2,062,000 be made upon the occurrence of certain events such as a change of control. Minimum commitments remaining under these contracts were approximately \$201,000, all due within six months.

### **Environmental Commitments**

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.

The only capital resource of the Company is the plant, property and equipment at \$744,951 (net book value).

### **SELECTED ANNUAL INFORMATION**

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The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	<u>IFRS</u>	<u>Canadian GAAP</u>	
	<u>December 31, 2010</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Net Sales	-	-	-
Net Income (Loss)	\$(10,207,923)	\$(737,954)	\$(2,174,117)
Loss per share -			
Basic & Diluted	\$(0.08)	\$(0.01)	\$(0.02)
Total Working Capital	\$6,157,334	\$1,893,048	\$993,346
Total Assets	\$8,391,615	\$10,703,508	\$8,733,320
Total Long-Term Liabilities	\$47,828	-	-

### **RESULTS OF OPERATION - EXPLORATION**

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#### **VOLTA GRANDE PROPERTY**

Volta Grande, the Company's primary focus, is an advanced-stage exploration project where an indicated and inferred gold resource has already been delineated. The mineral resource is comprised of 1,307,000 indicated ounces of gold (29.2 million tonnes at 1.39 g/t) and 2,136,000 inferred ounces of gold (53.6 million tonnes at 1.24 g/t) using a 0.50 g/t cut-off (see Press Releases dated April 4, 2011, January 11, 2011, September 21, 2010 and September 29, 2009 and Technical Reports filed on SEDAR).

#### **Agreement**

In 2005, the Company signed an agreement modifying the terms of the acquisition of a 100 percent interest in the Volta Grande Gold Property located in the Para State, approximately 60 kilometres southwest 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 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

3,740,000 Reais 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 has purchased a term deposit of 3,740,000 Reais.

In March 2008, the Company successfully renegotiated the agreement with CPRM. Under the new terms, CPRM released to the Company 3,525,087 Reais of the total term deposit of 4,273,087 Reais 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 748,000 Reais, to be retained in an interest bearing term deposit to cover future royalty payments. There has been no production at Volta Grande resulting in no royalties payable and no amounts were withdrawn by the CPRM.

### ***Background***

The 100% owned Volta Grande Gold Project is located approximately 60 kilometres southwest of the town of Altamira (pop. 100,000) in the northern region of Para State. The geological setting (*Tres Palmeiras greenstone belt*) at the project areas is part of the same sequences present in the Carajas "World Class" mineral province.

Gold mineralization was identified at numerous sites in the 1990s by past operators TVX Gold Inc. (now part of Kinross) and Battle Mountain Exploration (now part of Newmont). Historical drilling by these companies included more than 27,000 meters 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 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 Seca at the North Block and the South Block), all of which have development in the form of artisanal workings into them. 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 intrusive which has been traced for more than three kilometers along strike. Two types of gold mineralization are present: primary gold in intrusive rocks and secondary gold in an extensive saprolitic zone overlying the primary mineralization.

Roscoe Postle Associates Inc ("RPA") (formerly Scott Wilson Roscoe Postle Associates Inc.) reported that "there is potential for high grade shoots that may extend to depths of at least 200 meters or 300 meters below the surface, based on analogy with other Precambrian shear zone hosted gold deposits in Brazil." The property has been mined historically by garimpeiros (artisanal miners) for several decades using both open pit and underground mining methods with several shafts of 80 to 200 meters along high-grade veins. Grab samples from these shafts have assayed as high as 474.9 g/t gold.

### ***Recent Developments***

#### ***2011 Drill Program***

The Company has initiated drilling on the South block of its Volta Grande Gold Project in Brazil. The focus of the program on the South block will be to follow up on geophysical and geochemical surveys aimed at discovering the source rocks responsible for the major alluvial gold deposits of the Itata River and its tributaries. Belo Sun recently received the results from the soil geochemistry program comprising 2,107 samples analyzed by ICP multielement analysis and gold by fire assay. The soil anomalies were followed up with a 25-line-kilometre IP geophysical survey. Several strong IP anomalies have been identified, coincident with the soil anomalies, and these will be the priority targets to be tested by the recently initiated 5,000-metre drilling program. Limited historic drilling has been carried out in the area and these results indicate that the gold mineralization is hosted in sulphide-bearing granodiorite rocks. The gold mineralization appears to be associated with higher sulphide content than observed with the mineralization found in the North block and as such is expected to respond well to IP geophysical

techniques. Significant gold mineralization intercepts from the historic drilling include 28 metres grading 1.47 grams per tonne gold (hole VVD\_156) in the Pequi garimpo area.

The Company has released assay results from 39 additional drill holes from the diamond drilling program at its Volta Grande Gold Project located in Para State, Brazil. Results from 39 holes being released include 25 holes from the Grota Seca deposit, 13 from the Ouro Verde deposit and three from the South Block drill program.

Grota Seca drilling highlights include:

- Holes VVGD-103 and VVGD-106 intersected multiple mineralized zones. These holes, located at the central part of the Grota Seca deposit, have intersected high-grade gold mineralization near surface, and they confirm true thickness and continuity of mineralization along strike and at depth. Intercepts include: VVGD-103 with 62.50 metres grading 3.81 g/t Au (from 28.60 metres depth) including 12.85 metres grading 14.01 g/t Au and VVGD-106.
- Holes VVGD-095 and VVGD-086 intersected multiple mineralized zones approximately 100 metres below the existing optimal pit. The holes are located at the present limit of the deposit and indicate the potential to continue extending the currently defined deposit. Significant intercepts include: 34.45 metres grading 1.63 grams per tonne (g/t) Au (from 197.40 metres depth) and 27.80 metres grading 1.32 g/t Au (from 235.80 metres depth).
- Hole VVGD-041, located on cross-section 750 W, with an interval of 12.92 metres grading 4.42 grams per tonne Au including 4.37 metres grading 12.50 g/t Au located at approximately 200 metres below surface (244 metres down the hole). This high-grade mineralization corresponds to the zone that is being mined underground at the Galo garimpo and proves its continuity
- Hole VVGD-065 (Grota Seca cross-section 1925 W) intersected multiple mineralized zones, including 39.3 metres grading 2.07 g/t Au, which included 12.8 metres grading 3.24 g/t Au, 28.02 metres grading 2.06 g/t Au and 7.8 metres grading 6.66 g/t Au. This mineralized zone is entirely open at depth.
- Hole VVGD-072 (Grota Seca cross-section 900 W) had an intercept of 7.57 metres grading 13.37 g/t Au.
- Hole VVGD-083, which is part of the infill drilling for upgrading the Volta Grande mineral resources, intersected multiple mineralized zones beginning at surface. The first 70 metres are well mineralized, such as: 28.19 metres grading 8.76 grams per tonne gold (from 44.20-metre depth), including 7.67 metres grading 30.67 g/t Au (from 61.83-metre depth). This intercept includes the highest-grade (415.8 g/t Au over 0.5 m) sample from drilling at the project to date. This hole also contains other well-mineralized zones further down the hole as presented in the attached table.
- Holes VVGD-077, 079 and 082 are also part of the infill drilling program at the Grota Seca deposit, and these intersections demonstrate the continuity of the mineralization between sections or along strike.

Ouro Verde drilling highlights include:

- Hole VVGD-102 intercepted mineralization between the Ouro Verde and Grota Seca deposits and may suggest the two deposits could be continuous
- Hole VVGD-094 intercepted 21.40 metres grading 2.78 g/t Au including 6.82 metres grading 7.08 g/t Au at shallow depth
- Hole VVGD-066 (Ouro Verde cross-section 650 NW) which intersected multiple mineralized zones with an interval of 46.10 metres grading 2.05 g/t Au including 10.30 metres grading 3.61 g/t Au starting at approximately 200 m vertical depth (314 m down the hole)
- Hole VVGD-058 (Ouro Verde cross-section 100 NW) with an intercept of 20.70 metres grading 3.08 g/t Au.

- Hole VVGD-073 (Ouro Verde cross-section 525 NW) intersected multiple mineralized zones, including 12.06 metres grading 4.07 g/t Au, which included six metres grading 7.75 g/t Au, and 21.13 metres grading 3.22 g/t Au, which included 11.72 metres grading 5.12 g/t Au, and 12.92 metres grading 2.84 g/t Au. All intercepts are at depths less than 100 metres vertically below surface
- Hole VVGD-080 drilled at the Ouro Verde deposit tested for extensions of the mineralization and will have a positive impact on the mineral resource expansion.

South Block drilling highlights include:

- Holes VVGD-078 and VVGD-090 intercepted 1.15 metres grading 11.60 g/t Au and two metres grading 12.44 g/t Au, respectively. Additionally, hole VVGD-090 intercepted 7.95 metres grading 1.75 g/t Au
- Hole VVGD-070 (South block, Pequi target cross-section 3200 S) intersected 3.8 metres grading 23.59 grams per tonne gold.
- Hole VVGD-075 (cross-section 3300 S) had an intercept of 11.08 metres grading 1.87 g/t Au. These drill holes were targeting induced polarization geophysical anomalies. The gold mineralization in the South block is associated with quartz veins and disseminated sulphides (mainly pyrite) in highly potassic, hydrothermally altered rocks.

To date, Belo Sun has completed 140 drill holes (35,592 metres) at the Volta Grande Gold Project, of which assays are still pending for 35 holes. The current drilling program is designed to upgrade the mineral resource designation in support of a planned feasibility study and expanding the existing mineral resource estimate. Further results will be released as they become available.

#### *Selects AMEC Minproc Engenharia e Consultoria Limitada for Bankable Feasibility Study*

The bankable feasibility study will also include an updated mineral resource model, which will incorporate the results from the current exploration drill program. The updated mineral resource model is expected for completion in the third quarter of this year. Belo Sun anticipates that this portion of the study will further demonstrate a continued expansion of estimated mineral resources, which could potentially have positive effects on production projections as well as the overall economics of the Volta Grande Gold Project as was initially outlined in a 2009 preliminary economic assessment.

#### *Increased Drill Rigs at Site and Construction of New Sample Preparation Facility*

The Company has secured an additional four diamond drill rigs and one reverse circulation drill rig for its Volta Grande Gold Project, bringing the total number to 11. With these additional rigs, Belo Sun is anticipating drilling a minimum of 6,500 metres per month to accelerate the mineral resource upgrade program (infill drilling) and to continue its expansion of the mineral resources at the Volta Grande Gold Project. The new contractors are Rede Engenharia e Sondagens, one of the largest Brazilian drill contractors, and Geosedna, which specializes in RC drilling. The RC drilling program is designed to test the Greia target, an area of 1,000 by 1,000 metres, where strong soil geochemical anomalies, as well as significant mineralized intercepts from limited historical drilling, occur. The initial distribution of the 10 drill rigs will be as follows: six rigs will be employed to complete the rest of the infill drilling program, which has been designed to convert inferred mineral resources to measured and indicated categories to be utilized in feasibility studies; three rigs will work to expand the mineral resources, predominantly focused along strike; and one will continue to test targets on the South block of the property. As the infill drilling program concludes, rigs will be redirected to accelerate the other two programs further.

In addition, Belo Sun has completed construction of a new on-site sample preparation facility to be operated by Acme, which has an installed capacity of 200 samples per day.

### *Increased Mineral Rights at Volta Grande*

The Company has been granted priority on its applications for an additional 14 claims which comprise an area totaling 111,032 hectares (1,110 square kilometres) which is located along the Tres Palmeiras greenstone belt. The expanded land package now consists of a total of 24 claims which cover 130,541 hectares (1,305 square kilometres).

The 14 new claims were acquired through a public tender and correspond to mineral rights that were previously held by other titleholders that had been allowed to lapse. The tender process was opened for 60 days and Belo Sun's Brazil technical team had compiled the data in advance of the tender in preparation for targeting the key prospective areas. Belo Sun successfully acquired this key land position as part of this process. The confirmation of priority was published in the Brazilian Official Gazette on June 1, 2011.

The 14 new claims cover much of the area along the southeastern extension of the Tres Palmeiras greenstone belt, which includes several granitic plutons similar to the ones within the North and South blocks of the Volta Grande Gold Project and hosts numerous gold showings. The gold occurrences were visited and catalogued by the Brazilian Geological Survey (CPRM).

The entire belt has already been photo interpreted using available aerial geophysics and satellite images by Belo Sun, and fieldwork and regional mapping/sampling will start in the near future in order to outline new potential drill targets.

### *Indicated and Inferred Mineral Resource Increased at Volta Grande*

The Company released an updated mineral resource estimate for its Volta Grande Gold Project in Para state, Brazil, following the inclusion of results from 20 additional drill holes taken totaling 4,990 metres from the Ouro Verde deposit. Highlights are:

- A 23% increase on the contained ounces in the indicated mineral resources category to an estimated 1,307,000 ounces of gold in 29.2 million tonnes grading 1.39 grams per tonne Au;
- A 5% increase in inferred mineral resources to an estimated 2,136,000 ounces of gold in 53.6 million tonnes grading 1.24 g/t Au;
- Approximately 86 per cent (71 million tonnes) of the mineral resources occur within 200 metres from surface.

The revised mineral resource estimate for the Volta Grande Gold Project is outlined in the table.

Volta Grande Gold Project Mineral Resource Estimate (as at April 4, 2011)			
		Indicated	Inferred
Ouro Verde, deposit	Tonnes	18,782,000	12,509,000
	Ounces	881,000	500,000
	Average grade (g/t Au)	1.46	1.24
Grotta Seca, deposit	Tonnes	10,440,000	41,130,000
	Ounces	426,000	1,640,000
	Average grade (g/t Au)	1.27	1.24
<b>Total Volta Grande</b>	<b>Tonnes</b>	<b>29,222,000</b>	<b>53,639,000</b>
	<b>Ounces</b>	<b>1,307,000</b>	<b>2,136,000</b>
	<b>Average grade (g/t Au)</b>	<b>1.39</b>	<b>1.24</b>

#### Notes:

1. Mineral resource estimates using 0.5 g/t Au cut-off.
2. Mineral resources have been estimated in accordance with CIM Standards.
3. Mineral resources are estimated using a price of \$900 (U.S.) per ounce Au.
4. Numbers for tonnes and contained gold are rounded.

5. Mineral resources are estimated based on metallurgical recovery of 90 per cent of the contained gold.
6. The qualified person for reporting the mineral resources is David Gower, P. Geo. an advisor to Belo Sun.

#### Mineral resource estimate parameters

The database consists of a total of 33,191 metres of diamond drilling obtained from previously reported drilling and from 8,240 m of drilling completed and assayed by Belo Sun since June 2010, for the Ouro Verde and Grota Seca deposits.

The mineralized zones at the Ouro Verde deposit extend for about 1,120 m along strike and to a depth of 500 m below surface, and have been outlined by 73 diamond drill holes. Six mineralized fresh ore zones and one saprolite ore zone were modelled. The outer mineralized envelope was modelled into wireframe solids using a 0.5 g/t Au cut-off grade. The mineralized zones range in thickness from three m to 58 m with an average horizontal thickness of 10.5 m assuming maximum internal dilution of approximately five m.

The mineralized zones at the Grota Seca Central, West and East deposits extend 2,320 m along strike and to a depth of 350 m below surface, and have been outlined by 139 diamond drill holes. Nine mineralized zones and one saprolite zone were modelled. The outer mineralized envelope was modelled into wireframe solids using a 0.5 g/t Au cut-off grade. The mineralized zones range in thickness from three m to 55 m with an average horizontal thickness of 9.5 m assuming maximum internal dilution of approximately five m.

For the Ouro Verde and the Grota Seca deposits the grade estimate was done using ordinary kriging interpolation using 1.0 m composites. Mineral resources were also estimated using inverse distance squared interpolation, which produced similar results. All estimates are based on a per cent block model with unitary dimension of 12.5 m East, 2.5 m North and 10 m elevation rotated minus-20 degrees clockwise (for the Ouro Verde deposit) and 12.5 m E, 2.5 m N and 10 m elevation rotated minus-15 degrees clockwise (for the Grota Seca deposit).

Calculations of the average grades of the mineralized zones are based on original samples top cut to a maximum of 25 g/t Au depending on the ore domain. This resulted in an approximate 11% reduction in the overall average gold grade.

Tonnage estimates are based on rock specific gravity of 2.76 tonnes per cubic metre for the fresh rock and 1.80 tonnes per cubic metre for saprolite using an average of 354 samples. Tonnes are reported on a dry basis and represent in situ mineral resources.

Belo Sun used three methods to validate the estimated block model: visual comparison of block grades with composites grades, statistical comparison between composites and block grade distributions, and swath-checks along strike, down dip and across each estimated zone.

Indicated mineral resources include all mineralized areas that are defined by drill holes 50 m apart or less, along drill sections spaced 50 m or less.

Inferred mineral resources include all mineralized areas that are defined by drill holes spaced 50 m or farther apart limited, down dip, by the variogram range in this direction.

The Volta Grande Gold Project has an NI 43-101-compliant preliminary assessment report published in September, 2009, by Scott Wilson RPA, which is available on the company's website and on SEDAR.

## **PATROCINIO**

### ***Background***

The 100% owned Patrocínio Project covers approximately 18,670 hectares of the Tapajós gold province in the Pará State of northern Brazil.

The Tapajós province is historically the most important gold producing region in Brazil, with over six million ounces of artisanal production since the 1950s. Several public sources indicate that approximately one million ounces of gold have been produced by local miners at Patrocínio. Belo Sun's geologists have confirmed 19 property locations where current or former gold production has occurred from two types of mineralization: high-grade quartz veins and hydrothermally-altered granites where gold is associated with sulphides.

The Patrocínio Project was initiated with the objective to identify and characterize primary gold mineralization, representing the sources of large alluvium deposits, which produced a huge amount of gold extracted from the Surubim River and its tributaries, which even today are still mined by garimpeiros (artisanal miners).

Within mineralized zones, gold grades have been demonstrated to range from roughly 1 to 67 grams per tonne (g/t) within the quartz veins and from roughly 1 to 37 g/t within the granites. Channel sampling along a quartz vein in the Alcantara pit returned grades ranging from roughly 4 to 37 g/t gold over approximately 8 metres.

### **OFF BALANCE SHEET ARRANGEMENTS**

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There are no off-balance sheet arrangements to which the Company is committed.

### **RELATED PARTY TRANSACTIONS**

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The Company shares office space with other companies who may have similar officers and directors. The costs associated with this space are administered by 2227929 Ontario Inc (three months ended June 30, 2011 - \$50,832, six months ended June 30, 2011 - \$112,967; three and six months ended June 30, 2010 - \$13,212).

Mr. Stan Bharti, the chairman of the Company, is an officer of Forbes and Manhattan, Inc., a corporation that provides administrative services to the Company (three months ended June 30, 2011 - \$30,000, six months ended June 30, 2011 - \$60,000; three and six months ended June 30, 2010 - \$38,387).

Mr. Stephen Roman, a former director, CEO and president of the Company, is an officer and director of Global Atomic and Silvermet Inc., a corporation that provided rent and administrative services to the Company. Mr. Jeff Dawley, former CFO of the Company, had his consulting fees paid to Silvermet Inc.

The Company shares its premises with other corporations that have common directors and officers, and the Company reimburses the related corporations for their proportional share of the expenses. The Company has advanced \$11,247 to such corporations to cover shared expenses (2010 - \$Nil).

The amounts due to and from related parties are non-interest bearing and non-secured.

All of the above noted transactions have been in the normal course of operations and are recorded at their exchange amounts, which is the consideration agreed upon by the related parties.

### **COMPENSATION OF DIRECTORS AND OFFICERS**

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During the three and six months ended June 30, 2011, the Company paid or accrued \$46,500 and \$258,000 respectively (Q2-2010 - \$7,500; 2011 - \$369,500) to directors of the Company and \$88,500 and \$717,000 (Q2-

2010 - \$68,500; 2011 - \$555,800) to officers of the Company. During the six months ended June 30, 2010, the Company paid termination benefits of \$359,500 to directors and \$420,000 to officers.

More detailed information regarding the compensation of officers and directors of the Company is disclosed in the management information circular. The 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

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

## OUTSTANDING SHARE DATA

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Authorized unlimited common shares without par value – 206,428,334 are issued and outstanding as at August 26, 2011.

Stock options, warrants and convertible securities outstanding as at August 26, 2011:

No. of options	Exercise price	Expiry date
500,000	\$ 0.60	April 10, 2012
250,000	\$ 0.60	October 24, 2012
3,852,400	\$ 0.34	March 4, 2015
150,000	\$ 0.45	June 2, 2015
1,968,000	\$ 0.36	July 29, 2015
25,000	\$ 0.43	August 5, 2015
50,000	\$ 0.80	November 11, 2015
650,000	\$ 0.89	December 5, 2015
4,847,200	\$ 1.33	April 21, 2016

No. of warrants	Exercise price	Expiry date
21,500,000	\$ 0.50	March 3, 2012

No. of agent unit options	Exercise price	Expiry date
597,800	\$ 0.25	March 3, 2012

## SUBSEQUENT EVENTS

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Subsequent to June 30, 2011, 120,000 warrants and 50,000 stock options were exercised for net proceeds of \$82,500. As well, 75,000 stock options exercisable at \$1.33 were cancelled.

## RISKS AND UNCERTAINTIES

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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.



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

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 Minerals 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 establishment or expansion of mineral resources or 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.

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 ore body, 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 Resource Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the control of the Corporation. Such estimates are a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and 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 estimates, financial position and results of operations.

### *No Revenues*

To date, the Corporation has not recorded any revenues from operations nor has the Corporation commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that the Corporation will be profitable in the future. The Corporation's operating expenses and capital expenditures may increase in relation to the engagement of consultants, personnel and equipment associated with the continued exploration and future development of the Corporation's properties. The Corporation expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Corporation's properties will continue to require the commitment of substantial mineral resources. There can be no assurance that the Corporation will continue as a going concern, generate any revenues or achieve profitability.

### *Liquidity Concerns and Future Financings*

The Corporation will require significant capital and operating expenditures in connection with the development of the Volta Grande Gold 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 at or near to current trading prices of its common shares, such financing could be extremely dilutive to current shareholders who invested in the Corporation at higher share prices.

#### *Mineral Commodity Prices*

The ability of the Corporation to fund its activities and, if it becomes a producing mineral Corporation, the profitability of the Corporation's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and result of operations.

#### *Foreign Exchange*

Gold is sold in United States dollars thus the Corporation is subject to foreign exchange risks relating to the relative value of the Canadian dollar and Brazilian real as compared to the United States dollar. To the extent that the Corporation generates revenues upon reaching the production stage on its properties, it will be subject to foreign exchange risks as revenues will be received in United States dollars while operating and capital costs will be incurred primarily in Canadian dollars and Brazilian reais. A decline in the United States dollar would result in a decrease in the real value of the Corporation's revenues and adversely affect the Corporation's financial performance.

#### *Licences and Permits, Laws and Regulations*

The Corporation's exploration and development activities, including mine, road, rail and port facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial 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 operation of mining facilities.

#### *Environmental*

The Corporation's activities are subject to extensive federal, provincial 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 Corporation, including the suspension or cessation of operations.

#### *Title to Properties*

The acquisition of title to mineral 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 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 Gold Project.

#### *Uninsured Risks*

The Corporation maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and other natural disasters may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Common Shares.

#### *Competition*

The Corporation competes with many other mining companies that have substantially greater mineral resources than the Corporation. Such competition may result in the Corporation being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund the Corporation's operations and develop its properties. The Corporation's inability to compete with other mining companies for these mineral resources could have a material adverse effect on the Corporation's results of operations and business.

#### *Dependence on Outside Parties*

The Corporation has relied upon consultants, engineers and others and intends to rely on these parties for exploration, drilling, and local expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Corporation.

#### *Dependence on Key Personnel*

Belo Sun is reliant on key personnel it has employed or engaged. Loss of such personnel may have a material adverse impact on the performance of the Corporation. In addition, the recruiting of qualified personnel is critical to the Corporation's success. As Belo Sun's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations.

#### *Dependence on Qualified Personnel*

Recruiting and retaining qualified personnel in the future is critical to the Corporation's success. As the Corporation develops its Volta Grande Gold Project toward commercial production, the need for skilled labour will increase. The number of persons skilled in the exploration and development of mining properties in Brazil is limited and competition for this workforce is intense. The development of the Volta Grande Gold Project and other initiatives of the Corporation may be significantly delayed or otherwise adversely affected if the Corporation cannot recruit and retain qualified personnel as and when required.

#### *Litigation*

Belo Sun has entered into legal binding agreements with various third parties on a consulting and partnership basis. The interpretation of the rights and obligations that arise from such agreements is 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 such disputes could have a material adverse effect on Belo Sun.

#### *Availability of Reasonably Priced Raw Materials and Mining Equipment*

The Corporation will require a variety of raw materials in its business as well as a wide variety of mining equipment. To the extent these materials or equipment are unavailable or available only at significantly increased prices, the Corporation's production and financial performance could be adversely affected.

#### *Share Price Fluctuations*

The market price of securities of many companies, particularly development stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Corporation's share price will not occur.

#### *Conflicts of Interest*

Certain of the Corporation's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting such participation.

#### *Foreign Operations*

At present, the operations 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 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, land or tax disputes; changes in taxation policies; restrictions on foreign exchanges; changing political condition; 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 conducts business may adversely affect the operations of the Corporation. The Corporation may become subject to local political unrest 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.

#### **SIGNIFICANT ACCOUNTING POLICIES**

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The Company's significant accounting policies can be found in Note 2 of its condensed interim consolidated financial statements for the three months ended March 31, 2011.

#### **Future Accounting Pronouncements**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2011 or later periods. Updates are not applicable or are not consequential to the Company have been excluded thereof.

IFRS 7, Financial Instruments – Disclosures (“IFRS 7”) was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IFRS 9, Financial Instruments -- Classification and Measurement (“IFRS 9”) was issued November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning January 1, 2013, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its financial statements.

IFRS 10 Consolidated Financial Statements (“IFRS 10”) provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its financial statements for the annual period beginning January 1, 2013. The Company has not yet determined the impact of the amendments to IFRS 10 on its financial statements.

IFRS 13 Fair Value Measurement converges IFRS and US GAAP on how to measure fair value and the related fair value disclosures. The new standard creates a single source of guidance for fair value measurements, where fair value is required or permitted under IFRS, by not changing how fair value is used but how it is measured. The focus will be on an exit price. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 13 on its financial statements.

#### **CRITICAL ACCOUNTING ESTIMATES**

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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 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.