



CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

For the three and nine months ended
September 30, 2016 and 2015

(expressed in Canadian dollars)

Belo Sun Mining Corp.

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Belo Sun Mining Corp.
Condensed Interim Consolidated Statements of Financial Position
(unaudited)

(Expressed in Canadian dollars)

	Notes	September 30, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		\$ 85,885,700	\$ 9,459,780
Prepaid expenses and sundry receivables	3	394,045	186,416
		86,279,745	9,646,196
Non-current assets			
Property and equipment	5	11,665,923	10,768,285
Term investment	4	600,379	475,926
Total Assets		\$ 98,546,047	\$ 20,890,407
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 9,611,808	\$ 3,947,200
Non-current liabilities			
Long-term liabilities	6	1,050,696	-
		10,662,504	3,947,200
Equity			
Share capital	7	263,470,142	178,773,178
Share-based payments reserve	8	5,953,855	9,099,780
Accumulated other comprehensive income		1,254,053	1,726,705
Deficit		(182,794,507)	(172,656,456)
Total Equity		87,883,543	16,943,207
Total Liabilities and Equity		\$ 98,546,047	\$ 20,890,407
Nature of operations	1		
Commitments and contingencies	14		
Subsequent events	15		
Approved on behalf of the Directors:			
<i>"Denis Arsenault"</i>		<i>"Mark Eaton"</i>	
Director		Director	

Belo Sun Mining Corp.**Condensed Interim Consolidated Statements of Comprehensive Loss***(unaudited)***(Expressed in Canadian dollars)**

		Three months ended September 30,		Nine months ended September 30,	
	Notes	2016	2015	2016	2015
Expenses					
Salaries, wages and consulting fees	13	852,810	607,709	2,731,149	3,354,627
Legal and audit fees		25,209	38,750	83,378	81,461
General and administration		440,926	252,326	1,297,392	942,953
Depreciation		47,797	66,468	166,486	204,614
Share-based payments	8	1,702,566	-	5,359,247	1,728,000
Exploration and evaluation expenses		658,304	571,350	1,843,653	1,948,453
Engineering studies		403,271	144,989	587,472	1,008,248
Foreign exchange loss/(gain)		27,306	(357,872)	486,059	(667,483)
Loss from operations		(4,158,189)	(1,323,720)	(12,554,836)	(8,600,873)
Interest income		122,018	77,493	217,176	161,885
Gain on disposal of assets		211	(479)	5,620	13,090
Net loss for the period		(4,035,960)	(1,246,706)	(12,332,040)	(8,425,898)
Items that will be reclassified to profit/loss					
Exchange differences on translating foreign operations		122,351	451,168	(472,652)	809,667
Comprehensive loss for the period		\$ (3,913,609)	\$ (795,538)	\$ (12,804,692)	\$ (7,616,231)
Loss per share:					
Basic and diluted	10	\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.03)
Weighted average number of shares outstanding:					
Basic and diluted		441,997,129	359,642,915	396,897,023	327,311,120

Belo Sun Mining Corp.
Condensed Interim Consolidated Statements of Cash Flows
(unaudited)
(Expressed in Canadian dollars)

		Nine months ended September 30,	
	Notes	2016	2015
Cash provided by (used in) operations:			
Net (loss)		\$(12,332,040)	\$ (8,425,898)
Items not involving cash:			
Share-based payments	8	5,359,247	1,728,000
Depreciation		166,486	204,614
Interest income		(217,176)	(161,885)
Interest income received		171,142	130,717
Gain on sale of asset		(5,620)	(13,090)
Unrealized loss/(gain) on foreign exchange		(29,802)	52,697
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		(207,629)	19,607
Change in accounts payables and accrued liabilities		823,024	(362,776)
Net cash (used in) operating activities		(6,272,368)	(6,828,014)
Investing activities			
Expenditures on property and equipment		(1,625,563)	(1,486,236)
Accounts payable and accrued liabilities related to the acquisition of land		33,033	-
Proceeds from sale of assets		5,620	33,889
Net cash (used in) investing activities		(1,586,910)	(1,452,347)
Financing activities			
Private placements	7	87,020,800	15,000,000
Cost of issue	7	(4,579,714)	(30,050)
Accounts payable related to cost of issue		500,000	-
Exercise of options		1,303,942	9,600
Net cash provided by financing activities		84,245,028	14,979,550
Change in cash and cash equivalents		76,385,750	6,699,189
Cash and cash equivalents, beginning of the period		9,459,780	5,413,418
Effect of exchange rate on cash held		40,170	(135,351)
Cash and cash equivalents, end of the period		\$ 85,885,700	\$ 11,977,256
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 85,624,420	\$ 11,517,744
Short-term money market instruments		\$ 261,280	\$ 459,512
		\$ 85,885,700	\$ 11,977,256

Belo Sun Mining Corp.

Condensed Interim Consolidated Statements of Changes in Equity

(unaudited)

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-Based Payments Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2015	359,642,915	\$ 178,773,178	\$ 9,099,780	\$ 1,726,705	\$ (172,656,456)	\$ 16,943,207
Private placement	100,000,000	87,020,800	-	-	-	87,020,800
Cost of issue	-	(4,579,714)	-	-	-	(4,579,714)
Exercise of stock options	5,087,200	1,303,942	-	-	-	1,303,942
Valuation allocation for exercise of options	-	951,936	(951,936)	-	-	-
Valuation allocation for expiry of options	-	-	(2,193,989)	-	2,193,989	-
Comprehensive (loss)	-	-	-	(472,652)	(12,332,040)	(12,804,692)
Balance, September 30, 2016	464,730,115	\$ 263,470,142	\$ 5,953,855	\$ 1,254,053	\$ (182,794,507)	\$ 87,883,543
Balance, December 31, 2014	297,062,915	\$ 163,787,228	\$ 10,335,113	\$ 622,503	\$ (165,302,522)	\$ 9,442,322
Private placement	62,500,000	15,000,000	-	-	-	15,000,000
Cost of issue	-	(30,050)	-	-	-	(30,050)
Exercise of stock options	80,000	9,600	-	-	-	9,600
Valuation allocation for exercise of options	-	6,400	(6,400)	-	-	-
Stock-based compensation	-	-	1,728,000	-	-	1,728,000
Valuation allocation for expiry/cancellation of options	-	-	(2,607,933)	-	2,607,933	-
Comprehensive (loss)	-	-	-	809,667	(8,425,898)	(7,616,231)
Balance, September 30, 2015	359,642,915	\$ 178,773,178	\$ 9,448,780	\$ 1,432,170	\$ (171,120,487)	\$ 18,533,641

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

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2016 and 2015
(Expressed in Canadian dollars unless otherwise noted)

1. Nature of operations

Belo Sun Mining Corp. ("Belo Sun" or the "Company"), through its subsidiaries (Note 13), is a gold exploration company engaged in the exploration of properties located in Brazil. The Company is a publicly listed company incorporated in the Province of Ontario. The Company's shares are listed on the Toronto Stock Exchange and trade under the symbol "BSX". The Company's head office is located at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada, M5H 2M5.

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

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

2. Significant accounting policies

a) Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at September 30, 2016. The policies as set out in the Company's Annual Consolidated Financial Statements for the twelve months ended December 31, 2015 were consistently applied to all the periods presented unless otherwise noted below. The Board of Directors approved these condensed interim consolidated financial statements for issue on November 9, 2016.

b) Basis of preparation

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

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

2. Significant accounting policies (continued)

c) New and future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. There was no material impact from the adoption of this standard.

IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets are applied retrospectively and clarify in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This policy became effective for annual periods starting after, or on January 1, 2016. There was no material impact from the adoption of this standard.

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.

2. Significant accounting policies (continued)

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.

d) Principles of consolidation

(i) Subsidiaries

All entities in which the Company has a controlling interest (Note 13) are fully consolidated from the date that control commences until the date that control ceases. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(ii) Transactions eliminated on consolidation

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

e) Significant accounting judgments, estimates and assumptions

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

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

- **Asset impairment charges**

In the determination of potential impairment charges, management evaluates indicators in accordance with IAS 36 – Impairment of Assets. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

2. Significant accounting policies (continued)

- Recognition of deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company reassesses unrecognized income tax assets at each reporting period.

- Title to land

In assessing the recognition of land acquired with deferred payment terms as an asset, management must make an assumption as to whether the title of the land has passed. Management has determined that the Company has obtained title to the land upon execution of the land purchase agreements as outlined within the agreements themselves.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Assessment of the project stage for mineral properties and activities

In determining whether the Company is in the exploration and evaluation stage or the development stage, management must make an assessment as to whether the technical feasibility and commercial viability of extracting the mineral resource are demonstrable. Management relies on technical studies performed by consultants to make this assessment.

- Estimation of asset lives and depreciation and amortization

Depreciation expenses are allocated based on assumed asset lives and depreciation rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the statement of comprehensive loss.

- Determination of functional currency

Under IFRS, each entity within the Company has its results measured using the currency of the primary economic environment in which the entity operates (the “functional” currency). Judgment is necessary in assessing each entity’s functional currency. The Company considers the currency of expenses and outflows, as well as financing activities as part of its decision-making process.

- Contingencies

Refer to Note 14.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
September 30, 2016 and 2015
(Expressed in Canadian dollars unless otherwise noted)

2. Significant accounting policies (continued)

f) Presentation and functional currency

The Company's condensed interim consolidated financial statements are presented in Canadian dollars. The Company's functional and presentation currency is the Canadian dollar. The Company's subsidiaries' functional currency is the United States dollar. References to R\$ refer to the Brazilian Real.

3. Prepaid expenses and sundry receivables

	September 30, 2016	December 31, 2015
Amounts receivables and other advances	\$ 170,904	\$ 9,581
Reimbursable court fees pending appeal	51,615	49,490
HST receivable	147,363	99,640
Prepaid insurance	24,163	27,705
	<u>\$ 394,045</u>	<u>\$ 186,416</u>

The Company paid fees during 2015 and 2016 with respect to appeal proceedings. During the nine months ended September 30, 2016, R\$22,457 (\$7,919) was reimbursed to the Company with respect to these fees. The Company expects to be reimbursed the balance, R\$127,664 (\$51,615), upon successful judgment.

4. Term investment

The investment consists of a term deposit with Banco do Brasil SA to fund the potential amounts owing to Companhia de Pesquisa de Recursos Minerais ("CPRM"). As at September 30, 2016, the balance in this account was R\$1,484,894 (\$600,379) (December 31, 2015: R\$1,362,123 (\$475,926)) and the Company earned 7.35% in interest for the nine months ended September 30, 2016 (September 30, 2015: 9.49%). The Company intends to renew the term deposit on maturity because it is security against the potential amount owing to the CPRM, a Brazilian state owned company to which the Company is committed to paying royalties if a mineable deposit on the Volta Grande Property is put into production.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian dollars unless otherwise noted)

5. Property and equipment

<i>Cost</i>	Vehicles	Furniture & equipment	Mining equipment	Land	Total
Balance at December 31, 2015	639,637	1,878,848	761,890	9,025,214	12,305,589
Additions	-	6,642	960	1,617,961	1,625,563
Disposals	(53,404)	-	-	-	(53,404)
FX adjustment	(35,824)	(99,153)	(43,624)	(471,645)	(650,246)
Balance at September 30, 2016	550,409	1,786,337	719,226	10,171,530	13,227,502
<i>Accumulated depreciation and impairment</i>					
Balance at December 31, 2015	522,622	413,461	601,221	-	1,537,304
Charge for the year	62,275	71,145	33,066	-	166,486
Disposals	(53,404)	-	-	-	(53,404)
FX adjustment	(30,367)	(23,512)	(34,928)	-	(88,807)
Balance at September 30, 2016	\$501,126	\$ 461,094	\$ 599,359	\$ -	\$ 1,561,579
Net book value as at December 31, 2015	\$117,015	\$1,465,387	\$ 160,669	\$ 9,025,214	\$10,768,285
Net book value as at September 30, 2016	\$ 49,283	\$1,325,243	\$ 119,867	\$10,171,530	\$11,665,923

The Company sold a vehicle with a net book value of \$nil for gross proceeds of R\$15,000 (\$5,620) resulting in a gain on sale of assets of \$nil and \$5,620 for the three and nine months ended September 30, 2016 respectively.

6. Accounts payable and accrued liabilities

SHORT TERM	September 30, 2016	December 31, 2015
Mineral properties suppliers and contractors	\$ 598,123	\$ 1,270,080
Accrued royalties (Note 14(a))	2,322,909	1,962,870
Land acquisition costs payable	1,143,077	-
Property taxes	516,339	334,805
Departamento Nacional de Produção Mineral	53,447	75,865
Corporate payables	591,582	226,080
Accrual for DSUs (Note 8)	4,308,551	-
Audit and other accruals	77,780	77,500
TOTAL	\$ 9,611,808	\$ 3,947,200

LONG TERM	September 30, 2016	December 31, 2015
Accrual for DSUs (Note 8)	\$ 1,050,696	\$ -

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian dollars unless otherwise noted)

7. Share Capital

As at September 30, 2016 and December 31, 2015, the Company's authorized number of common shares was unlimited without par value and an unlimited number of special shares. The special shares have the same features as the common shares with the exception that the special shares take preference over the common shares in the event of liquidation, dissolution or winding up of the Company. The special shares are entitled to the same dividend rights as common shares. No special shares are outstanding.

In March 2016, the Company completed two private placement financings issuing 22,680,000 common shares of the Company at a price of \$0.53 per share for gross proceeds of \$12,020,400. The Company incurred costs related to this issue of \$35,618 for filing fees.

In July 2016, the Company closed a bought deal financing with a syndicate of underwriters whereby the Company issued 77,320,000 common shares of the Company at a price of \$0.97 per share for gross proceeds of \$75,000,400. The Company incurred costs related to this issue of \$4,544,097, which included a 5% fee as well as other legal and filing fees.

As well, during the nine months ended September 30, 2016, the Company issued 5,087,200 common shares upon the exercise of stock options generating \$1,303,942 in proceeds. (Note 8).

8. Share-based payments reserve

Stock options

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

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

	Number of Options	Weighted average exercise prices	Value of options
December 31, 2015	27,059,000	\$0.47	\$ 9,099,780
Exercised	(5,087,200)	\$0.26	(951,936)
Expired/cancelled	(2,467,000)	\$1.31	(2,193,989)
September 30, 2016	19,504,800	\$0.43	\$ 5,953,855

Belo Sun Mining Corp.
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8. Share-based payments reserve (continued)

The following stock options were in existence as at September 30, 2016:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Black-Scholes inputs		Risk-free interest rate
						Expected life (yrs)	Expected dividend yield	
1,552,000	1,552,000	31-Jan-12	31-Jan-17	\$ 1.15	94%	5	0%	1.25%
100,000	100,000	14-Jun-12	14-Jun-17	\$ 1.17	94%	5	0%	1.28%
1,185,000	1,185,000	3-Jul-12	3-Jul-17	\$ 1.15	94%	5	0%	1.26%
730,000	730,000	10-Jul-12	10-Jul-17	\$ 1.15	94%	5	0%	1.18%
200,000	200,000	9-Apr-13	9-Apr-18	\$ 1.14	118%	5	0%	1.24%
2,094,800	2,094,800	19-Aug-13	19-Aug-18	\$ 0.71	118%	5	0%	1.98%
5,173,000	5,173,000	19-Nov-14	19-Nov-19	\$ 0.12	86%	5	0%	1.53%
7,520,000	7,520,000	6-Apr-15	6-Apr-20	\$ 0.22	86%	5	0%	0.76%
950,000	950,000	8-Jun-15	8-Jun-20	\$ 0.22	85%	5	0%	1.02%
19,504,800	19,504,800							

Fair value of share options granted in the period:

During the three and nine months ended September 30, 2016, no stock options were granted to directors, officers, employees and consultants of the Company compared to nil and 11,520,000 stock options granted during the three and nine months ended September 30, 2015 respectively. Those options vested immediately on grant. As a result, stock-based compensation expense of \$nil and \$nil related to stock options was recorded for the three and nine months ended September 30, 2016 (three and nine months September 30, 2015: \$nil and \$1,728,000). The weighted average grant date fair value of the stock options granted during the current period is \$nil (September 30, 2015: \$0.15). Options were priced using the Black-Scholes option-pricing model. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises. The weighted average life of the outstanding options at September 30, 2016 is 2.69 years (September 30, 2015: 3.46 years). The weighted average market price on the date of grant for options granted during the period was \$nil (September 30, 2015: \$0.22). The weighted average market price on the date of exercise of options during period was \$0.84 (September 30, 2015: \$0.25).

Deferred Share Unit Incentive Plan

The Company has approved and adopted a Deferred Share Unit ("DSU") incentive plan. In accordance with the terms of the plan, officers, directors and employees of the Company may be granted DSUs. Each vested DSU held shall be redeemed by the Company at the time that the holder ceases to be an officer, director or employee of the Company, where the value of the DSU shall be equal to the market value of the Company's shares at that time. If the holder of a DSU ceases to be an officer, director or employee of the Company prior to vesting, other than in the event of a change of control, the DSUs shall be deemed cancelled. In the event of a change of control, or termination without cause, each DSU shall automatically vest and be redeemed.

Belo Sun Mining Corp.
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian dollars unless otherwise noted)

8. Share-based payments reserve (continued)

In May 2016, 12,969,000 DSUs were granted to directors, officers and employees of the Company, where one-quarter, or 3,242,250 DSUs, vested immediately on grant, and one-quarter each will vest on May 2, 2017, 2018 and 2019 respectively. An amount of \$5,359,247 was recorded at September 30, 2016 as a liability with respect to the value of the DSUs, which represents the market value at September 30, 2016 for vested DSUs as well as an accrual for unvested DSUs recognizing the services received to period end. The liability was allocated between current and long-term liabilities on the statements of financial position based on the vesting date. During the three and nine months ended September 30, 2016, \$1,702,566 and \$5,359,247 respectively was recorded as stock-based compensation expense related to DSUs on the consolidated statements of comprehensive loss.

9. Operating segments

Geographical information

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

	Current assets	Property and equipment	Other long-term assets	Total Assets
<u>September 30, 2016</u>				
Canada	\$ 85,922,077	\$ 10,592	\$ -	\$ 85,932,669
Brazil	357,668	11,655,331	600,379	12,613,378
	\$ 86,279,745	\$ 11,665,923	\$ 600,379	\$ 98,546,047
<u>December 31, 2015</u>				
Canada	\$ 8,840,538	\$ 12,802	\$ -	\$ 8,853,340
Brazil	805,658	10,755,483	475,926	12,037,067
	\$ 9,646,196	\$ 10,768,285	\$ 475,926	\$ 20,890,407

10. Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share options, warrants and contracts to be settled in shares, in the weighted average number of common shares outstanding during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options, warrants and contracts to be settled in shares would be anti-dilutive.

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11. Financial instruments

Financial assets and financial liabilities as at September 30, 2016 were classified as follows:

September 30, 2016	Other liabilities	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	\$ -	85,885,700	\$ 85,885,700
Term investment	-	600,379	600,379
Accounts payable and accrued liabilities	5,303,257	4,308,551	9,611,808
Long-term liabilities	-	1,050,696	1,050,696

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

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

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

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

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

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

At September 30, 2016, financial instruments that are carried at fair value, consisting of cash and cash equivalents, term investment, accounts payable and accrued liabilities and long-term liabilities have been classified as Level 1 within the fair value hierarchy.

The Company's risk exposures and their impacts on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the nine months ended September 30, 2016.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparties related to its cash and cash equivalents and term investment carry an investment grade rating as assessed by external rating agencies. The Company maintains all of its cash and cash equivalents and term investment with major Canadian, British 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.

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11. Financial instruments (continued)

Liquidity risk

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

As at September 30, 2016, the Company had current assets of \$86,279,745 to settle current liabilities of \$9,611,808. Approximately \$3,700,000 of the Company's financial liabilities as at September 30, 2016 have contractual maturities of less than 30 days and are subject to normal trade terms. Of this amount, approximately \$2,300,000 has been payable for over 180 days.

Market risk

(a) Interest rate risk

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

Based on cash and cash equivalent balances on hand at September 30, 2016, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$85,800 (December 31, 2015 - \$9,500).

(b) Currency risk

As the Company operates on an international basis, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign currency risk arises primarily with respect to the United States dollar and Brazilian 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 \$90,000 for the nine months ended September 30, 2016 (September 30, 2015 - \$63,000). A strengthening of \$0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately \$28,000 for the nine months ended September 30, 2016 (September 30, 2015 - \$16,000). Exchange rates as at September 30, 2016 and 2015 are represented in the following chart:

	As at	
	September 30, 2016	September 30, 2015
1 Canadian dollar = US dollars	0.7624	0.7493
1 Canadian dollar = Brazilian Reais	2.4734	2.9542
1 US dollar = Brazilian Reais	3.2444	3.9426

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12. Capital management

The Company includes cash and equity, comprised of issued common shares, share-based payment reserve 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 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 nine months ended September 30, 2016. The Company is not subject to externally imposed capital requirements.

13. Related party disclosures

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

	Country of incorporation	% equity interest
Belo Sun Mineracao Ltda	Brazil	100
Intergemas Mineracao e Industrailizacao Ltda	Brazil	100
Aubras Mineracao Ltda	Brazil	98
Oca Mineracao Ltda	Brazil	100

During the year ended December 31, 2015, the Company dissolved Belo Sun Mining (Barbados) Corp.

During the nine months ended September 30, 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			
	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
2227929 Ontario Inc.	\$ 90,000	\$ 90,000	\$ 273,655	\$ 270,000
Forbes & Manhattan, Inc.	110,000	75,000	410,000	425,000
Les Consultants Geo Habilis	-	15,000	-	15,000
Falcon Metais Ltda.	-	15,669	-	89,345

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13. Related party disclosures (continued)

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. As at September 30, 2016, the Company advanced \$101,700 to 2227929 Ontario Inc. for Q4-2016 expenses.

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 nine months ended September 30, 2016, the Company paid a bonus of \$185,000 to Mr. Bharti through Forbes & Manhattan, Inc. (September 30, 2015: \$200,000).

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 period:

	Amounts owed by related parties		Amounts owed to related parties	
	30-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
Directors and officers of the Company	-	-	33,000	158,305
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 period were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Short-term benefits	\$ 637,750	\$ 467,685	\$ 2,188,250	\$ 2,401,935
Share-based payments	-	-	-	1,641,000
DSU expense	1,585,202	-	4,989,815	-

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.

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14. Commitments and contingencies

- (a) Under a successfully renegotiated agreement with CPRM in March 2008, the Company maintains an interest bearing term deposit to cover the future royalty payments, starting June 30, 2008. As at September 30, 2016, no royalty payments have been paid.
- (b) The Company is party to certain management contracts. These contracts require that additional payments of up to \$26,000,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is uncertain and it is not probable that there will be any outflow of resources to settle the commitment, the contingent payments have not been reflected in these condensed interim consolidated financial statements. Minimum commitments remaining under these contracts were approximately \$787,000 all due within one year.
- (c) The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at September 30, 2016 and December 31, 2015, no amounts have been accrued related to such matters.
- (d) The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public safety, health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

15. Subsequent events

In October 2016, 359,800 stock options were exercised generating proceeds of \$244,838.