ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

for the twelve months ended
December 31, 2011 and 2010
and as at January 1, 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Belo Sun Mining Corp.

We have audited the accompanying consolidated financial statements of Belo Sun Mining Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive loss, cash flows, and changes in equity for the years ended December 31, 2011 and December 31, 2010 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Belo Sun Mining Corp. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 28, 2012
Toronto, Ontario

Belo Sun Mining Corp.
Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	December 31, 2011	December 31, 2010	January 1, 2010
Assets			(Note 19)	(Note 19)
Current assets				
Cash and cash equivalents		$ 32,415,945	$ 7,127,226	$ 2,362,994
Prepaid expenses and sundry receivables	3	392,823	194,669	35,695
		32,808,768	7,321,895	2,398,689
Non-current assets				
Property, plant and equipment	6	1,146,689	517,587	214,245
Term investment	5	548,968	552,133	513,362
Total Assets		$ 34,504,425	$ 8,391,615	$ 3,126,296
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities	7	$ 2,164,777	$ 1,074,407	$ 505,641
Finance leases	8	60,264	75,972	-
Current taxes	17	7,091	14,182	-
		2,232,132	1,164,561	505,641
Non-current liabilities				
Finance leases	8	6,481	33,646	-
Deferred taxes	17	14,182	14,182	-
		2,252,795	1,212,389	505,641
Equity				
Share capital	9	96,276,107	40,829,667	30,120,388
Share -based payments reserve	10	8,782,612	6,401,610	2,368,615
Accumulated other comprehensive loss		(99,707)	(118,627)	-
Deficit		(72,707,382)	(39,933,424)	(29,868,348)
Total Equity		32,251,630	7,179,226	2,620,655
Total Liabilities and Equity		$ 34,504,425	$ 8,391,615	$ 3,126,296
Commitments and contingencies	16			
Subsequent events	18			

Approved on behalf of the Directors:

"Peter Tagliamonte" Director

"Mark Eaton" Director

Belo Sun Mining Corp.
Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Twelve months ended December 31, 2011	2010
			(Note 19)
Expenses			
Management fees paid to directors	15	$ 412,484	$ 484,928
Salaries, wages and consulting fees		1,390,178	1,107,271
Legal fees		41,376	88,487
Audit fees		91,699	72,874
General and administration		1,699,171	923,388
Amortization		127,059	57,321
Share based payments	10	4,380,758	2,264,866
Exploration and evaluation expenses	4	21,745,781	5,358,580
Engineering studies	4	2,674,085	223,172
Foreign exchange loss/(gain)		1,654,411	(193,358)
Loss from operations		(34,217,002)	(10,387,529)
Interest income		1,347,043	199,179
Gain on sale of equipment		-	15,882
Net loss for the period before taxes		(32,869,959)	(10,172,468)
Taxes payable	17	-	(35,455)
Net loss for the period		(32,869,959)	(10,207,923)
Exchange differences on translating foreign operations		18,920	(118,627)
Comprehensive loss for the period		$ (32,851,039)	$ (10,326,550)
Loss per share	12		
Basic		$ (0.17)	$ (0.08)
Diluted		$ (0.17)	$ (0.08)
Weighted average number of shares outstanding:			
Basic and diluted		193,116,806	134,449,381
Diluted		193,116,806	134,449,381

See accompanying notes to these Condensed Interim Consolidated Financial Statements

Belo Sun Mining Corp.
Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Twelve months ended December 31, 2011	2010
Cash provided by (used in) operations:			
Net (loss)		$ (32,869,959)	$ (10,207,923)
Items not involving cash:			
Share based payments	11	4,380,758	2,264,866
Amortization		127,059	57,321
Interest income		(1,347,043)	(199,179)
Unrealized loss/(gain) on foreign exchange		1,523,123	(210,550)
Gain on sale of equipment		-	(15,882)
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		(198,154)	(158,974)
Change in accounts payables and accrued liabilities		1,090,369	568,766
Change in income taxes		(7,091)	28,364
Interest income received		1,296,975	159,552
Net cash used by operating activities		(26,003,963)	(7,713,639)
Investing activities			
Expenditures on property, plant and equipment		(695,340)	(224,196)
Proceeds on sale of property, plant and equipment		-	8,207
Net cash used in investing activities		(695,340)	(215,989)
Financing activities			
Proceeds from issuance of shares / units		51,842,000	11,500,000
Share issuance costs		(3,515,942)	(113,775)
Exercise of warrants/options		5,216,628	1,234,030
Lease payments		(92,199)	(34,209)
Net cash provided by financing activities		53,450,487	12,586,046
Change in cash and cash equivalents		26,751,184	4,656,418
Cash and cash equivalents, beginning of the period		7,127,226	2,362,994
Effect of exchange rate on cash held		(1,462,465)	107,814
Cash and cash equivalents, end of the period		$ 32,415,945	$ 7,127,226
Cash and cash equivalents are comprised of:			
Cash in bank		$ 12,290,783	$ 2,441,211
Short-term money market instruments		$ 20,125,162	$ 4,686,015
		$ 32,415,945	$ 7,127,226

Belo Sun Mining Corp.
Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-Based Payments Reserve	Accumulated Other Comprehensive (Loss)	Retained Earnings (Deficit)	Total
Balance, December 31, 2010	149,158,834	$ 40,829,667	$ 6,401,610	$ (118,627)	$ (39,933,424)	$ 7,179,226
Public offering (Note 10)	45,080,000	51,842,000	-	-	-	51,842,000
Share issuance costs	-	(3,515,942)	-	-	-	(3,515,942)
Value of warrants granted on exercise of broker units	-	(237,000)	237,000	-	-	-
Exercise of stock options	2,659,000	1,397,078	-	-	-	1,397,078
Valuation allocation on exercise of stock options	-	958,656	(958,656)	-	-	-
Exercise of warrants	10,706,500	3,819,550	-	-	-	3,819,550
Valuation allocation on exercise of warrants	-	1,182,098	(1,182,098)	-	-	-
Valuation allocation on expiry of warrants and stock options	-	-	(96,001)	-	96,001	-
Comprehensive (loss)	-	-	4,380,757	18,920	(32,869,959)	(28,470,282)
Balance, December 31, 2011	207,604,334	$ 96,276,107	$ 8,782,612	$ (99,707)	$ (72,707,382)	$ 32,251,630
Balance at January 1, 2010	112,396,351	$ 30,120,388	$ 2,368,615	$ -	$ (29,868,348)	$ 2,620,655
Private placements (Note 10)	31,333,334	11,500,000	-	-	-	11,500,000
Share issuance costs -- common shares issued	1,200,000	(113,775)	-	-	-	(113,775)
Valuation of warrants granted with private placement	-	(2,211,000)	2,211,000	-	-	-
Valuation of agent unit options granted with private placement	-	(303,813)	303,813	-	-	-
Exercise of stock options	2,275,000	638,430	-	-	-	638,430
Valuation allocation on exercise of stock options	-	440,632	(440,632)	-	-	-
Exercise of warrants	1,954,149	595,600	-	-	-	595,600
Valuation allocation on exercise of warrants	-	163,205	(163,205)	-	-	-
Valuation allocation on expiry of warrants and stock options	-	-	(142,847)	-	142,847	-
Comprehensive (loss)	-	-	2,264,866	(118,627)	(10,172,468)	(8,026,229)
Balance, December 31, 2010 (Note 19)	149,158,834	$ 40,829,667	$ 6,401,610	$ (118,627)	$ (39,897,969)	$ 7,214,681

1. Nature of operations

Belo Sun Mining Corp. ("Belo Sun" or the "Company"), through its subsidiaries, is a gold exploration company engaged in the exploration of properties located in Brazil. The Company is a publicly listed company incorporated in the Province of Ontario. The Company's shares were listed on the Toronto Venture Stock Exchange during 2011. Subsequent to the end of the year, the Company's shares commenced trading on the Toronto Stock Exchange on February 16, 2012. 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 recoverability of the carrying value of interests in mineral properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's mining assets that are located outside of North America are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, expropriation and currency exchange fluctuations and restrictions.

2. Significant accounting policies

a) Statement of compliance

These consolidated financial statements represent the first annual financial statements of the Company and its subsidiaries prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Company adopted IFRS in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards*. The policies applied in these annual consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at December 31, 2011. The Board of Directors approved these annual financial statements for issue on March 28, 2012.

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles. Canadian GAAP differs in some areas from IFRS. Certain information and footnote disclosures which are considered material to the understanding of the Company's annual consolidated financial statements and which are normally included in annual consolidated financial statements prepared in accordance with IFRS are provided in notes along with reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, operations, comprehensive income, and the statements of financial position and cash flows. Refer to Note 19 for transition to IFRS.

2. Significant accounting policies (continued)

b) Basis of preparation

These 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.

Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

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

c) Future accounting changes

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 9, Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2015, 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 financial statements for the period beginning January 1, 2015, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard (i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements; (ii) defines the principle of control, and establishes control as the basis for consolidation; (iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee; and (iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities and is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 11, Joint Arrangements, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

2. Significant accounting policies (continued)

c) Future accounting changes

IFRS 12, Disclosure of Involvement with Other Entities, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRS 13, Fair Value Measurement, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 (Share-based Payments); leasing transactions within the scope of IAS (17 Leases); measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 (Inventories); or value in use in IAS 36 (Impairment of Assets). This standard is effective for annual periods beginning on or after January 1, 2013, with early application permitted.

IFRIC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine was issued by the IFRIC in October 2011. IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process. IFRIC 20 may represent a change in accounting practice for some Canadian mining entities. Specifically, IFRIC 20 permits capitalization of stripping costs if all of the following three criteria are met:

- probability of future economic benefit (improved access to the ore body) flowing to the entity;
- identifiability of the component of the ore body for which access has been improved; and
- measurability of the costs associated to the stripping activity.

Furthermore, where the costs of the stripping activity asset and of the inventory produced are not separately identifiable, IFRIC 20 provides a more detailed cost allocation guidance based on a relevant production measure that allows allocation between inventory produced and the stripping activity asset. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013. Early application is permitted.

2. Significant accounting policies (continued)

d) Principles of consolidation

(i) Subsidiaries

All entities, in which the Company has a controlling interest, specifically when it has the power to direct the financial and operational policies of these companies to obtain benefit from their operations, are fully consolidated from the date that control commences until the date that control ceases.

A controlling position is assumed to exist where the Company holds, directly or indirectly, a voting interest exceeding 50%, and where no other shareholder or group of shareholders exercises substantive participating rights which would enable it to veto or to block ordinary decisions taken by the Company.

A controlling position also exists where the Company, holding an interest of 50% or less in an entity, possesses control over more than 50% of the voting rights by virtue of an agreement with other investors, power to direct the financial and operational policies of the entity by virtue of a statute or contract, power to appoint or remove from office the majority of the members of the Board of Directors or equivalent management body, or the power to assemble the majority of voting rights at meetings of the Board of Directors or equivalent management body. The Company consolidates special purpose entities which it controls in substance because it has the right to obtain a majority of benefits, or because it retains the majority of residual risks inherent in the special purpose entity or its assets.

(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 consolidated annual 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 consolidated annual financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated annual 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.

2. Significant accounting policies (continued)

e) Significant accounting judgments, estimates and assumptions (continued)

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

- Asset carrying values and impairment charges
- Estimation of asset lives
- Recognition of deferred tax assets
- Contingencies
- Share-based payments
- Assessment of the project stage for mineral properties and activities
- Estimation of close down and restoration costs and the timing of expenditures
- Estimation of environmental cleanup and the timing of expenditure and related accretion
- Depletion, depreciation and amortization
- Determination of functional currency

f) Presentation and functional currency

The Company's 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. These annual consolidated financial statements have been translated to the Canadian dollar in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

g) Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the historical rate effective the date of the transactions. All foreign currency adjustments are expensed, apart from adjustments on borrowing in foreign currencies, constituting a hedge for the net investment in a foreign entity. These adjustments are allocated directly to equity until the divestiture of the net investment.

Financial statements of subsidiaries, affiliates and joint ventures for which the functional currency is not the Canadian dollar are translated into Canadian dollars as follows: all asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in accumulated other comprehensive income ("AOCI").

2. Significant accounting policies (continued)

h) Cash and cash equivalents

The cash and cash equivalents category consists of cash in banks, short-term money market instruments, call deposits and other highly liquid investments with initial maturities of three months or less. Investments in securities, investments with initial maturities greater than three months without an early redemption feature and bank accounts subject to restrictions, other than restrictions due to regulations specific to a country or activity sector (exchange controls, etc.) are not presented as cash equivalents but as financial assets. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

i) Prepaid expenses and sundry receivables

Prepaid expenses and sundry receivables are stated at their cost less impairment losses.

j) Derivative financial instruments

The Company does not use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes.

k) Property, plant and equipment

(i) Assets owned by the Company

Property, plant and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. Amortization is computed using the straight-line method based on the estimated useful life of the assets (Note 2(k)(vi)). Useful life is reviewed at the end of each reporting period. Assets financed by finance lease contracts are capitalized at the lower of the fair value of future minimum lease payments and market value and the related debt is recorded in "borrowings and other financial liabilities". These assets are amortized on a straight-line basis over their estimated useful life. Amortization expenses on assets acquired under such leases are included in amortization expenses.

Subsequent to initial recognition, the cost model is applied to property, plant and equipment.

2. Significant accounting policies (continued)

k) Property, plant and equipment (continued)

(i) Assets owned by the Company (continued)

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated amortization (see Note 2(k)(vi)) and impairment losses. The property held under finance leases and leased out under operating lease is classified as investment property and stated at the fair value model. Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

(ii) Exploration and evaluation

The Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of mineral properties, property option payments and exploration and evaluation activities.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

(iii) Development

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a component of property plant and equipment. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized.

(iv) Subsequent costs

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the income statement as an expense as incurred.

2. Significant accounting policies (continued)

k) Property, plant and equipment (continued)

(v) Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and buildings under construction are not depreciated. The estimated useful lives in the current and comparative periods are as follows:

- Vehicles 5 years
- Furniture and office equipment 3 to 10 years
- Mining equipment 10 years

The residual value, if not insignificant, is reassessed annually.

l) Impairment

When events or changes in the economic environment indicate a risk of impairment to intangible assets or property, plant and equipment, an impairment test is performed to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Recoverable amount is defined as the higher of an asset's fair value (less costs to sell) and its value in use. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

In addition, asset impairment tests are subject to the following provisions, pursuant to IAS 36 Impairment of Assets:

- Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the group of assets.
- Value in use is determined based on discounted cash flow projections consistent with the most recent budget and business plan approved by management. The discount rate applied reflects current assessments by the market of the time value of money and the risks specific to the asset or group of assets.
- Fair value (less costs to sell) is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable and willing parties, less costs to sell. These values are determined based on market data (comparison with similar listed companies, value attributed in recent transactions and stock market prices), or in the absence of reliable data based on discounted future cash flows.
- If the recoverable amount is less than the carrying amount of an asset or group of assets, an impairment loss is recognized for the difference. In the case of a group of assets, this impairment loss is recorded in priority against goodwill.
- Impairment losses recognized in respect of property, plant and equipment and intangible assets (other than goodwill) may be reversed in a later period if the recoverable amount becomes greater than the carrying amount, within the limit of impairment losses previously recognized. Conversely, impairment losses recognized in respect of goodwill cannot be reversed.

2. Significant accounting policies (continued)

l) Impairment (continued)

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

m) Financial Assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, (i.e., the date that the Company commits to purchase or sell the asset).

The Company's financial assets include cash and cash equivalents, sundry receivables and term investment.

Financial assets at fair value through profit or loss:
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as fair value through profit or loss if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in interest income and finance costs in the income statement.

The Company has designated cash, cash equivalents and term investment upon initial recognition as at fair value through profit or loss. The Company evaluated its financial assets at fair value through profit and loss (held for trading) to determine whether the intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Company may elect, in rare circumstances, to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

2. Significant accounting policies (continued)

m) Financial Assets (continued)

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement.

De-recognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  (a) the Company has transferred substantially all the risks and rewards of the asset; or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

n) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. Significant accounting policies (continued)

n) Impairment of financial assets (continued)

For financial assets carried at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

o) Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include accounts payables and accrued liabilities and finance leases.

2. Significant accounting policies (continued)

o) Financial liabilities (continued)

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

Financial liabilities at amortized costs include accounts payable and accrued liabilities and finance leases.

De-recognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

p) Interest income

Interest income is recognized when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2. Significant accounting policies (continued)

q) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period during which the employee becomes unconditionally entitled to equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

r) Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange gains and losses on foreign currency borrowings.

s) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2. Significant accounting policies (continued)

s) Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

t) Provisions

Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(i) Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

(Expressed in Canadian dollars unless otherwise noted)

2. Significant accounting policies (continued)

t) Provisions (continued)

(i) Rehabilitation provision (continued)

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the income statement.

(ii) Employee entitlements

Employee entitlements to annual leave are recognized as the employees earn them. A provision, stated at current cost, is made for the estimated liability at period end.

(iii) Onerous contract

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

u) Warrants

Proceeds on the issuance of units are allocated between share capital and warrants reserves using a relative fair value approach, with warrant value determined based on the Black-Scholes pricing model.

3. Prepaid expenses and sundry receivables

	31-Dec-11	31-Dec-10	1-Jan-10
Trade receivables	$ 120,155	$ 14,778	$ 12,793
HST/VAT receivable	248,157	60,564	9,191
Proceeds from exercise of warrants	-	103,360	-
Prepaid insurance	24,511	15,967	13,711
	$ 392,823	$ 194,669	$ 35,695

Receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

4. Exploration and evaluation expenses and engineering studies

Exploration and evaluation expenditures and engineering studies expensed immediately in the income statement for the year ended December 31, 2011 collectively amounted to $24,419,866 (December 31, 2010 - $5,581,752).

Exploration and evaluation properties comprise the following:

a) Volta Grande, Para State, Brazil

The gold project includes approximately 103,169 hectares in twenty-two Exploration Permits (2010 – 19,508 hectares in nine exploration permits) and 49,906 hectares in ten Exploration Applications (2010 – 148,235 hectares in twenty exploration applications) and is situated in the margin of the Xingu river, some 60 km from the city of Altamira, Para State.

Under the agreement, the Company agreed to pay to OCA Mineracao Ltda., an unrelated company whose controlling shareholder is the Tenaris-Confab Group, a total of US$600,000 of which US$12,500 was paid in January 2004 and US$50,000 paid in April 2004 and the outstanding balance was paid in December 2006. OCA Mineracao Ltda. ownership was transferred to the Company in March 2008. The transfer of title to the Volta Grande Property to Belo Sun occurred following the arrangements with Companhia de Pesquisa de Recursos Minerais ("CPRM"), a Brazilian state owned company, whereby the Company has committed to pay CPRM 3,740,000 Reais if a mineable deposit is defined on the Volta Grande Property. As security, the Company 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 including accrued interest, held in security to cover the Company's potential 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 Property thus no royalties payable and no amounts were withdrawn by CPRM.

The Company is committed to paying approximately US$1,500,000 to CPRM if a mineable deposit is defined on the property, and to invest a minimum US$1,500,000 at Volta Grande over a two year period. The Company has fulfilled its investment condition on this property.

4. Exploration and evaluation expenses and engineering studies

b) Patrocino, Para State, Brazil

This gold project is situated in the Para State and includes approximately 18,669 hectares (2010 – 18,669 hectares). Pursuant to a signed contract on October 8, 2004 the Company has the right to acquire 100% of the property. Under the terms of the contract, the Company must make 36 monthly payments of US $1,667 and issue 200,000 common shares of the Company to the original owners. The Company is current on these payments and issued 200,000 common shares at $0.10 on June 20, 2005. In addition, the property is subject to a 1.5% net smelter royalty and a sliding scale payment during the first two years of production from the property. The payment ranges from 606 ounces of gold assuming 100,000 ounces of proven and probable reserves to 12,121 ounces of gold assuming 1.2 million proven and probable reserve ounces.

The Company is currently assessing its options with respect to the project including, but not limited to, joint-venture scenarios, earn-out arrangements, and further development by Belo Sun.

5. Term investment

The investment consists of a term deposit of 1,005,805 Reais (CDN$548,968) (December 31, 2010 – 921,297 Reais (CDN$552,133) and January 1, 2010 - 855,175 Reais (CDN$513,362)), including accrued interest, which approximates fair value, to fund the potential amounts owing to CPRM. The term deposit matures on April 22, 2013 and bears interest at a floating rate of approximately 10.20% (December 31, 2010 – 9.17% and January 1, 2010 – 9.25%). The Company intends on rolling over the term deposit on maturity because it is security against the potential amount owing to the CPRM (Note 4(a)) and accordingly, management has shown the investment as a long-term asset.

(Expressed in Canadian dollars unless otherwise noted)

6. Property, plant and equipment

	Vehicles	Furniture & equipment	Mining equipment	Building under construction	Land	Total
Cost at January 1, 2010	$ 127,013	$ 172,296	$ 106,348	$ -	$ 7,701	$ 413,358
Additions	137,245	119,794	35,887	78,009	-	370,935
Disposals	-	(103,927)	-	-	-	(103,927)
FX adjustment	(7,164)	(9,351)	(5,998)	-	(434)	(22,947)
Cost at December 31, 2010	257,094	178,812	136,237	78,009	7,267	657,419
Additions	203,859	349,832	74,517	124,357	-	752,565
FX adjustment	10,639	(24,056)	37,900	1,738	354	26,575
Cost at December 31, 2011	471,592	504,588	248,654	204,104	7,621	1,436,559
Accumulated depreciation						
Balance at January 1, 2010	45,126	126,840	27,147	-	-	199,113
Charge for the year	26,669	22,836	7,816	-	-	57,321
Disposals	-	(104,408)	-	-	-	(104,408)
FX adjustment	(2,545)	(8,118)	(1,531)	-	-	(12,194)
Balance as at December 31, 2010	69,250	37,150	33,432	-	-	139,832
Charge for the year	53,014	34,160	39,885	-	-	127,059
FX adjustment	6,673	4,967	11,339	-	-	22,979
Balance at December 31, 2011	$ 128,937	$ 76,277	$ 84,656	$ -	$ -	$ 289,870
Net book value as at January 1, 2010	$ 81,887	$ 45,456	$ 79,201	$ -	$ 7,701	$ 214,245
Net book value as at December 31, 2010	$ 187,844	$ 141,662	$ 102,805	$ 78,009	$ 7,267	$ 517,587
Net book value as at December 31, 2011	$ 342,655	$ 428,311	$ 163,998	$ 204,104	$ 7,621	$ 1,146,689

As at December 31, 2011, the Company's finance leases consist of four vehicles having a net book value of $149,314 (December 31, 2010 - $106,618 and January 1, 2010 - $nil).

7. Accounts payable and accrued liabilities

	31-Dec-11	31-Dec-10	1-Jan-10
Mineral properties suppliers and contractors	$ 1,782,014	$ 649,613	$ 40,273
DNPM Taxes	219,795	272,340	288,144
Corporate payables	112,968	102,454	129,224
Audit accrual	50,000	50,000	48,000
	$ 2,164,777	$ 1,074,407	$ 505,641

(Expressed in Canadian dollars unless otherwise noted)

8. Finance leases

Finance leases relate to vehicles with lease terms of 1 to 2 years. The Company has options to purchase the vehicles for a nominal amount at the conclusion of the lease agreements.

As at December 31, 2011, the finance leases were composed of the following obligations:

2012		73,580
2013		7,738
		81,318
less amounts representing interest		(14,573)
	$	66,745
current portion		60,264
long term portion		6,481

9. Share Capital

a) As at December 31, 2011 and 2010, 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.

(Expressed in Canadian dollars unless otherwise noted)

9. Share Capital

b) Issued and outstanding share capital

	Number of Shares		Amount
Balance, January 1, 2010	112,396,351	$	30,120,388
Private placements (i,ii)	31,333,334		11,500,000
Exercise of stock options	2,275,000		638,430
Exercise of stock options - value allocation	-		440,632
Exercise of warrants	1,951,949		595,050
Exercise of warrants -value allocation	-		163,205
Exercise of agent unit options	2,200		550
Cost of issue	1,200,000		(113,775)
Allocation of fair value of warrants from private placement	-		(2,211,000)
Allocation of fair value of agent unit options	-		(303,813)
Balance, December 31, 2010	149,158,834		40,829,667
Public offering (iii)	45,080,000		51,842,000
Exercise of stock options	2,659,000		1,397,078
Exercise of stock options - value allocation			958,656
Exercise of warrants	10,706,500		3,819,550
Exercise of warrants -value allocation			1,182,098
Value of warrants granted on exercise of broker units	-		(237,000)
Cost of issue			(3,515,942)
Balance, December 31, 2011	207,604,334	$	96,276,107

(i) On March 3, 2010, the Company closed a private placement offering for gross proceeds of $6,000,000 through the issuance of 24,000,000 units comprised of one common share and one purchase warrant. Each warrant is exercisable for one common share of Belo Sun at a price of $0.50 per share until March 3, 2012. In connection with this private placement, the Company issued 1,200,000 common shares to D&D Securities and Delano Capital Corp. (the “Agents”) and issued 1,200,000 agent unit options that will entitle the Agents to acquire the same number of units of the Company at a price of $0.25 until March 3, 2012. The fair value of the agent unit options was estimated at $303,813 on the date of grant using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 127%; risk free interest rate of 2.25% and an expected life of two years. The agent unit options have been valued based on the equity instruments granted, as the fair value of the services received is not reliably determinable.

(Expressed in Canadian dollars unless otherwise noted)

9. Share Capital (continued)

b) Issued and outstanding share capital (continued)

(ii) On December 22, 2010, the Company completed a non-brokered private placement financing of common shares of the Company for gross proceeds of $5,500,001 through the issuance of 7,333,334 common shares at a price of $0.75 per common share. The common shares were subject to resale restrictions that expired on April 22, 2011.

(iii) On March 25, 2011, the Company completed a bought deal financing of 45,080,000 common shares, including the full exercise of the agents' over-allotment option 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.

10. Share-based payments reserves

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

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

	Number of Options	Weighted average exercise prices (CAD$)	Value of options	Number of Warrants	Weighted average exercise prices (CAD$)	Value of warrants	TOTAL VALUE
January 1, 2010	4,921,000	$0.46	$ 1,486,698	8,308,749	$0.28	$ 881,917	$ 2,368,615
Granted	7,770,400	$0.40	2,264,866	25,202,200	$0.49	2,514,813	4,779,679
Exercised	(2,275,000)	$0.28	(440,632)	(1,954,149)	$0.30	(163,205)	(603,837)
Expired/forfeited	(468,000)	$0.54	(142,847)	-	$0.00	-	(142,847)
December 31, 2010	**9,948,400**	**$0.45**	**$ 3,168,085**	**31,556,800**	**$0.44**	**$ 3,233,525**	**$ 6,401,610**
Granted	4,922,200	$1.33	4,380,758	610,000	$0.50	$ 237,000	4,617,758
Exercised	(2,659,000)	$0.53	(958,656)	(10,706,500)	$0.36	$ (1,182,098)	(2,140,754)
Expired/forfeited	(60,000)	$1.33	(53,400)	(372,500)	$0.24	$ (42,602)	(96,002)
December 31, 2011	**12,151,600**	**$0.79**	**$ 6,536,787**	**21,087,800**	**$0.49**	**$ 2,245,825**	**$ 8,782,612**

(Expressed in Canadian dollars unless otherwise noted)

10. Share-based payments reserves (continued)

As at December 31, 2011, warrants include 587,800 agent unit options (December 31, 2010 – 1,197,800) exercisable at $0.25 into one common share and one warrant that is exercisable at $0.50 into one common share and expires March 3, 2012.

As at December 31, 2011, the weighted average share price on the date of the options and warrants were exercised was $1.15 and $1.47 respectively (December 31, 2010 - $0.64 and $0.73).

The following share-based payments arrangements were in existence during the current and prior reporting periods:

Options:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
500,000	500,000	10-Apr-07	10-Apr-12	$ 0.60	99%	5	0%	4.50%
250,000	250,000	24-Oct-07	24-Oct-12	$ 0.60	81%	5	0%	4.18%
3,794,600	3,794,600	5-Mar-10	5-Mar-15	$ 0.34	100%	5	0%	2.59%
60,000	60,000	2-Jun-10	2-Jun-15	$ 0.45	100%	5	0%	2.68%
1,968,000	1,968,000	29-Jul-10	29-Jul-15	$ 0.36	104%	5	0%	2.36%
25,000	25,000	5-Aug-10	5-Aug-15	$ 0.43	96%	5	0%	2.32%
50,000	50,000	11-Nov-10	11-Nov-15	$ 0.80	94%	5	0%	2.50%
650,000	650,000	5-Dec-10	5-Dec-15	$ 0.89	94%	5	0%	2.40%
4,854,000	4,854,000	21-Apr-11	21-Apr-16	$ 1.33	94%	5	0%	2.70%
12,151,600	12,151,600							

Warrants:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
587,800	587,800	3-Mar-10	3-Mar-12	$ 0.25	127%	2	0%	2.25%
20,190,000	20,190,000	3-Mar-10	3-Mar-12	$ 0.50	127%	2	0%	2.25%
300,000	300,000	18-Apr-11	3-Mar-12	$ 0.50	94%	1	0%	1.74%
10,000	10,000	8-Dec-11	3-Mar-12	$ 0.50	63%	0.3	0%	0.83%
21,087,800	21,087,800							

(Expressed in Canadian dollars unless otherwise noted)

10. Share-based payments reserves (continued)

Fair value of share options granted in the period:

During the twelve months ended December 31, 2011, the Company granted 4,922,200 stock options (December 31, 2010: 7,770,400). A value of $4,380,758 was recorded to the statement of comprehensive loss for the twelve months ended December 31, 2011 (December 31, 2010: $2,264,866) related to these stock options. The weighted average grant date fair value of the share options granted during the twelve month period ended December 31, 2011 is $0.89 (2010: $0.29). Options were priced using the Black-Scholes option-pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non - transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. 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.

11. Operating segments

Geographical information

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

	Current Assets	Property, Plant and Equipment	Other long-term assets	TOTAL ASSETS
December 31, 2011				
Canada	$ 12,439,612	$ 9,325	$ -	$ 12,448,937
Barbados	1,553	-	-	1,553
Brazil	20,367,603	1,137,364	548,968	22,053,935
	$ 32,808,768	$ 1,146,689	$ 548,968	$ 34,504,425
December 31, 2010				
Canada	$ 3,128,997	$ 15,654	$ -	$ 3,144,651
Barbados	9,059	-	-	9,059
Brazil	4,183,839	501,933	552,133	5,237,905
	$ 7,321,895	$ 517,587	$ 552,133	$ 8,391,615
January 1, 2010				
Canada	$ 2,321,816	$ 2,998	$ -	$ 2,324,814
Barbados	1,711	-	-	1,711
Brazil	75,162	211,247	513,362	799,771
	$ 2,398,689	$ 214,245	$ 513,362	$ 3,126,296

(Expressed in Canadian dollars unless otherwise noted)

12. 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 and warrants, 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 and warrants would be anti-dilutive.

13. Financial instruments

Financial assets and financial liabilities as at December 31, 2011 and 2010 were as follows:

December 31, 2011	Other liabilities	Loans and receivables	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	$ -	$ -	$ 32,415,945	$ 32,415,945
Sundry receivables	-	120,155	-	120,155
Term investment	-	-	548,968	548,968
Accounts payable and accrued liabilities	2,164,777	-	-	2,164,777
Finance lease	66,745	-	-	66,745

December 31, 2010	Other liabilities	Loans and receivables	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	$ -	$ -	$ 7,127,226	$ 7,127,226
Prepaid expenses and sundry receivables	-	14,778	-	14,778
Term investment	-	-	552,133	552,133
Accounts payable and accrued liabilities	1,074,407	-	-	1,074,407
Finance lease	109,618	-	-	109,618

At December 31, 2011, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents and term investment, have been classified as Level 1 within the fair value hierarchy.

The Company's risk exposures and the impact 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 years ended December 31, 2011 and 2010.

13. Financial instruments (continued)

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparty related to its cash and cash equivalents and term investment carry an investment grade rating as assessed by external rating agencies. The Company maintains all of its cash and cash equivalents and term investment with major Canadian, British, US and Brazilian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Sundry receivables consist of advances made to employees and management believes that the credit risks associated with these amounts are remote.

The Company's maximum exposure to credit risk at the balance sheet date is the carrying value of cash and cash equivalents, term investment and sundry receivables.

Liquidity risk

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

As at December 31, 2011, the Company had current assets of $32,808,768 to settle current liabilities of $2,232,132.

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 December 31, 2011, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately $32,000 (2010 - $71,000).

(b) Currency risk

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

13. Financial instruments (continued)

Market risk (continued)

(b) Currency risk (continued)

A strengthening of $0.01 in the United States dollar against the Brazilian Reais would have increased net income by approximately $345,000 for the year ended December 31, 2011 (2010 - $63,000). A strengthening of $0.01 in the Canadian dollar against the United States dollar would have decreased accumulated other comprehensive income by approximately $185,000 for the year ended December 31, 2011 (2010 - $38,000). At December 31, 2011, one Canadian dollar was equal to 0.9833 United States dollars (2010 – 1.0054) and one Canadian dollar was equal to 1.8322 Brazilian Reais (2010 – 1.6686).

(c) Price risk

The Company will be exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices of these commodities. Prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors may in turn be influenced by changes in international investment patterns and monetary systems and political developments.

14. Capital management

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

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

There were no significant changes in the Company's approach to capital management during the twelve months ended December 31, 2011 and 2010. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars unless otherwise noted)

15. Related party disclosures

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

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

15. Related party disclosures (continued)

During the period, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Sales of goods Twelve months ended December 31,		Purchases of goods/services Twelve months ended December 31,	
	2011	2010	2011	2010
2227929 Ontario Inc.	$ -	$ -	$ 275,202	$ 75,364
Forbes & Manhattan, Inc.	-	-	180,000	98,387
Valencia Ventures Inc.	-	-	1,366	-
Falcon Metais Ltda.	-	-	162,510	-
Global Atomic Corp.	-	-	-	30,867
Silvermet Inc.	-	-	-	29,078

The Company shares office space with other companies who may have common officers and directors. The costs associated with this space are administered by 2227929 Ontario Inc and Valencia Ventures Inc.

Mr. Stan Bharti, the Chairman of the Company, is the Executive Chairman of Forbes and Manhattan, Inc., a corporation that provides administrative services to the Company. Forbes and Manhattan, Inc. previously charged a monthly consulting fee of $10,000. However, the consulting fee has increased to $25,000 per month effective September 1, 2011.

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

Mr. Stephen Roman, a former CEO, president and director of the Company, is an officer and director of Global Atomic Corp. and Silvermet Inc., a corporation that had previously provided rent and administrative services to the Company. Mr. Jeff Dawley, former CFO of the Company, had his consulting fees paid to Silvermet Inc. These costs are no longer being incurred.

(Expressed in Canadian dollars unless otherwise noted)

15. Related party disclosures (continued)

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

	Amounts owed by related parties		Amounts owed to related parties	
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
2227929 Ontario Inc.	$ 72,209	$ -	$ 14,893	$ 12,954
Directors of the Company	-	-	72,936	103,360
Falcon Metais Ltda.	29,384	-	-	40,610

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:

	Twelve months ended December 31,	
	2011	2010
Short-term benefits	$ 1,383,209	$ 1,205,687
Share-based payments	2,937,000	1,178,780

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

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

16. Commitments and contingencies

(a) Long Term Investment

Under a successfully renegotiated agreement with CPRM (Note 5) in March 2008, the Company maintains an interest bearing term deposit to cover the future royalty payments, starting March 31, 2008. There has been no production at Volta Grande Property thus no royalties were payable and no amounts were withdrawn by the CPRM.

(b) The Company is party to certain management contracts. These contracts require that additional payments of up to $2,500,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is uncertain, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately $596,000 all due within one year.

(c) The Company's mining and exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(Expressed in Canadian dollars unless otherwise noted)

17. Income tax

In assessing the realization of the Company's deferred income tax assets, management considers whether it is probable that some portion of all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected deferred taxable income, and tax planning strategies in making this assessment. The amount of deferred tax assets considered realizable could change materially in the near term based on future taxable income during the carry-forward period.

(a) The following table reconciles incomes taxes calculated at combined Canadian federal and provincial tax rate with income tax expense in these financial statements.

	2011	2010
Loss before income taxes	$ 32,869,959	$ 10,172,468
Statutory rate	28.25%	30.99%
Expected income tax recovery	9,285,763	3,152,448
Change in unrecognized deferred tax assets	(8,616,767)	(1,906,647)
Non-deductible expenses and permanent differences	(1,710,432)	(705,720)
Expired losses	-	(203,022)
Change in tax rate, foreign exchange and other	1,041,436	(372,514)
Income tax expense	$ -	$ (35,455)

(b) The significant components of the Company's deferred income tax assets are as follows:

	2011	2010
Deferred income tax assets and liabilities:		
Capital and non-capital tax losses carried forward	5,359,800	4,727,500
Capital assets	3,800	9,200
Unused foreign exploration and evaluation expenses	12,165,000	4,853,800
Share issue costs	745,100	66,500
Other liability	(14,182)	(14,182)
Net deferred income tax assets and liabilities	18,259,518	9,642,818
Unrecognized deferred tax assets	(18,273,700)	(9,657,000)
Deferred income tax asset (liability)	(14,182)	(14,182)

(Expressed in Canadian dollars unless otherwise noted)

17. Income tax (continued)

(c) As at December 31, 2011, the Company has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of $8,972,100 expiring as follows:

2014	497,000
2015	430,100
2026	481,900
2027	1,083,600
2028	869,700
2029	664,700
2030	2,166,200
2031	2,778,900
	$8,972,100

As at December 31, 2011, Belo Sun Mining (Barbados) Corp. has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of $122,500 expiring as follows:

2013	$7,800
2014	12,400
2015	13,600
2017	40,900
2018	13,300
2019	19,400
2020	15,100
	$122,500

As at December 31, 2010, Belo Sun Mining Mineracao Ltda. (Brazil) has non-capital losses carried forward of CAD$9,076,901 that carry forward indefinitely. These losses only offset 30% of taxable income in each subsequent year.

The current tax liability of $7,091 (December 31, 2010 - $14,182) represents amount of income taxes payable in respect of current and prior periods. An amount of $14,182 is recorded as deferred taxes.

18. Subsequent events

Subsequent to December 31, 2011, 587,800 warrants were granted upon the exercise of units of the Company, and in total, 21,515,600 warrants and 25,000 stock options were exercised for gross proceeds of $10,621,600. A total of 160,000 warrants expired unexercised on March 3, 2012.

In January 2012, the Company granted 3,470,000 stock options to directors, officers, consultants and employees of the Company at an exercise price of $1.15 expiring January 31, 2017.

19. Transition to IFRS

The Company's consolidated financial statements for the year ending December 31, 2011 are the first annual financial statements that comply with IFRS.

IFRS 1 requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was January 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company will be December 31, 2011. However, it also provides for certain optional exemptions and certain mandatory exceptions for first time IFRS adopters.

Initial elections upon adoption

Set forth below are the IFRS 1 applicable exemptions and exceptions applied in the conversion from Canadian GAAP to IFRS.

IFRS Exemption Options

1. *Share-based payments* - IFRS 2, Share-based Payments, encourages application of its provisions to equity instruments granted on or before November 7, 2002, but permits the application only to equity instruments granted after November 7, 2002 that had not vested by the Transition Date. The Company elected to avail itself of the exemption provided under IFRS 1 and applied IFRS 2 for all equity instruments granted after November 7, 2002 that had not vested by its Transition Date.

2. Business combinations - IFRS 1 provides the option to apply IFRS 3, Business Combinations, retrospectively or prospectively from the Transaction Date. The Company elected to apply IFRS 3 prospectively from the Transition Date. The retrospective basis would require the restatement of all business combinations that occurred prior to the Transition Date.

19. Transition to IFRS (continued)

IFRS Exemption Options (continued)

3. IAS 27 – Consolidated and Separate Financial Statements

   In accordance with IFRS 1, if a Company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

4. IAS 21 – The Effect of Changes in Foreign Exchange Rates

   The Company deemed the cumulative translation differences for all foreign operations to be zero at the transition date.

5. IAS 32 – Financial Instruments

   The Company applied IAS 32, Financial Instruments – Presentation retrospectively only to compound financial instruments where the liability portion was still outstanding as of the transition date.

IFRS 1 Mandatory Exceptions

Estimates - Hindsight is not used to create or revise estimates. The estimates previously made by the Company under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive income have resulted in reclassifications of various amounts on the consolidated statements of cash flows (see page 40).

a) **Expiry of share-based compensation**

   Canadian GAAP – Under Canadian GAAP, the Company's policy was to leave the value recorded for expired unexercised stock options to contributed surplus and to record the value of expired unexercised warrants in contributed surplus.

(Expressed in Canadian dollars unless otherwise noted)

19. Transition to IFRS (continued)

Reconciliations of Canadian GAAP to IFRS (continued)

a) Expiry of share-based compensation (continued)

IFRS – The Company has changed its policy related to expired share-based compensation whereby amounts recorded for expired unexercised stock options and warrants are transferred to retained earnings (deficit) on expiry. The Company also combined warrants and contributed surplus and classified the amounts to share-based payment reserve.

Impact on Consolidated Balance Sheets –

		31-Dec-10		1-Jan-10
Contributed surplus	$	(5,411,746)	$	(3,587,511)
Warrants		(3,233,525)		(881,918)
Share-based payment reserve		6,401,610		2,368,615
Adjustment to deficit	$	2,243,661	$	2,100,814

b) Exploration and evaluation expenses

Canadian GAAP – Under Canadian GAAP, the Company's policy was to capitalize all exploration and evaluation expenses on the balance sheet once the legal right to explore on the property was obtained.

IFRS – Under IFRS, the Company has changed its policy to expense all exploration and evaluation expenses until such a time a technical feasibility study shows the economic potential on the property.

Impact on Consolidated Balance Sheets -

		31-Dec-10		1-Jan-10
Evaluation and exploration	$	(13,126,561)	$	(7,576,412)
Adjustment to deficit	$	(13,126,561)	$	(7,576,412)

Impact on Consolidated Statements of Comprehensive Income –

		Twelve months ended 31-Dec-10
Evaluation and exploration	$	5,326,977
Engineering studies		223,172
Adjustment to comprehensive income	$	(5,550,149)

(Expressed in Canadian dollars unless otherwise noted)

19. Transition to IFRS (continued)

c) Functional Currency

Canadian GAAP – Under Canadian GAAP, the Canadian dollar was the functional currency of the Company. Foreign currency transactions were recorded and translated based on the integrated subsidiary requirements.

IFRS – Under IFRS, each entity determines its functional currency and translates foreign currency items into its functional currency. The results and financial position of any individual entity within the reporting entity whose functional currency differs from the presentation currency are translated to the presentation currency.

Impact on Consolidated Balance Sheets -

		31-Dec-10		1-Jan-10
Property, plant and equipment	$	(19,029)	$	(800)
AOCI		118,627		-
Adjustment to deficit	$	99,598	$	(800)

Impact on Consolidated Statements of Comprehensive Income

		Twelve months ended 31-Dec-10
General and administration	$	463
Amortization		(8,612)
Exploration and evaluation		31,603
Foreign exchange (gain)/ loss		(123,852)
AOCI		118,627
Adjustment to comprehensive income	$	(18,229)

(Expressed in Canadian dollars unless otherwise noted)

Reconciliation of Consolidated Statement of Comprehensive Loss for the twelve months ended December 31, 2010

	Note	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Expenses				
Management fees paid to directors		$ 484,928	$ -	$ 484,928
Salaries, wages and consulting fees		1,107,271	-	1,107,271
Legal fees		88,487	-	88,487
Audit fees		72,874	-	72,874
General and administration	(c)	922,925	463	923,388
Amortization	(c)	65,933	(8,612)	57,321
Share-bases payments		2,264,866	-	2,264,866
Exploration and evaluation expenses	(b),(c)	-	5,358,580	5,358,580
Engineering studies	(b)	-	223,172	223,172
Foreign exchange (gain) loss	(c)	(69,506)	(123,852)	(193,358)
Loss from operations		(4,937,778)	(5,449,751)	(10,387,529)
Finance income		199,179	-	199,179
Gain on capital assets		15,882	-	15,882
Income tax expense		(35,455)	-	(35,455)
Loss for period		(4,758,172)	(5,449,751)	(10,207,923)
Exchange difference on translating foreign subsidiaries	(c)	-	(118,627)	(118,627)
Comprehensive loss		$ (4,758,172)	$ (5,568,378)	$ (10,326,550)
Loss per share				
Basic		$ (0.04)	$ (0.04)	$ (0.08)
Diluted		$ (0.04)	$ (0.04)	$ (0.08)
Weighted average number of shares outstanding				
Basic and diluted		134,449,381		134,449,381

(Expressed in Canadian dollars unless otherwise noted)

Reconciliation of Consolidated Statement of Financial Position as of December 31, 2010

Canadian GAAP accounts	Note	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Assets				
Current assets				
Cash and cash equivalents		$ 7,127,226	$ -	$ 7,127,226
Prepaid expenses and sundry receivables		194,669	-	194,669
		7,321,895	-	7,321,895
Non-current assets				
Exploration and evaluation assets	(b)	13,126,561	(13,126,561)	-
Property, plant and equipment	(c)	536,616	(19,029)	517,587
Term investment		552,133	-	552,133
Total assets		**$ 21,537,205**	**$ (13,145,590)**	**$ 8,391,615**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 1,074,407	$ -	$ 1,074,407
Finance lease		75,972	-	75,972
Taxes payable		14,182	-	14,182
		1,164,561	-	1,164,561
Non-current liabilities				
Finance lease		33,646	-	33,646
Deferred taxes		14,182	-	14,182
		1,212,389	-	1,212,389
Equity				
Issued capital		40,829,667		40,829,667
Contributed surplus	(a)	5,411,746	(5,411,746)	-
Warrants	(a)	3,233,525	(3,233,525)	-
Share-based payment reserve	(a)		6,401,610	6,401,610
Accumulated other comprehensive loss	(c)	-	(118,627)	(118,627)
Retained earnings	(a),(b),(c)	(29,150,122)	(10,783,302)	(39,933,424)
Total equity		20,324,816	(13,145,590)	7,179,226
Total liabilities and equity		**$ 21,537,205**	**$ (13,145,590)**	**$ 8,391,615**

(Expressed in Canadian dollars unless otherwise noted)

Reconciliation of Consolidated Statement of Financial Position as of January 1, 2010

Canadian GAAP accounts	Note	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Assets				
Current assets				
Cash and cash equivalents		$ 2,362,994	$ -	$ 2,362,994
Prepaid expenses and sundry receivables		35,695	-	35,695
		2,398,689	-	2,398,689
Non-current assets				
Exploration and evaluation assets	(b)	7,576,412	(7,576,412)	-
Property, plant and equipment	(c)	215,045	(800)	214,245
Term deposit		513,362	-	513,362
Total assets		**$ 10,703,508**	**(7,577,212)**	**$ 3,126,296**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 505,641	-	$ 505,641
		505,641	-	505,641
Shareholder's equity				
Issued capital		30,120,388	-	30,120,388
Contributed surplus	(a)	3,587,511	(3,587,511)	-
Warrants	(a)	881,918	(881,918)	-
Share-based payment reserve	(a)		2,368,615	2,368,615
Accumulated other comprehensive loss		-	-	-
Retained earnings	(a),(b),(c)	(24,391,950)	(5,476,398)	(29,868,348)
Total equity		10,197,867	(7,577,212)	2,620,655
Total liabilities and equity		**$ 10,703,508**	**$ (7,577,212)**	**$ 3,126,296**

(Expressed in Canadian dollars unless otherwise noted)

Reconciliation of net cash used by operating activities, net cash used investing activities and net cash provided by financing activities

The following is a reconciliation of the material adjustments to the Company's consolidated statement of cash flow as report under Canadian GAAP to its consolidated statement of cash flow statement under IFRS for the year ended December 31, 2010:

		Operating Activities	Investing Activities	Financing Activities
Net cash as reported under Canadian GAAP	Note	$ (2,043,870)	$ (5,812,154)	$ 12,620,256
Exploration and evaluation expenses	b	(5,326,977)	5,326,977	-
Engineering studies expenses	b	(223,172)	223,172	-
Foreign exchange adjustments	c	(119,620)	46,016	(34,210)
Net cash as reported under IFRS		$ (7,713,639)	$ (215,989)	$ 12,586,046