BELO SUN
MINING

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

For the twelve months ended December 31, 2014 and 2013

(expressed in Canadian dollars)

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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, 2014 and December 31, 2013 and the consolidated statements of comprehensive loss, cash flows, and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 audit 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 consolidated financial statements present fairly, in all material respects, the financial position of Belo Sun Mining Corp. and its subsidiaries as at December 31, 2014 and December 31, 2013 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 27, 2015
Toronto, Ontario

Belo Sun Mining Corp.
Annual Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	December 31, 2014	December 31, 2013 (Restated - Note 17)	January 1, 2013 (Restated - Note 17)
Assets				
Current assets				
Cash and cash equivalents		$ 5,413,418	$ 13,197,670	$ 45,977,241
Prepaid expenses and sundry receivables	3	217,524	279,009	885,413
		5,630,942	13,476,679	46,862,654
Non-current assets				
Property and equipment	6	6,931,599	6,584,995	6,394,504
Term investment	5	547,236	517,427	524,131
Total Assets		$ 13,109,777	$ 20,579,101	$ 53,781,289
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued liabilities	7	$ 3,667,455	$ 3,425,522	$ 7,306,777
Finance leases		-	9,558	26,397
Current taxes		-	7,091	7,091
		3,667,455	3,442,171	7,340,265
Non-current liabilities				
Finance leases		-	-	10,313
Taxes payable		-	-	7,091
		3,667,455	3,442,171	7,357,669
Equity				
Share capital	8	163,787,228	157,304,907	157,177,638
Share-based payments reserve	9	10,335,113	15,141,493	13,270,262
Accumulated other comprehensive income		622,503	144,548	(497,425)
Deficit	17	(165,302,522)	(155,454,018)	(123,526,855)
Total Equity		9,442,322	17,136,930	46,423,620
Total Liabilities and Equity		$ 13,109,777	$ 20,579,101	$ 53,781,289

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Approved on behalf of the Directors:

"Catherine Stretch"
Director

"Mark Eaton"
Director

Belo Sun Mining Corp.
Annual Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Twelve months ended December 31, 2014	2013 (Restated - Note 17)
Expenses			
Management fees paid to directors	14	$ 635,907	$ 702,688
Salaries, wages and consulting fees		2,890,657	4,603,620
Legal fees		22,087	23,392
Audit fees		130,825	102,047
General and administration		1,332,257	2,646,002
Depreciation		261,138	379,692
Share-based payments	9	540,640	2,426,000
Exploration and evaluation expenses	4	6,134,520	11,730,519
Engineering studies	4	3,777,474	10,014,203
Foreign exchange (gain)/loss		(245,072)	625,075
Loss from operations		(15,480,433)	(33,253,238)
Interest income		275,254	782,225
Gain on disposal of assets	6	9,655	12,226
Gain on derivative liability		-	32,124
Net loss for the year		(15,195,524)	(32,426,663)
Exchange differences on translating foreign operations		477,955	641,973
Comprehensive loss for the year		$(14,717,569)	$ (31,784,690)
Loss per share			
Basic	11	$ (0.06)	$ (0.12)
Diluted	11	$ (0.06)	$ (0.12)
Weighted average number of shares outstanding:			
Basic and diluted		275,523,450	265,982,863

Belo Sun Mining Corp.
Annual Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Twelve months ended December 31, 2014	2013 (Restated - Note 17)
Cash provided by (used in) operations:			
Net (loss)		$(15,195,524)	$ (32,426,663)
Items not involving cash:			
Share-based payments	9	540,640	2,426,000
Depreciation		261,138	379,692
Interest income		(275,254)	(782,225)
Interest income received		226,013	748,475
(Gain) on sale of asset		(9,655)	(12,226)
Write-down of assets		-	67,314
(Gain) on derivative liability		-	(32,124)
Unrealized (gain)/loss on foreign exchange		(57,815)	402,930
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		61,485	606,404
Change in accounts payables and accrued liabilities		241,933	(1,434,329)
Change in current income taxes		(7,091)	(7,091)
Net cash (used) by operating activities		(14,214,130)	(30,063,843)
Investing activities			
Expenditures on property and equipment		(72,779)	(203,690)
Proceeds from sale of assets		46,601	12,226
Payment against liabilities related to the acquisition of land		-	(2,391,743)
Net cash (used) in investing activities		(26,178)	(2,583,207)
Financing activities			
Private placement financing		6,500,000	-
Cost of issue		(17,679)	-
Exercise of options		-	72,000
Finance lease payments		(9,990)	(26,046)
Net cash provided by financing activities		6,472,331	45,954
Change in cash and cash equivalents		(7,767,977)	(32,601,096)
Cash and cash equivalents, beginning of the year		13,197,670	45,977,241
Effect of exchange rate on cash held		(16,275)	(178,475)
Cash and cash equivalents, end of the year		$ 5,413,418	$ 13,197,670
Cash and cash equivalents are comprised of:			
Cash in bank		$ 4,924,596	$ 10,956,359
Short-term money market instruments		$ 488,822	$ 2,241,311
		$ 5,413,418	$ 13,197,670

Belo Sun Mining Corp.
Annual Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Share-Based Payments Reserve	Accumulated Other Comprehensive Income/(Loss)	Deficit	Total
Balance, December 31, 2013 (Note 17)	266,110,534	$ 157,304,907	$ 15,141,493	$ 144,548	$ (155,454,018)	$ 17,136,930
Private placement (Note 8)	30,952,381	6,500,000	-	-	-	6,500,000
Cost of issue (Note 8)	-	(17,679)	-	-	-	(17,679)
Stock-based compensation	-	-	540,640	-	-	540,640
Valuation allocation for expiry/cancellation of options	-	-	(5,347,020)	-	5,347,020	-
Comprehensive (loss)	-	-	-	477,955	(15,195,524)	(14,717,569)
Balance, December 31, 2014	297,062,915	$ 163,787,228	$ 10,335,113	$ 622,503	$ (165,302,522)	$ 9,442,322
Balance, January 1, 2013 (Note 17)	265,910,534	$ 157,177,638	$ 13,270,262	$ (497,425)	$ (123,526,855)	$ 46,423,620
Exercise of options	200,000	72,000	-	-	-	72,000
Valuation allocation on exercise of options	-	55,269	(55,269)	-	-	-
Valuation allocation for expiry of options	-	-	(499,500)	-	499,500	-
Comprehensive (loss)	-	-	2,426,000	641,973	(32,426,663)	(29,358,690)
Balance, December 31, 2013 (Note 17)	266,110,534	$ 157,304,907	$ 15,141,493	$ 144,548	$ (155,454,018)	$ 17,136,930

1. Nature of operations and going concern

Belo Sun Mining Corp. ("Belo Sun" or the "Company"), through its subsidiaries (Note 14), is a gold exploration company engaged in the exploration of properties located in Brazil. The Company is a publicly listed company incorporated in the Province of Ontario. The Company's shares are listed on the Toronto Stock Exchange. The Company's head office is located at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada, M5H 2M5.

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

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

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

2. Significant accounting policies

a) Statement of compliance

These annual consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended December 31, 2014. The policies as set out below were consistently applied to all the periods presented unless otherwise noted. The Board of Directors approved these annual consolidated financial statements for issue on March 27, 2015.

b) Basis of preparation

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

The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

c) New and future accounting policies

IAS 32, Financial instruments: Presentation is effective for annual periods beginning on or after January 1, 2014. IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments also clarify that the right of offset must be available on the current date and cannot be contingent on a future date. At January 1, 2014, the Company adopted this pronouncement and there was no impact on the Company's financial statements.

IAS 36, Impairments of Assets was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. At January 1, 2014, the Company adopted this pronouncement and there was no impact on the Company's financial statements.

IFRS 9, Financial Instruments: Classification and Measurement, introduces new requirements for the classification and measurement of financial instruments. The date of application is set for January 1, 2018, and the Company has not yet considered the potential impact of the adoption of IFRS 9.

d) Principles of consolidation

(i) Subsidiaries

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

(ii) Transactions eliminated on consolidation

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

e) Significant accounting judgments, estimates and assumptions

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

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

- Asset carrying values and impairment charges
  In the determination of carrying values and impairment charges, management looks at the recoverable amount considered to be higher of value in use or fair value less costs of disposal in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

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

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

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

- Estimation of close down and restoration costs and the timing of expenditures
  The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

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

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

- Contingencies
  Refer to Note 15.

f) Presentation and functional currency

The Company's annual consolidated financial statements are presented in Canadian dollars. The Company's functional and presentation currency is the Canadian dollar. The Company's subsidiaries' functional currency is the United States dollar.

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 on 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 exchange differences on translating foreign operations in accumulated other comprehensive income ("AOCI").

h) Cash and cash equivalents

Cash and cash equivalents 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.

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, but had a derivative financial liability resulting from a land purchase agreement which was settled during the year ended December 31, 2013.

k) Property and equipment

(i) Assets owned by the Company

Property 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 bring the asset to the location and condition necessary for its use in operations. Depreciation is computed using the straight-line method based on the estimated useful life of the assets. Useful life is reviewed at the end of each reporting period.

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 depreciation and impairment losses.

(ii) Subsequent costs

The Company recognizes in the carrying amount of an item of property 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 statement of comprehensive loss as an expense as incurred.

(iii) Depreciation

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

- Vehicles 5 years
- Buildings, furniture and office equipment 3 to 25 years
- Mining equipment 10 years

l) Exploration and evaluation expenditures

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, technically feasible and the decision to proceed with development has been approved, 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.

m) Impairment

When events or changes in the economic environment indicate a risk of impairment to property 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 of disposal) 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.

n) 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.

<u>Financial assets at fair value through profit or loss:</u>
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 fair value through profit and loss 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 statement of comprehensive loss.

The Company has designated cash and 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 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.

<u>Loans and receivables:</u>
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 statement of comprehensive loss. The losses arising from impairment are recognized in the statement of comprehensive loss.

The Company has designated sundry receivables as loans and receivables.

<u>De-recognition:</u>
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.

o) 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.

For financial assets carried at amortized cost, the Company first assesses 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 its 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 statement of comprehensive loss. 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. 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 statement of comprehensive loss.

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

p) Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, other financial liabilities, 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 has designated accounts payable and accrued liabilities and finance leases as other financial liabilities.

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 statement of comprehensive loss.

q) 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.

r) 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.

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 share-based payments 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.

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 statement of comprehensive loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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.

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.

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. 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.

As at December 31, 2014 and 2013, there was no provision recorded.

(Expressed in Canadian dollars unless otherwise noted)

3. Prepaid expenses and sundry receivables

	December 31, 2014	December 31, 2013 (Note 17)	January 1, 2013 (Note 17)
Trade receivables and other advances	$ 7,733	$ 139,887	$ 375,364
Prepaid taxes	-	-	338,278
HST/VAT receivable	183,646	115,539	142,794
Prepaid insurance	26,145	23,583	28,977
	$ 217,524	$ 279,009	$ 885,413

4. Exploration and evaluation expenses and engineering studies

Exploration and evaluation expenditures and engineering studies expensed immediately in the consolidated statement of comprehensive loss for the twelve months ended December 31, 2014 collectively amounted to $9,911,994 (December 31, 2013 - $21,744,722).

Exploration and evaluation properties comprise the following:

a) Volta Grande, Para State, Brazil

The Volta Grande Gold Project comprises 24 contiguous exploration permits and 18 exploration applications, covering a total area of 160,407.05 hectares; it is located in the municipality of Senador José Porfírio, in the northern region of Pará State in northern Brazil. The Volta Grande Gold Project is located on the Xingu River, north of the Carajás mineral province, approximately 60 km southeast of the city of Altamira.

In May 2012, the Company acquired surface rights for an area covering 1,734 hectares, which was comprised of three distinct properties – *Fazenda Galo de Ouro* covering 824.8 hectares, *Fazenda Ouro Verd*e covering 503.6 hectares and *Fazenda Ressaca* covering 405.9 hectares.

b) Patrocino, Para State, Brazil

This gold project is situated in the Para State and includes approximately 18,669 hectares (2013 – 18,669 hectares). 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 with Banco do Brasil SA to fund the potential amounts owing to Companhia de Pesquisa de Recursos Minerais (“CPRM”). As at December 31, 2014, the balance in this account was R$1,253,690 ($547,236) (December 31, 2013: R$1,149,072 ($517,427); January 1, 2013: R$1,078,680 ($524,131)) and the Company earned 10.68% in interest for the twelve months ended December 31, 2014 (2013: 6.53%). The Company intends to renew the term deposit on maturity because it is security against the potential amount owing to the CPRM, a Brazilian state owned company to which the Company is committed to paying royalties if a mineable deposit is defined on the Volta Grande Property.

(Expressed in Canadian dollars unless otherwise noted)

6. Property and equipment

Cost	Vehicles	Furniture & equipment	Mining equipment	Assets under construction	Land	Total
Balance at January 1, 2013	$640,585	$1,146,800	$ 513,324	$ 117,411	$4,470,822	$6,888,942
Additions	4,558	282,714	26,134	(109,716)	-	203,690
FX adjustment	16,435	21,228	4,563	(7,695)	312,097	346,628
Balance at December 31, 2013	661,578	1,450,742	544,021	-	4,782,919	7,439,260
Additions	-	42,065	30,714	-	-	72,779
Disposals	(132,246)	(4,507)	(376)	-	-	(137,129)
FX adjustment	62,570	141,296	58,310	-	434,026	696,202
Balance at December 31, 2014	591,902	1,629,596	632,669	-	5,216,945	8,071,112
Accumulated depreciation and impairment						
Balance at January 1, 2013	180,190	131,171	183,077	-	-	494,438
Charge for the year	119,918	84,452	175,322	-	-	379,692
Disposal	34,980	35,664	(3,330)	-	-	67,314
FX adjustment	(8,340)	(64,586)	(14,253)	-	-	(87,179)
Balance at December 31, 2013	326,748	186,701	340,816	-	-	854,265
Charge for the year	112,541	87,443	61,154	-	-	261,138
Disposals	(82,492)	(3,648)	(140)	-	-	(86,280)
FX adjustment	46,126	25,419	38,845	-	-	110,390
Balance at December 31, 2014	$402,923	$ 295,915	$ 440,675	$ -	$ -	$1,139,513
Net book value as at January 1, 2013	$460,395	$1,015,629	$ 330,247	$ 117,411	$4,470,822	$6,394,504
Net book value as at December 31, 2013	$334,830	$1,264,041	$ 203,205	$ -	$4,782,919	$6,584,995
Net book value as at December 31, 2014	$188,979	$1,333,681	$ 191,994	$ -	$5,216,945	$6,931,599

During the year ended December 31, 2014, the Company sold two vehicles for gross proceeds of R$106,000 ($46,601) and disposed of some computer equipment resulting in a gain on disposal of assets of $9,655 (December 31, 2013: gain of $12,226 from the sale of machinery for gross proceeds of $12,226).

7. Accounts payable and accrued liabilities

	December 31, 2014	December 31, 2013 (Note 17)	January 1, 2013 (Note 17)
Mineral properties suppliers and contractors	$ 595,158	$ 758,297	$ 1,606,074
Accrued royalties (Note 16)	2,377,875	2,376,394	2,481,549
Property acquisition consideration payable	-	-	2,450,403
Property taxes	243,371	-	-
Departamento Nacional de Produçao Mineral ("DNPM") taxes	68,440	142,533	154,744
Corporate payables	271,961	38,298	485,007
Audit and other accruals	110,650	110,000	129,000
	$ 3,667,455	$ 3,425,522	$ 7,306,777

Approximately $3,300,000 of the Company's financial liabilities as at December 31, 2014 have contractual maturities of less than 30 days and are subject to normal trade terms.

(Expressed in Canadian dollars unless otherwise noted)

8. Share Capital

As at December 31, 2014 and 2013, 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.

During the year ended December 31, 2014, the Company completed a non-brokered private placement financing through the issuance of 30,952,381 common shares of the Company at price of $0.21 per common share for gross proceeds of $6,500,000. The Company incurred issue costs of $17,679 in relation to this private placement.

9. Share-based payments reserves

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

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

	Number of Options	Weighted average exercise prices	TOTAL VALUE
December 31, 2012	19,763,000	$0.96	$ 13,270,262
Granted	4,000,000	$0.74	2,426,000
Exercised	(200,000)	$0.36	(55,269)
Expired/cancelled	(620,000)	$1.14	(499,500)
December 31, 2013	22,943,000	$0.93	$ 15,141,493
Granted	6,758,000	$0.12	540,640
Expired/cancelled	(6,523,000)	$1.19	(5,347,020)
December 31, 2014	**23,178,000**	**$0.62**	**$ 10,335,113**

During the twelve months ended December 31, 2014, 6,450,000 options were cancelled by the Company after the voluntary surrender by the optionee.

The weighted average share price on the date of exercise of options during the year ended December 31, 2014 was $nil (December 31, 2013: $0.81).

(Expressed in Canadian dollars unless otherwise noted)

The following share-based payments arrangements were in existence as at December 31, 2014:

Options:

					Black-Scholes inputs			
Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
3,611,000	3,611,000	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%
1,768,000	1,768,000	29-Jul-10	29-Jul-15	$ 0.36	104%	5	0%	2.36%
50,000	50,000	11-Nov-10	11-Nov-15	$ 0.80	94%	5	0%	2.50%
500,000	500,000	5-Dec-10	5-Dec-15	$ 0.89	94%	5	0%	2.40%
2,184,000	2,184,000	21-Apr-11	21-Apr-16	$ 1.33	94%	5	0%	2.70%
1,812,000	1,812,000	31-Jan-12	31-Jan-17	$ 1.15	94%	5	0%	1.25%
100,000	100,000	14-Jun-12	14-Jun-17	$ 1.17	94%	5	0%	1.28%
1,300,000	1,300,000	3-Jul-12	3-Jul-17	$ 1.15	94%	5	0%	1.26%
1,160,000	1,160,000	10-Jul-12	10-Jul-17	$ 1.15	94%	5	0%	1.18%
300,000	300,000	29-Nov-12	29-Nov-17	$ 1.70	93%	5	0%	1.30%
50,000	50,000	11-Jan-13	11-Jan-18	$ 1.58	119%	5	0%	1.48%
200,000	200,000	9-Apr-13	9-Apr-18	$ 1.14	118%	5	0%	1.24%
3,325,000	3,325,000	19-Aug-13	19-Aug-18	$ 0.71	118%	5	0%	1.98%
6,758,000	6,758,000	19-Nov-14	19-Nov-19	$ 0.12	86%	5	0%	1.53%
23,178,000	23,178,000							

Fair value of share options granted in the period:

During the twelve months ended December 31, 2014, the Company granted 6,758,000 stock options incurring $540,640 in stock-based compensation expense (December 31, 2013: 4,000,000 options were granted and $2,426,000 was recorded as stock-based compensation). The weighted average grant date fair value of the share options granted during the twelve months ended December 31, 2014 is $0.08 (December 31, 2013: $0.61). Options were priced using the Black-Scholes option-pricing model. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises. The weighted average life of the outstanding options is 2.68 years at December 31, 2014 (2013: 2.84 years). The weighted average market price on the date of grant for options granted during the year was $0.12 (December 31, 2013: $0.74).

(Expressed in Canadian dollars unless otherwise noted)

10. Operating segments

Geographical information

The Company operates in Canada and Brazil. Information about the Company's assets by geographical location is detailed below.

	Current assets	Property and equipment	Other long-term assets	Total Assets
December 31, 2014				
Canada	$ 5,096,092	$ 1,383	$ -	$ 5,097,475
Brazil	534,850	6,930,216	547,236	8,012,302
	$ 5,630,942	$ 6,931,599	$ 547,236	$ 13,109,777
December 31, 2013				
Canada	$ 11,195,075	$ 3,036	$ -	$ 11,198,111
Brazil	2,281,604	6,581,959	517,427	9,380,990
	$ 13,476,679	$ 6,584,995	$ 517,427	$ 20,579,101
January 1, 2013				
Canada	$ 37,254,581	$ 7,684	$ -	$ 37,262,265
Brazil	9,608,073	6,386,820	524,131	16,519,024
	$ 46,862,654	$ 6,394,504	$ 524,131	$ 53,781,289

11. Loss per share

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

12. Financial instruments

Financial assets and financial liabilities as at December 31, 2014 and 2013 were classified as follows:

December 31, 2014	Loans and receivables	Other liabilities	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	$ -	$ -	$ 5,413,418	$ 5,413,418
Term investment	-	-	547,236	547,236
Accounts payable and accrued liabilities	-	3,667,455	-	3,667,455
Finance leases	-	-	-	-

December 31, 2013 (Note 17)	Loans and receivables	Other liabilities	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	$ -	$ -	$ 13,197,670	$ 13,197,670
Sundry receivables	139,887	-	-	$ 139,887
Term investment	-	-	517,427	$ 517,427
Accounts payable and accrued liabilities	-	3,425,522	-	$ 3,425,522
Finance leases	-	9,558	-	$ 9,558

January 1, 2013 (Note 17)	Loans and receivables	Other liabilities	Assets /(liabilities) at fair value through profit/loss	Total
Cash and cash equivalents	$ -	$ -	$ 45,977,241	$ 45,977,241
Sundry receivables	375,364	-	-	$ 375,364
Term investment	-	-	524,131	$ 524,131
Accounts payable and accrued liabilities	-	6,825,929	480,848	$ 7,306,777
Finance leases	-	36,710	-	$ 36,710

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

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

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

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

At December 31, 2014 and 2013 and January 1, 2013, financial instruments that are carried at fair value, consisting of cash and cash equivalents, term investment, and derivative liablity have been classified as Level 1 within the fair value hierarchy.

The Company's risk exposures and their impacts on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the twelve months ended December 31, 2014.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company’s primary counterparty related to its cash and cash equivalents and term investment carry an investment grade rating as assessed by external rating agencies. The Company maintains all of its cash and cash equivalents and term investment with major Canadian, British, US and Brazilian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits.

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

Liquidity risk

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

As at December 31, 2014, the Company had current assets of $5,630,942 to settle current liabilities of $3,667,455.

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, 2014, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately $5,400 (December 31, 2013 - $13,000).

(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.

A strengthening of $0.01 in the United States dollar against the Brazilian Reais would have decreased net income by approximately $44,000 for the twelve months ended December 31, 2014 (December 31, 2013 - $47,000). A strengthening of $0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately $16,000 for the twelve months ended December 31, 2014 (December 31, 2013 - $20,000). At December 31, 2014, one Canadian dollar was equal to 0.8620 United States dollars (December 31, 2013 – 0.9402) and one Canadian dollar was equal to 2.2910 Brazilian Reais (December 31, 2013 – 2.2207).

13. Capital management

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

(Expressed in Canadian dollars unless otherwise noted)

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

There were no significant changes in the Company's approach to capital management during the year ended December 31, 2014. The Company is not subject to externally imposed capital requirements.

14. 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 Industrailizacao Ltda	Brazil	100
Aubras Mineracao Ltda	Brazil	98
Oca Mineracao Ltda	Brazil	100

During the year ended December 31, 2014, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods/services Twelve months ended December 31,	
	2014	2013
2227929 Ontario Inc.	$ 340,840	$ 538,700
Forbes & Manhattan, Inc.	312,500	313,000
Falcon Metais Ltda.	162,469	159,890

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

Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc., a corporation that provides administrative and consulting services to the Company, including but not limited to strategic planning and business development. Forbes & Manhattan, Inc. charges a monthly consulting fee of $25,000. During the twelve months ended December 31, 2014, the Company granted Mr. Bharti, through Forbes & Manhattan, Inc., a bonus of $12,500 (December 31, 2013 - $13,000).

(Expressed in Canadian dollars unless otherwise noted)

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

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

	Amounts owed by related parties		Amounts owed to related parties	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
2227929 Ontario Inc.	$ -	$ -	$ -	$ 11,661
Falcon Metais Ltda.	-	-	44,293	-
Directors of the Company	-	-	233,393	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior periods for bad or doubtful debts in respect of the amounts owed by related parties.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel during the period were as follows:

	Twelve months ended December 31,	
	2014	2013
Short-term benefits	$ 2,087,827	$ 3,109,833
Share-based payments	441,600	1,288,760

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

15. Commitments and contingencies

(a) Under a successfully renegotiated agreement with CPRM in March 2008, the Company maintains an interest bearing term deposit to cover the future royalty payments, starting March 31, 2008. As at December 31, 2014, no royalty payments have been paid.

(b) The Company is party to certain management contracts. These contracts require that additional payments of up to $7,550,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is uncertain and it is not probable that there will be any outflow of resources to settle the commitment, the contingent payments have not been reflected in these annual consolidated financial statements. Minimum commitments remaining under these contracts were approximately $923,000 all due within one year.

(Expressed in Canadian dollars unless otherwise noted)

(c) The Company is, from time to time, involved in various claims and legal proceedings. The Company cannot reasonably predict the likelihood or outcome of these activities. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations. As at December 31, 2014 and 2013, no amounts have been accrued related to such matters.

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

16. Income taxes

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

	2014	2013
Loss before income taxes	$ 15,195,524	$ 32,531,818
Statutory rate	26.50%	26.50%
Expected income tax recovery	$ 4,026,814	$ 8,620,932
Change in unrecognized deferred tax assets	(2,885,600)	(4,940,800)
Non-deductible expenses and permanent differences	(798,069)	(2,572,406)
Expired losses	-	-
Change in tax rate, foreign exchange and other	(343,145)	(1,107,726)
Income tax expense	$ -	$ -

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

(Expressed in Canadian dollars unless otherwise noted)

	2014	2013
Deferred income tax assets and liabilities:		
Capital and non-capital tax losses carried forward	$ 10,577,100	$ 9,092,600
Capital assets	9,100	8,700
Unused foreign exploration and evaluation expenses	27,135,700	25,388,700
Share issue costs	505,400	851,700
Other liability	-	-
Net deferred income tax assets and liabilities	38,227,300	35,341,700
Unrecognized deferred tax assets	(38,227,300)	(35,341,700)
Deferred income tax asset (liability)	$ -	$ -

(c) As at December 31, 2014, the Company has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of $25,322,400 expiring as follows:

2015	430,100
2026	481,900
2027	1,083,600
2028	869,700
2029	664,700
2030	2,166,200
2031	2,778,900
2032	5,485,200
2033	6,464,900
2034	4,897,200
	$ 25,322,400

As at December 31, 2014, Belo Sun Mining (Barbados) Corp. has non-capital losses carried forward for income tax purposes available to reduce taxable income in future years of $161,100 expiring as follows:

2015	14,700
2017	44,300
2018	14,200
2019	21,300
2020	16,400
2021	16,000
2022	15,700
2023	18,500
	$ 161,100

(Expressed in Canadian dollars unless otherwise noted)

As at December 31, 2014, Belo Sun Mineracao Ltda. (Brazil) has non-capital losses carried forward of approximately CAD$11,254,000 that carry forward indefinitely. These losses only offset 30% of taxable income in each subsequent year.

17. Restatement of prior years' comparative financial statements

As a result of uncovering an amendment to an existing agreement dating back to 2008, the Company recorded an accrual for royalty payments which impacted prior periods. The restatement impacts the items shown below for prior periods on the Company's financial statements.

Statements of Financial Position	December 31, 2013			January 1, 2013		
	As previously reported	*Adjustment*	*Restated*	*As previously reported*	*Adjustment*	*Restated*
Accounts payable and accrued liabilities	(1,049,128)	(2,376,394)	(3,425,522)	(4,825,228)	(2,481,549)	(7,306,777)
Deficit	153,077,624	2,376,394	155,454,018	121,045,306	2,481,549	123,526,855

Statements of Comprehensive Loss	December 31, 2013		
	As previously reported	*Adjustment*	*Restated*
Net loss for the year	(32,531,818)	105,155	(32,426,663)
Net comprehensive loss for the year	(31,889,845)	105,155	(31,784,690)
Basic and diluted loss per share	(0.12)	0.00	(0.12)

Statements of Cash Flow	December 31, 2013		
	As previously reported	*Adjustment*	*Restated*
Net loss for the year	(32,531,818)	105,155	(32,426,663)
Working capital adjustments - change in accounts payable and accrued liabilities	(1,329,174)	(105,155)	(1,434,329)
Net cash used by Operating Activities	(30,063,843)	-	(30,063,843)

18. Subsequent event

On March 5, 2015, 3,611,000 options exercisable at $0.34 expired unexercised.