CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

For the three months ended
March 31, 2019 and 2018

(expressed in Canadian dollars)

Belo Sun Mining Corp.

NOTICE OF NO AUDITOR REVIEW OF
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(Expressed in Canadian dollars)

	Notes	March 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		$ 33,364,646	$ 35,378,721
Prepaid expenses and sundry receivables	3	335,693	227,850
		33,700,339	35,606,571
Non-current assets			
Promissory notes receivable	6	10,352,510	10,280,381
Long-term deposits	7	1,603,560	1,637,040
Property, plant and equipment	4, 7	19,215,752	19,421,635
Term investment	5	600,782	606,980
Total Assets		$ 65,472,943	$ 67,552,607
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	8	$ 4,229,134	$ 4,457,940
Current portion of lease liabilities	9	20,668	-
		4,249,802	4,457,940
Non-current liabilities			
Long-term portion of lease liabilities	9	72,566	-
Total Liabilities		4,322,368	4,457,940
Equity			
Share capital		258,924,019	258,924,019
Share-based payments reserve	10	4,205,908	4,205,908
Contributed surplus	11	626,455	493,621
Accumulated other comprehensive income		1,501,676	1,790,608
Deficit		(204,107,483)	(202,319,489)
Total Equity		61,150,575	63,094,667
Total Liabilities and Equity		$ 65,472,943	$ 67,552,607

Commitments and contingencies 18

Approved on behalf of the Directors:

"Denis Arsenault"
Director

"Mark Eaton"
Director

Belo Sun Mining Corp.
Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Three months ended March 31, 2019	2018
Expenses			
Salaries, wages and consulting fees	17	743,494	980,119
Legal and audit fees		26,992	86,992
General and administration		417,522	455,578
Depreciation	7	34,705	24,864
Share-based payments	10, 11	132,834	(190,691)
Exploration and evaluation expenses	4	737,419	831,335
Foreign exchange (gain)/loss		(3,920)	13,793
Loss from operations		(2,089,046)	(2,201,990)
Interest income		251,302	230,855
Interest expense		(1,863)	-
Gain on sale of securities	13	48,599	-
Net loss for the period		(1,791,008)	(1,971,135)
Other Comprehensive (Loss)/Income			
Items that may be reclassified to profit/loss:			
Exchange differences on translating foreign operations		(287,069)	319,250
Comprehensive loss for the period		$ (2,078,077)	$ (1,651,885)
Loss per share:			
Basic and diluted	14	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding:			
Basic and diluted		442,631,915	465,589,915

Belo Sun Mining Corp.
Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Notes	Three months ended March 31, 2019	2018
Cash provided by (used in) operations:			
Net (loss)		$ (1,791,008)	$ (1,971,135)
Items not involving cash:			
Share-based payments	10, 11	132,834	(190,691)
Depreciation	7	34,705	24,864
Interest income		(251,302)	(230,855)
Interest income received		170,445	221,194
Interest on leases		1,863	-
Gain on sale of securities	13	(48,599)	-
Unrealized loss/(gain) on foreign exchange		52,561	(81,196)
Working capital adjustments:			
Change in prepaid expenses and sundry receivables		(107,843)	34,888
Change in accounts payables and accrued liabilities		(228,806)	(192,173)
Net cash (used in) operating activities		(2,035,150)	(2,385,104)
Investing activities			
Expenditures on property, plant and equipment	4, 7	(18,887)	(846,362)
Purchase of securities	13	(1,929,620)	-
Sale of securities	13	1,978,219	-
Net cash (used in) investing activities		29,712	(846,362)
Financing activities			
Lease payments	9	(5,074)	-
Net cash (used in) financing activities		(5,074)	-
Change in cash and cash equivalents		(2,010,512)	(3,231,466)
Cash and cash equivalents, beginning of the period		35,378,721	65,093,701
Effect of exchange rate on cash held		(3,563)	29,032
Cash and cash equivalents, end of the period		$ 33,364,646	$ 61,891,267
Cash and cash equivalents are comprised of:			
Cash in bank		$ 33,239,640	$ 61,886,949
Short-term money market instruments		$ 125,006	$ 4,318
		$ 33,364,646	$ 61,891,267

Belo Sun Mining Corp.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Contributed Surplus	Share-Based Payments Reserve	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2018	442,631,915	$ 258,924,019	$ 493,621	$ 4,205,908	$ 1,790,608	$ (202,319,489)	$ 63,094,667
Share-based compensation	-	-	132,834	-	-	-	132,834
Other comprehensive income	-	-	-	-	(288,932)	-	(288,932)
IFRS 16 adjustment - modified approach (Note 2)	-	-	-	-	-	1,151	1,151
Net loss	-	-	-	-	-	(1,789,145)	(1,789,145)
Balance, March 31, 2019	442,631,915	$ 258,924,019	$ 626,455	$ 4,205,908	$ 1,501,676	$ (204,107,483)	$ 61,150,575
Balance, December 31, 2017	465,589,915	$ 264,043,853	$ (680,651)	$ 5,044,952	$ 729,648	$ (195,560,858)	$ 73,576,944
Share-based compensation	-	-	-	102,595	-	-	102,595
Other comprehensive loss	-	-	-	-	319,250	-	319,250
Net loss	-	-	-	-	-	(1,971,135)	(1,971,135)
Balance, March 31, 2018	465,589,915	$ 264,043,853	$ (680,651)	$ 5,147,547	$ 1,048,898	$ (197,531,993)	$ 72,027,654

1. Nature of operations

Belo Sun Mining Corp. ("Belo Sun" or the "Company"), through its subsidiaries (Note 17), is a gold exploration and development company engaged in the exploration and development of properties located in Brazil. The Volta Grande Gold project moved to the development stage in 2017 (Note 4). Other projects are in the exploration and evaluation stage. The Company is a publicly listed company incorporated in the Province of Ontario. The Company's shares are listed on the Toronto Stock Exchange and trade under the symbol "BSX". The Company's head office is located at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada, M5H 2M5.

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

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

2. Significant accounting policies

a) Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at March 31, 2019. The policies set out in the Company's Annual Consolidated Financial Statements for the year ended December 31, 2018 were consistently applied to all the periods presented unless otherwise noted. The Board of Directors approved these condensed interim consolidated financial statements for issue on May 14, 2019.

b) Basis of preparation

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

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

2. Significant accounting policies (continued)

c) New and future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2019 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

New standards and amendments adopted:

IFRS 16 – Leases (‘IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. The Company has applied IFRS 16 on January 1, 2019 using the modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to retained earnings and no restatement of comparative information. Upon adoption, the Company has elected to apply the available exemptions for short-term leases and leases of low-value assets. The Company has also elected to apply the practical expedient whereby leases whose term ends within 12 months of the date of the initial application would be accounted for in the same way as short-term leases.

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The Company has included the estimated extension of their leases in the lease term in assessing the present value of future lease payments. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Right-of use assets are depreciated in accordance with the Company’s accounting policy for Property, plant and equipment.

On January 1, 2019, the Company recognized right-of-use assets of $154,100, net of accumulated depreciation and total lease liabilities of $100,597, with an adjustment to retained earnings of $1,151 and a foreign exchange impact of $52,352.

Standards and amendments to be adopted:

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

2. Significant accounting policies (continued)

d) Principals of consolidation

(i) Subsidiaries

All entities in which the Company has a controlling interest (Note 17) 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:

• Impairment of property, plant and equipment

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations. When an indication of impairment loss or a reversal of impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined.

In the process of measuring expected future cash flows, management makes assumptions about future operating results, such as future production (proven and probable reserves), estimated future commodity prices, operating costs, capital and site restoration expenses and estimated future foreign exchange rates. As these assumptions relate to future events and circumstances, actual results may be different from estimated results.

• Classification of DSU obligation

Determining if the present DSU obligation to settle in cash requires management’s judgement to determine the appropriate classification as liabilities or equity. See Note 11.

2. Significant accounting policies (continued)

- Recognition of deferred tax assets

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

- Title to land

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

- Share-based payments

  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates. As at March 31, 2019, the valuation of the Deferred Share Units ("DSUs") (Note 11) uses the assumption that they will be settled in shares (as at March 31, 2018: expected to be settled in cash).

- 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 assesses several considerations including technical studies performed by consultants and the status of licences to make this assessment. Effective February 2, 2017, management's assessment was that the Company has moved into the development stage on the Volta Grande project as the Company has received its construction licence and has awarded a contract for the first phase of Engineering, Procurement and Construction (EPC), despite the interim suspension of the licence (Note 4).

- Estimation of asset lives and depreciation and amortization

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

- Valuation of promissory notes receivable

  Estimating the fair value of the promissory notes receivable requires the use of assumptions, the most significant being the discount rate.

2. Significant accounting policies (continued)

• Collectability of promissory notes receivable
Management makes an assessment of whether the promissory notes receivable are collectable for each recipient based on payment history and financial condition. These estimates are continuously evaluated and updated.

• 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.

• Valuation of right-of-use assets and lease liabilities
In a situation where the implicit interest rate in the a lease is not readily determined, management uses judgment to estimate the incremental borrowing rate for the discounting of lease liabilities. Management estimates the lease term by considering facts and circumstances that create an economic incentive to exercise an extension or termination option.

• Contingencies
Refer to Note 18.

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. References to R$ refer to the Brazilian Real.

3. Prepaid expenses and sundry receivables

	March 31, 2019	December 31, 2018
Amounts receivables and other advances	$ 162,215	$ 25,134
Reimbursable court fees pending appeal	44,248	56,352
HST receivable	109,739	111,158
Prepaid insurance	19,491	35,206
	$ 335,693	$ 227,850

The Company paid fees in prior years with respect to appeal proceedings which are expected to be reimbursed. During the three months ended March 31, 2019, the Company lost some of their appeals resulting in the expense of R$31,318 ($10,742). The Company expects to be reimbursed the balance, R$129,002 ($44,248) (December 31, 2018: R$160,319 ($56,352)), upon successful judgment.

4. Mineral property development and exploration and development

The Company has determined that it has moved into the development stage for its Volta Grande Project upon receiving its construction license in February 2017 and awarding a contract for the first phase of EPC, despite the interim suspension of the license received in April 2017. The Company appealed the suspension and, in December 2017, received notice that the suspension would be upheld until an indigenous study was completed in accordance with regulatory guidelines. Since then, the Company's focus has been on completing the indigenous study and limited exploration work.

The Volta Grande Gold Project comprises 4 mine concessions submitted, 4 applications for public tender, 52 exploration permits, and 22 exploration permit extensions submitted and to be submitted in 2019, covering a total area of 185,498 hectares; it is located in municipalities including Senador José Porfírio, Anapu, Vitória do Zingu and Pacajá, in the southern region of Pará State in northern Brazil. The Volta Grande Project is located on the Xingu River, north of the Carajás mineral province, approximately 60 km southeast of the city of Altamira. Development costs have been capitalized effective February 2, 2017. The Company continues to incur costs that are not related to the development of the project, and these are expensed to the consolidated statement of comprehensive loss as exploration and evaluation expenses. Exploration and evaluation expenditures expensed immediately in the consolidated statement of comprehensive loss for the three months ended March 31, 2019 amounted to $737,419 (March 31, 2018: $831,335). An amount of $18,729 was capitalized to Property, plant and equipment during the three months ended March 31, 2019 (March 31, 2018: $nil) related to development costs.

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 March 31, 2019, the balance in this account was R$1,751,550 ($600,782) (December 31, 2018: R$1,726,827 ($606,980)) and the Company earned 1.43% in interest for the three months ended March 31, 2019 (March 31, 2018: 1.51%). The Company intends to renew the term deposit on maturity because it is security against the potential amount owing to the CPRM (Note 8), a Brazilian state-owned company to which the Company is committed to paying royalties if a mineable deposit on the Volta Grande Property is put into production.

6. Promissory notes receivable

In April 2018, certain directors and officers of the Company ("the Supporting Directors") agreed to acquire an aggregate of 29,850,746 common shares of the Company at a price of $0.335 per share by a private purchase from an existing shareholder for the purposes of supporting the Company's share price and further align their interests with those of the Company's shareholders. The Supporting Directors each acquired the number of common shares as follows: Stan Bharti 12,932,835 common shares; Peter Tagliamonte 12,932,835 common shares; Denis Arsenault 2,985,076 common shares; Mark Eaton 1,000,000 common shares.

(Expressed in Canadian dollars unless otherwise noted)

6. Promissory notes receivable (continued)

To facilitate the Supporting Directors with the foregoing purchases, the Company loaned them an aggregate amount of $10,000,000. Unsecured promissory notes have been entered into with each of the Supporting Directors for their respective loans. Under the terms of the promissory notes, the Company will receive a per annum interest rate of LIBOR plus 1%, payable on each one-year anniversary of the loans. The principal amount of the loans will be due and payable, together with all accrued and unpaid interest thereon, on April 23, 2020. Upon the sale of any shares of the Company acquired with the principal by the recipient, a portion of the principal equal to the amount of the proceeds realized from such sale shall become immediately due. Given the credit worthiness of the recipients, the Company believes credit risk is remote and has not recorded an expected loss.

As at March 31, 2019, the Company recognized a carrying value of $10,352,510 with respect to these promissory notes (December 31, 2018: $10,280,381). Interest income of $72,129 was recognized for the three months ended March 31, 2019 (March 31, 2018: $nil).

Subsequent to the end of the quarter, the interest due in April 2019 from the directors on these promissory notes was received.

7. Property, plant and equipment

Cost	Vehicles	Furniture & equipment	Mining equipment	Right of use assets	Mine assets under construction	Land	Total
Balance at December 31, 2018	388,285	1,351,130	537,910	-	4,314,077	14,185,477	20,776,879
Adoption of IFRS 16, modified approach	-	-	-	253,188	-	-	253,188
Additions	-	158	-	-	18,729	-	18,887
Reallocated to long-term deposits	-	-	-	-	-	-	-
FX adjustment	(6,917)	(23,296)	(9,856)	(24,454)	(34,811)	(281,020)	(380,354)
Balance at March 31, 2019	$381,368	$ 1,327,992	$ 528,054	$ 228,734	$ 4,297,995	$13,904,457	$20,668,600
Accumulated depreciation and impairment							
Balance at December 31, 2018	388,285	495,375	471,584	-	-	-	1,355,244
Adoption of IFRS 16, modified approach	-	-	-	99,088	-	-	99,088
Charge for the period	-	19,604	5,898	9,203	-	-	34,705
FX adjustment	(6,917)	(9,911)	(8,945)	(10,416)	-	-	(36,189)
Balance at March 31, 2019	$381,368	$ 505,068	$ 468,537	$ 97,875	$ -	$ -	$ 1,452,848
Net book value as at December 31, 2018	$ -	$ 855,755	$ 66,326	$ -	$ 4,314,077	$14,185,477	$19,421,635
Net book value as at March 31, 2019	$ -	$ 822,924	$ 59,517	$ 130,859	$ 4,297,995	$13,904,457	$19,215,752

Upon the adoption of IFRS 16, the Company recognized a cost of $253,188 for right-of-use assets. The Company used the modified retrospective approach, measuring the cost of the right-of-use assets on transition at the amount equal to the lease liabilities at transition, adjusted by the amount of prepaid lease payments. Accumulated depreciation on the right of use assets at transition was $99,088. The right-of-use assets are depreciated over the term of the lease, including the estimated extension of the lease terms.

Development costs of $18,729 was incurred and capitalized to mine assets under construction during the three months ended March 31, 2019 (March 31, 2018: $nil). Depreciation for the three months ended March 31, 2019 was $34,705 (March 31, 2018: $24,864). Since the mining property is in the development stage, the mine assets under construction are not amortized.

(Expressed in Canadian dollars unless otherwise noted)

8. Accounts payable and accrued liabilities

	March 31, 2019	December 31, 2018
Mineral properties suppliers and contractors	$ 281,437	$ 371,622
Accrued royalties (Note 17(a))	2,116,686	2,154,183
Land acquisition costs payable	860,604	881,931
Property taxes	674,044	632,881
ANM taxes	45,344	82,251
Corporate payables	202,799	256,852
Audit and other accruals	48,220	78,220
TOTAL	$ 4,229,134	$ 4,457,940

9. Lease liabilities

Upon the adoption of IFRS 16, operating leases were reassessed as lease liabilities for right-of-use assets using an estimated discount rate of 7.5%. The following table reflects the lease activity for the three months ended March 31, 2019:

December 31, 2018	$ -
Adoption of IFRS 16	100,597
Lease payments for the period	(5,074)
Foreign exchange impact	(2,289)
March 31, 2019	93,234
Current portion	20,668
Long-term portion	72,566
	93,234

Interest expense recognized with respect to these leases was $1,863 for the three months ended March 31, 2019. As the Company used the modified retrospective approach in adopting this standard, there is no comparative figure.

(Expressed in Canadian dollars unless otherwise noted)

10. Share-based payments reserve

There was no change in share-based payments reserve during the three months ended March 31, 2019.

The following stock options were in existence as at March 31, 2019:

					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
4,955,000	4,955,000	19-Nov-14	19-Nov-19	$ 0.12	86%	5	0%	1.53%
6,890,000	6,890,000	6-Apr-15	6-Apr-20	$ 0.22	86%	5	0%	0.76%
550,000	550,000	8-Jun-15	8-Jun-20	$ 0.22	85%	5	0%	1.02%
4,690,333	4,690,333	14-Nov-16	14-Nov-21	$ 0.85	83%	5	0%	0.96%
250,000	250,000	15-Jun-18	15-Jun-23	$ 0.23	75%	5	0%	2.08%
17,335,333	17,335,333							

Fair value of share options granted in the period:

During the three months ended March 31, 2019, no stock options were granted and $nil in stock-based compensation expense was recorded (March 31, 2018: no options granted and a vesting expense of $102,595 was recorded). The weighted average life of the outstanding options at March 31, 2019 is 1.40 years (December 31, 2018: 1.64 years).

11. Contributed surplus

Deferred Share Unit Incentive Plan

In 2016, the Company approved and adopted a Deferred Share Unit ("DSU") incentive plan. In accordance with the terms of the plan, officers, directors and employees of the Company may be granted DSUs. Each vested DSU held shall be redeemed by the Company at the time that the holder ceases to be an officer, director or employee of the Company, where the value of the DSU shall be equal to the market value of the Company's shares at that time. The DSUs can be redeemed, at the election of the Company, in cash or in shares of the Company, either held in treasury (subject to shareholder approval), or purchased in the secondary market by a trustee. If the holder of a DSU ceases to be an officer, director or employee of the Company prior to vesting, other than in the event of a change of control, the DSUs shall be deemed cancelled. In the event of a change of control, or termination without cause, each DSU shall automatically vest and be redeemed.

As at March 31, 2019, the Company has a total of 15,609,133 shares of the Company held with an independent trustee with the intent of using these shares to satisfy the DSU obligations when they become due (December 31, 2018: 15,609,133). The Company is the beneficiary of the shares held and the Company has full control of these shares. Up until April 2018, the Company had been settling DSUs in cash. The estimated fair value of the vested DSUs as well as an accrual for unvested DSUs is now recorded to equity. The estimated fair value recognized was $0.37 per unit, based on the market value of the Company's shares on the date of change. Further vesting charges are applied against contributed surplus.

As at March 31, 2019, 17,360,750 DSU's were outstanding (December 31, 2018: 17,360,750).

(Expressed in Canadian dollars unless otherwise noted)

11. Contributed surplus (continued)

The following table displays the vesting activity for outstanding DSUs:

	Vested	Unvested	Total
December 31, 2018	11,777,333	5,583,417	17,360,750
Vested, previously granted DSUs	1,281,833	(1,281,833)	-
March 31, 2019	**13,059,166**	**4,301,584**	**17,360,750**

Anticipated future vesting:	
May 19, 2019	3,019,750
January 2, 2020	1,281,834
	4,301,584

During the three months ended March 31, 2019, $132,834 was recorded as stock-based compensation expense related to vested DSUs on the consolidated statements of comprehensive loss (March 31, 2018: $(293,286)). Of the stock-based compensation expense, amounts related to movements in fair value (up to the date of the reclassification to equity) and vesting are reflected below.

	Three months ended March 31,	
	2019	2018
Change related to vesting	$132,834	$334,826
Movements in fair value	-	(628,112)
	$132,834	($293,286)

12. Operating segments

Geographical information

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

	Current assets	Property, plant and equipment	Other non-current assets	Total Assets
March 31, 2019				
Canada	$ 33,490,475	$ 6,956	$ 11,956,070	$ 45,453,501
Brazil	209,864	19,208,796	600,782	20,019,442
	$ 33,700,339	$ 19,215,752	$ 12,556,852	$ 65,472,943
December 31, 2018				
Canada	$ 35,179,394	$ 7,921	$ 11,917,421	$ 47,104,736
Brazil	427,177	19,413,714	606,980	20,447,871
	$ 35,606,571	$ 19,421,635	$ 12,524,401	$ 67,552,607

(Expressed in Canadian dollars unless otherwise noted)

13. Gain on sale of securities

In January 2019, the Company purchased 3,000,000 common shares of Troilus Gold Corp. for $1,929,620, including commissions, an average price per share of $0.643. In February, 2019, the Company sold these shares at an average price of $0.659 per share including commissions. A gain of $48,599 was recognized with respect to this disposition of shares. Note 17.

14. 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.

15. Financial instruments

Financial assets and financial liabilities as at December 31, 2018 and 2017 were classified as follows:

March 31, 2019	Assets at amortized cost	Assets at fair value through profit/loss	Liabilities at amortized cost	Total
Cash and cash equivalents	$ 33,364,646	$ -	$ -	$ 33,364,646
Promissory notes receivable	10,352,510	-	-	10,352,510
Term investment	600,782	-	-	600,782
Accounts payable and accrued liabilities	-	-	4,229,134	4,229,134
Lease liabilities, current and long-term	-	-	93,234	93,234

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.

The carrying value of accounts payable and accrued liabilities approximates fair value due to their short-term nature.

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

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 three months ended March 31, 2019.

15. Financial instruments (continued)

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's primary counterparties related to its cash and cash equivalents and term investment carry an investment grade rating as assessed by external rating agencies. The Company maintains all of its cash and cash equivalents and term investment with major Canadian and Brazilian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company's promissory notes are held by directors of the Company. Management has assessed the credit risk associated with these promissory notes, and based on the credit-worthiness of the parties involved, the Company has assessed a low risk credit risk.

The Company's maximum exposure to credit risk at the statement of financial position date is the carrying value of cash and cash equivalents, promissory notes receivable and term.

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 March 31, 2019, the Company had current assets of $33,700,339 to settle current liabilities of $4,249,802. Approximately $3,430,000 of the Company's financial liabilities as at March 31, 2019 have contractual maturities of less than 30 days and are subject to normal trade terms. Of this amount, approximately $2,100,000 has been payable for over 180 days.

Market risk

(a) Interest rate risk

The Company's cash and 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 March 31, 2019, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately $33,000 (December 31, 2018 - $35,000).

(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 Real. Fluctuations in the exchange rates between these currencies and the Canadian dollar could have a material effect on the Company's business, financial condition and results of operations. The Company does not engage in any hedging activity to mitigate this risk.

(Expressed in Canadian dollars unless otherwise noted)

15. Financial instruments (continued)

A strengthening of $0.01 in the United States dollar against the Brazilian Real would have increased net loss by approximately $95,000 for the three months ended March 31, 2019 (March 31, 2018 - $91,000). A strengthening of $0.01 in the Canadian dollar against the United States dollar would have decreased other comprehensive income by approximately $24,000 for the three months ended March 31, 2019 (March 31, 2018 - $27,000).

16. Capital management

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

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable given the relative size of the Company. There were no changes in the Company's approach to capital management during the three months ended March 31, 2019. The Company is not subject to externally imposed capital requirements.

17. Related party disclosures

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

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

(Expressed in Canadian dollars unless otherwise noted)

17. Related party disclosures (continued)

During the three months ended March 31, 2019 and 2018, the Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

	Purchases of goods/services Three months ended March 31,	
	2019	2018
2227929 Ontario Inc.	$ 120,000	$ 120,000
Forbes & Manhattan, Inc.	75,000	75,000
Directors' promissory notes interest	72,129	-

The Company shares office space with other companies who may have common officers and directors. The costs associated with the use of this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly fee of $40,000. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

Mr. Stan Bharti, a director of the Company, is the Executive Chairman of Forbes & Manhattan, Inc., a corporation that provides strategic planning and business development services to the Company. Forbes & Manhattan, Inc. charges a monthly consulting fee of $25,000.

The Company and Troilus Gold Corp. ("Troilus") share common directors and officers, including Mr. Peter Tagliamonte, Mr. Bruce Humphrey, Mr. Denis Arsenault and Mr. Ian Pritchard. See note 13.

The following balances included in the Company's accounts were outstanding at the end of the reporting period:

	Amounts owed by related parties		Amounts owed to related parties	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
Directors and officers of the Company	$ 10,352,510	$ 10,280,381	$ 60,670	$ 56,882
2227929 Ontario Inc.	-	-	-	17,871
Forbes & Manhattan, Inc.	-	-	13,560	12,000
Troilus Gold Corp	-	-	-	1,743

Amounts owed by related parties reflect the promissory notes entered into with directors of the Company in April 2018 (see Note 6).

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 expected credit loss in respect of the amounts owed by related parties.

(Expressed in Canadian dollars unless otherwise noted)

17. Related party disclosures (continued)

Compensation of key management personnel of the Company

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Short-term benefits	$ 568,247	$ 543,250
Share-based payments	-	98,498
DSU expense	129,679	(286,280)
	$ 697,926	$ 355,468

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.

18. Commitments and contingencies

1. Under a renegotiated agreement with CPRM in March 2008, the Company maintains an interest-bearing term deposit to cover the future royalty payments, starting March 2008. As at March 31, 2019, no royalty payments have been paid. See notes 5 and 8.

2. The Company is party to certain management contracts. These contracts require that additional payments of up to $13,000,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is uncertain and it is not probable that there will be any outflow of resources to settle the commitment, the contingent payments have not been reflected in these annual consolidated financial statements. Minimum commitments remaining under these contracts were approximately $800,000 all due within one year.

3. The Federal Constitution of Brazil has established that the States, municipalities, federal district and certain agencies of the federal administration are entitled to receive royalties for the exploitation of mineral resources by holders of mining concessions (including extraction permits). The royalty rate for gold is currently 1.5% - Federal law 13,540/17 - arising from the sale of the mineral product, less the sales taxes of the mineral product. No royalties are currently due.

4. 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 March 31, 2019, no amounts have been accrued related to such matters.

18. Commitments and contingencies (continued)

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