CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

for the three and six months ended
June 30, 2011 and 2010

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 Comprehensive Income

Unaudited

(Expressed in Canadian dollars)

	Notes	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
			(Note 19)		(Note 19)
Expenses					
Management fees paid to directors	16	$ 16,486	$ 48,387	$ 199,465	$ 787,887
Salaries, wages and consulting fees		209,796	149,934	859,137	349,173
Legal fees		12,546	4,676	19,729	84,519
Audit fees		32,222	19,010	45,762	31,510
General and administration		408,284	123,707	801,047	258,371
Amortization		26,272	14,248	53,502	25,930
Stock-based compensation		4,380,758	52,895	4,380,758	1,252,396
Exploration and evaluation expenses	5	4,016,818	1,132,332	7,321,360	1,355,722
Foreign exchange (gain) / loss		(128,368)	12,186	(180,105)	3,962
Loss from operations		(8,974,814)	(1,557,375)	(13,500,655)	(4,149,470)
Interest income		263,709	40,039	352,299	50,950
Gain on capital assets		-	15,611	-	15,611
Net loss for the period		(8,711,105)	(1,501,725)	(13,148,356)	(4,082,909)
Exchange differences on translating foreign operations		4,168	139,515	(41,214)	111,741
Comprehensive loss for the period		$ (8,706,937)	$ (1,362,210)	$(13,189,570)	$ (3,971,168)
Loss per share	13				
Basic		$ (0.04)	$ (0.01)	$ (0.07)	$ (0.03)
Diluted		$ (0.04)	$ (0.01)	$ (0.07)	$ (0.03)
Weighted average number of shares outstanding:					
Basic and diluted		203,822,292	137,964,351	179,131,131	129,179,821

Belo Sun Mining Corp.

Condensed Interim Consolidated Statements of Financial Position
Unaudited
(Expressed in Canadian dollars)

	Notes	June 30, 2011	December 31, 2010
Assets			(Note 19)
Current assets			
Cash and cash equivalents		$ 52,026,853	$ 7,127,226
Prepaid expenses and sundry receivables	3	241,015	194,669
		52,267,868	7,321,895
Non-current assets			
Property plant and equipment	4	744,951	517,587
Term investment	6	593,591	552,133
		$ 53,606,410	$ 8,391,615
Liabilities and Equity			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 2,205,743	$ 1,074,407
Finance lease	8	99,345	75,972
Current taxes	9	7,091	14,182
		2,312,179	1,164,561
Non-current liabilities			
Finance lease	8	28,007	33,646
Deferred taxes	9	14,182	14,182
		2,354,368	1,212,389
Equity			
Share capital	10	95,449,794	40,829,667
Share -based payments reserves	11	9,001,267	6,401,610
Accumlated other comprehensive income		(159,841)	(118,627)
Retained earnings (deficit)		(53,039,178)	(39,933,424)
Total Equity		51,252,042	7,179,226
		$ 53,606,410	$ 8,391,615

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Approved on behalf of the Directors:

"Peter Tagliamonte" — Director

"Mark Eaton" — Director

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

	Notes	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Cash provided by (used in) operations:					
Net profit (loss)		$ (8,711,105)	$ (1,501,725)	$ (13,148,356)	$ (4,082,909)
Items not involving cash:					
Stock-based compensation	11	4,380,758	52,895	4,380,758	1,252,396
Amortization		26,272	14,248	53,502	25,930
Accrued interest on term deposit		(4,614)	(17,937)	(23,405)	(27,312)
Unrealized (gain) loss on foreign exchange		(233,258)	(8,716)	(253,353)	(3,897)
Working capital adjustments		-	-		
Change in prepaid expenses and sundry receivables		188,404	(64,290)	(46,346)	(104,357)
Change in accounts payables and accrued liabilities		(19,066)	498,221	1,131,336	443,625
Change in deferred taxes		-	-	(7,091)	-
Net cash used by operating activities		(4,372,610)	(1,027,304)	(7,912,956)	(2,496,524)
Investing activities					
Expenditures on property, plant and equipment		(195,018)	(82,909)	(307,466)	(82,909)
Net cash used in the investing activities		(195,018)	(82,909)	(307,466)	(82,909)
Financing activities					
Proceeds from issuance of shares / units		-	-	51,842,000	6,000,000
Share issuance costs		(194,632)	-	(3,515,942)	(87,025)
Exercise of warrants/options		2,269,480	-	4,555,570	62,560
Lease payments		17,734	-	17,734	-
Net cash provided by financing activities		2,092,582	-	52,899,362	5,975,535
Change in cash and cash equivalents		(2,475,046)	(1,110,213)	44,678,940	3,396,102
Cash and cash equivalents, beginning of the period		54,281,212	6,869,309	7,127,226	2,362,994
Effect of exchange rate on cash held		220,687	131,188	220,687	131,188
Cash and cash equivalents, end of the period		$ 52,026,853	$ 5,890,284	$ 52,026,853	$ 5,890,284
Cash and cash equivalents are comprised of:					
Cash in bank		$ 42,762,481	$ 1,258,900	$ 42,762,481	$ 1,258,900
Short-term money market instruments		$ 9,264,372	$ 4,631,384	$ 9,264,372	$ 4,631,384

Belo Sun Mining Corp.

Condensed Interim Consolidated Statements of Changes in Equity

Unaudited

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Reserve - Share-Based Payments	Accummulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
Balance, December 31, 2010 (Note 19)	149,158,834	$ 40,829,667	$ 6,401,610	$ (118,627)	$ (39,933,424)	$ 7,179,226
Public offering (Note 10)	45,080,000	51,842,000	-	-	-	51,842,000
Share issuance costs	-	(3,515,942)	-	-	-	(3,515,942)
Value of warrants granted on exercise of broker units	-	(237,000)	237,000	-	-	-
Exercise of stock options	2,453,000	1,303,520	-	-	-	1,303,520
Valuation allocation on exercise of stock options	-	900,034	(900,034)	-	-	-
Exercise of warrants	9,566,500	3,252,050	-	-	-	3,252,050
Valuation allocation on exercise of warrants	-	1,075,465	(1,075,465)	-	-	-
Valuation allocation on expiry of warrants	-	-	(42,602)	-	42,602	-
Comprehensive income/(loss)	-	-	4,380,758	(41,214)	(13,148,356)	(8,808,812)
Balance, June 30, 2011	206,258,334	$ 95,449,794	$ 9,001,267	$ (159,841)	$ (53,039,178)	$ 51,252,042
Balance at January 1, 2010 (Note 19)	112,396,351	$ 30,120,388	$ 2,368,615	$ -	$ (29,868,348)	$ 2,620,655
Private placements	24,000,000	6,000,000	-	-	-	6,000,000
Share issuance costs -- common shares issued	1,200,000	(87,025)	-	-	-	(87,025)
Valuation of warrants granted with private placement	-	(2,211,000)	2,211,000	-	-	-
Valuation of agent unit options granted with private placement	-	(303,813)	303,813	-	-	-
Exercise of stock options	368,000	62,560	-	-	-	62,560
Valuation allocation on exercise of stock options	-	53,362	(53,362)	-	-	-
Comprehensive income/(loss)	-	-	1,252,396	111,741	(4,082,909)	(2,718,772)
Balance, June 30, 2010 (Note 19)	137,964,351	$ 33,634,472	$ 6,082,462	$ 111,741	$ (33,951,257)	$ 5,877,418

1. Nature of operations

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

2. Significant accounting policies

In addition to the following discussion, please see the Company's Condensed Interim Consolidated Financial Statements for the period ending March 31, 2011 for a detailed listing of the Company's accounting policies.

a) Statement of compliance

These condensed interim consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") and IFRS 1 First-time Adoption of IFRS 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 August 26, 2011, the date the Board of Directors approved these interim financial statements for issue. These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies the Company expects to adopt in its December 31, 2011 financial statements.

The Company's consolidated financial statements were previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Canadian GAAP differs in some areas from IFRS. Reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, operations, comprehensive income, and the statements of financial position and cash flows are described in Note 19 for transition to IFRS. These financial statements should be read in conjunction with the Company's Condensed Interim Consolidated Financial Statements for the period ending March 31, 2011.

b) Basis of preparation

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

Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out in the March 31, 2011 Condensed Interim Consolidated Financial Statements were consistently applied to all the periods presented unless otherwise noted below.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

c) Future accounting changes

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

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

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

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

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

d) Principles of consolidation

(i) Subsidiaries

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

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

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

(ii) Transactions eliminated on consolidation

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

e) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. These consolidated interim financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated interim 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 and the revision affects both current and future periods.

Information about critical judgments and estimates in applying accounting policies that have most significant effect on the amounts recognized in the consolidated financial statements are as follows:
• Asset carrying values and impairment charges
• Estimation of asset lives
• Recognition of deferred taxes
• Contingencies
• Acquisitions
• Share-based payment

Information about 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 notes:
• Asset carrying values and impairment charges
• Estimation of close down and restoration costs and the timing of expenditures
• Estimation of environmental cleanup and the timing of expenditure and related accretion
• Contingencies
• Share-based payment
• Depletion, depreciation and amortization
• Determination of function currency

f) Presentation currency

The Company's financial statements are presented in Canadian dollars. The Company's functional and presentation currency is the Canadian dollar. The Company's subsidiary's functional currency is the United States dollar. These condensed interim consolidated financial statements have been translated to the Canadian dollar in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

g) Foreign currency translation

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At closing date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the closing date exchange rate. 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 dollar as follows: all asset and liability accounts are translated at the period-end exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in accumulated other comprehensive income ("AOCI").

(Expressed in Canadian dollars unless otherwise noted)

3. Prepaid expenses and sundry receivables

	30-Jun-11	31-Dec-10
Trade receivables	$ 52,175	$ 14,778
GST/VAT receivable	149,384	60,564
Proceeds from exercise of warrants	-	103,360
Prepaid insurance	39,456	15,967
	$ 241,015	$ 194,669

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

4. Property, plant and equipment

	Vehicles	Furniture & equipment	Mining equipment	Building under construction	Land	Total
Cost at January 1, 2010	$ 127,013	$ 172,296	$ 106,348	$ -	$ 7,701	$ 413,358
Additions	137,245	119,794	35,887	78,009	-	370,935
Disposals	-	(103,927)	-	-	-	(103,927)
FX adjustment	(7,164)	(9,351)	(5,998)	-	(434)	(22,947)
Cost at December 31, 2010	257,094	178,812	136,237	78,009	7,267	657,419
Additions	87,748	37,472	35,869	135,539	-	296,628
FX adjustment	(5,856)	(26,919)	36,536	(9,272)	(65)	(5,576)
Cost at June 30, 2011	338,986	189,365	208,642	204,276	7,202	948,471
Accumulated depreciation						
Balance at January 1, 2010	45,126	126,840	27,147	-	-	199,113
Charge for the year	26,669	20,814	7,816	-	-	55,299
Disposals	-	(104,408)	-	-	-	(104,408)
FX adjustment	(2,545)	(6,097)	(1,531)	-	-	(10,173)
Balance as at December 31, 2010	69,250	37,150	33,432	-	-	139,832
Charge for the year	24,385	12,899	16,218	-	-	53,502
FX adjustment	729	1,909	7,548	-	-	10,186
Balance at June 30, 2011	$ 94,364	$ 51,958	$ 57,198	$ -	$ -	$ 203,520
Net book value as at January 1, 2010	$ 81,887	$ 45,456	$ 79,201	$ -	$ 7,701	$ 214,245
Net book value as at December 31, 2010	$ 187,844	$ 141,663	$ 102,805	$ 78,009	$ 7,267	$ 517,587
Net book value as at June 30, 2011	$ 244,622	$ 137,408	$ 151,444	$ 204,276	$ 7,202	$ 744,951

As at June 30, 2011, the Company's finance leases consist of four vehicles.

5. Exploration and evaluation expenses

Exploration and evaluation expenditures expensed immediately in the income statement for the three and six month periods ended June 30, 2011 amounted to $4,016,818 and $7,321,360 (three and six months ended June 30, 2010 - $1,132,332 and $1,355,722).

Exploration and evaluation properties comprise the following:

a) Volta Grande, Para State, Brazil

The gold project includes approximately 19,508 hectares in nine Exploration Permits and 148,235 hectares in twenty Exploration Applications (December 31, 2009 - 11,895 hectares) and is situated in the margin of the Xingu river, some 60 km from the city of Altamira, Para State.

Under the agreement, the Company agreed to pay to OCA Mineracao Ltda., an unrelated company whose controlling shareholder is the Tenaris-Confab Group, a total of US$600,000 of which US$12,500 was paid in January 2004 and US$50,000 paid in April 2004 and the outstanding balance was paid in December 2006. OCA Mineracao Ltda. ownership was transferred to the Company in March 2008. The transfer of title to the Volta Grande Property to Belo Sun occurred following the arrangements with Companhia de Pesquisa de Recursos Minerais ("CPRM"), a Brazilian state owned company, whereby the Company has committed to pay CPRM 3,740,000 Reais if a mineable deposit is defined on the Volta Grande Property. As security, the Company purchased a term deposit of 3,740,000 Reais.

In March 2008, the Company successfully renegotiated the agreement with CPRM. Under the new terms, CPRM released to the Company 3,525,087 Reais of the total term deposit of 4,273,087 Reais, held in security to cover the Company's potential debt owed to CPRM. In addition, the Company allocated the balance of the original term deposit that was not released, amounting to 748,000 Reais, to be retained in an interest bearing term deposit to cover future royalty payments. There has been no production at Volta Grande Property thus no royalties payable and no amounts were withdrawn by the CPRM.

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

b) Patrocino, Para State, Brazil

This gold project is situated in the Para State and includes approximately 18,669 hectares (December 31, 2009 – 18,669 hectares). Pursuant to a signed contract on October 8, 2004 the Company has the right to acquire 100% of the property. Under the terms of the contract, the Company must make 36 monthly payments of US $1,667 and issue 200,000 common shares of the Company to the original owners. The Company is current on these payments and issued 200,000 common shares at $0.10 on June 20, 2005. In addition, the property is subject to a 1.5% net smelter royalty and a sliding scale payment during the first two years of production from the property. The payment ranges from 606 ounces of gold assuming 100,000 ounces of proven and probable reserves to 12,121 ounces of gold assuming 1.2 million proven and probable reserve ounces.

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

6. Term investment

The investment consists of a term deposit of 960,348 Reals (CDN$593,591) (December 31, 2010 – 921,297 Reals (CDN$552,133)), including accrued interest, to fund the potential amounts owing to CPRM. The term deposit matures on April 22, 2013 and bears interest at a floating rate of approximately 9.17% (December 31, 2010 – 9.17%). The Company intends on rolling over the term deposit on maturity because it is security against the potential amount owing to the CPRM (Note 5(a)) and accordingly, management has shown the investment as a long-term asset.

(Expressed in Canadian dollars unless otherwise noted)

7. Accounts payable and accrued liabilities

	30-Jun-11	31-Dec-10
Mineral properties suppliers and contractors	$ 1,641,622	$ 649,613
DNPM Taxes (Note 17 (b))	267,719	272,340
Corporate payables	271,402	102,454
Audit accrual	25,000	50,000
	$ 2,205,743	$ 1,074,407

8. Finance lease

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

As at June 30, 2011, the finance leases were composed of the following obligations:

2011	$	61,154
2012		83,327
2013		8,763
		153,244
less amounts representing interest		(25,892)
	$	127,352
current portion	$	99,345
long term portion	$	28,007

9. Current and deferred income tax payable

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

10. Share Capital

a) As at June 30, 2011 and December 31, 2010, the Company’s authorized number of common shares was unlimited without par value and an unlimited number of special shares. The special shares have the same features as the common shares with the exception that the special shares take preference over the common shares in the event of liquidation, dissolution or winding up of the Company. The special shares are entitled to the same dividend rights as common shares.

(Expressed in Canadian dollars unless otherwise noted)

b) Issued and outstanding share capital

Balance, January 1, 2010	112,396,351	$	30,120,388
Private placements (i,ii)	31,333,334		11,500,001
Exercise of stock options	2,275,000		638,430
Exercise of stock options - value allocation	-		440,631
Exercise of warrants	1,951,949		595,050
Exercise of warrants -value allocation	-		163,205
Exercise of agent unit options	2,200		550
Cost of issue	1,200,000		(113,775)
Allocation of fair value of warrants from private placement	-		(2,211,000)
Allocation of fair value of agent unit options	-		(303,813)
Balance, December 31, 2010	149,158,834		40,829,667
Public offerring (iii)	45,080,000		51,842,000
Exercise of stock options	2,453,000		1,303,520
Exercise of stock options - value allocation			900,034
Exercise of warrants	9,566,500		3,252,050
Exercise of warrants -value allocation			1,075,465
Value of warrants granted on exercise of broker units	-		(237,000)
Cost of issue			(3,515,942)
Balance, June 30, 2011	206,258,334	$	95,449,794

(i) On March 3, 2010, the Company closed a private placement offering for gross proceeds of $6,000,000 through the issuance of 24,000,000 units comprised of one common share and one purchase warrant. Each warrant is exercisable for one common share of Belo Sun at a price of $0.50 per share until March 3, 2012. In connection with this private placement, the Company issued 1,200,000 common shares to D&D Securities and Delano Capital Corp. (the "Agents") and issued 1,200,000 agent unit options that will entitle the Agents to acquire the same number of units of the Company at a price of $0.25 until March 3, 2012. The fair value of the agent unit options was estimated at $303,813 on the date of grant using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 127%; risk free interest rate of 2.25% and an expected life of two years.

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

(iii) On March 25, 2011, the Company completed a bought deal financing of 45,080,000 common shares, including the overallotment of 5,880,000 common shares, at a price of $1.15 per common share for gross proceeds of $51,842,000. The Company paid the underwriters a fee of 6% on funds raised.

(Expressed in Canadian dollars unless otherwise noted)

11. Share-based payments reserves

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

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

	Number of Options	Weighted average exercise prices (CAD$)	Number of Warrants	Weighted average exercise prices (CAD$)	TOTAL
January 1, 2010	4,921,000	$ 0.46	8,308,749	$ 0.28	13,229,749
Granted	7,770,400	0.40	25,202,200	0.49	32,972,600
Exercised	(2,275,000)	0.28	(1,954,149)	0.30	(4,229,149)
Cancelled	(468,000)	0.54	-	-	(468,000)
December 31, 2010	**9,948,400**	**0.42**	**31,556,800**	**0.42**	**41,505,200**
Granted	4,922,200	1.33	600,000	0.50	5,522,200
Exercised	(2,453,000)	0.53	(9,566,500)	0.34	(12,019,500)
Expired	-	-	(372,500)	0.24	(372,500)
June 30, 2011	**12,417,600**	**$ 0.78**	**22,217,800**	**$ 0.49**	**34,635,400**

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

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
597,800	597,800	3-Mar-10	3-Mar-12	$ 0.25	127%	2	0%	2.25%
21,320,000	21,320,000	3-Mar-10	3-Mar-12	$ 0.50	127%	2	0%	2.25%
300,000	300,000	18-Apr-11	3-Mar-12	$ 0.50	94%	1	0%	1.74%
500,000	500,000	10-Apr-07	10-Apr-12	$ 0.60	99%	5	0%	4.50%
250,000	250,000	24-Oct-07	24-Oct-12	$ 0.60	81%	5	0%	4.18%
3,852,400	3,852,400	5-Mar-10	5-Mar-15	$ 0.34	100%	5	0%	2.59%
200,000	200,000	2-Jun-10	2-Jun-15	$ 0.45	100%	5	0%	2.68%
1,968,000	1,968,000	29-Jul-10	29-Jul-15	$ 0.36	104%	5	0%	2.36%
25,000	25,000	5-Aug-10	5-Aug-15	$ 0.43	96%	5	0%	2.32%
50,000	50,000	11-Nov-10	11-Nov-15	$ 0.80	94%	5	0%	2.50%
650,000	650,000	5-Dec-10	5-Dec-15	$ 0.89	94%	5	0%	2.40%
4,922,200	4,922,200	21-Apr-11	21-Apr-16	$ 1.33	94%	5	0%	2.70%
34,635,400	34,635,400							

(Expressed in Canadian dollars unless otherwise noted)

Fair value of share options granted in the period:

During the three and six months ended June 30, 2011, the Company granted nil and 4,922,000 stock options respectively (three and six months ended June 30, 2010: 200,000 and 4,777,400). A value of $4,380,758 was recorded to the statement of operations for the three and six months ended June 30, 2011 (three and six months ended June 30, 2011: $52,895 and $1,252,396) related to these stock options. The weighted average grant date fair value of the share options granted during the six-month period ended June 30, 2011 is $0.89 (2010: $0.26). Options were priced using the Black-Scholes option-pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non - transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.

12. Operating segments

Geographical information

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

		Current Assets		Property, Plant and Equipment		Other long-term assets		TOTAL ASSETS
June 30, 2011								
Canada	$	42,768,922	$	12,489	$	-	$	42,781,411
Barbados		6,215		-		-		6,215
Brazil		9,492,731		732,462		593,591		10,818,784
	$	52,267,868	$	744,951	$	593,591	$	53,606,410
December 31, 2010								
Canada	$	3,128,997	$	15,654	$	-	$	3,144,651
Barbados		9,059		-		-		9,059
Brazil		4,183,839		501,933		552,133		5,237,905
	$	7,321,895	$	517,587	$	552,133	$	8,391,615

13. 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 is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share as the effects of including all outstanding options and warrants would be anti-diluted.

14. Financial instruments

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and are disclosed in note 2 of the Company's condensed interim consolidated financial statements for the three months ended March 31, 2011.

(Expressed in Canadian dollars unless otherwise noted)

Financial assets and financial liabilities as at June 30, 2011 and December 31, 2010 were as follows:

June 30, 2011	Loans and receivables	Assets /(liabilities) at fair value through profit	Total
Cash and cash equivalents	$ -	$ 52,026,853	$ 52,026,853
Prepaid deposits and sundry receivables	241,015	-	241,015
Term investment	-	593,591	593,591
Accounts payable and accrued liabilities	2,205,743	-	2,205,743
Finance lease	127,352	-	127,352

December 31, 2010	Loans and receivables	Assets /(liabilities) at fair value through profit	Total
Cash and cash equivalents	$ -	$ 7,127,226	$ 7,127,226
Prepaid deposits and sundry receivables	194,669	-	194,669
Term investment	-	552,133	552,133
Accounts payable and accrued liabilities	1,074,407	-	1,074,407
Finance lease	109,618	-	109,618

At June 30, 2011, the Company's financial instruments that are carried at fair value, consisting of cash and short-term investments and term investment, have been classified as Level 1 within the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the six months ended June 30, 2011 and 2010.

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 and Brazilian financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Sundry receivables consist of advances made to employees and management believes that the credit risks associated with these amounts are remote.

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

Liquidity risk

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

As at June 30, 2011, the Company had current assets of $52,267,868 to settle current liabilities of $2,312,179.

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 June 30, 2011, a 0.1% charge in interest rates could result in a corresponding charge in net loss of approximately $52,000.

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

(b) Price risk

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

15. Capital management

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

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

There were no significant changes in the Company's approach to capital management during the six months ending June 30, 2011. The Company is not subject to externally imposed capital requirements.

(Expressed in Canadian dollars unless otherwise noted)

16. 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 Mining (Barbados) Corp.	Barbados	100
Belo Sun Mineracao Ltda	Brazil	100
Intergemas Mineracao e Industrailizacao Ltda	Brazil	100
Aubras Mineracao Ltda	Brazil	98

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

	Sales of goods				Purchases of goods			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010	2011	2010	2011	2010
2227929 Ontario Inc.	$ -	$ -	$ -	$ -	$ 50,832	$ 13,202	$ 112,967	$ 13,202
Forbes & Manhattan, Inc.	-	-	-	-	30,000	38,387	60,000	38,387
Valencia Ventures Inc.	-	-	-	-	881	-	881	-
Global Atomic Corp.	-	-	-	-	-	-	-	30,867
Silvermet Inc.	-	-	-	-	-	-	-	29,078

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

Mr. Stan Bharti, the Chairman of the Company, is an officer of Forbes and Manhattan, Inc., a corporation that provides administrative services to the Company.

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

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

	Amounts owed by related parties		Amounts owed to related parties	
	30-Jun-11	31-Dec-10	30-Jun-11	31-Dec-10
2227929 Ontario Inc.	$ 11,247	$ 12,954	$ 44,219	$ -
Silvermet Inc.	-	-	-	-

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.

(Expressed in Canadian dollars unless otherwise noted)

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 June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Short-term benefits	$ 135,000	$ 114,387	$ 975,000	$ 963,687
Share-based payments	2,937,000	-	2,937,000	788,988

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

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

17. Commitments and contingencies

(a) Long Term Investment

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. There has been no production at Volta Grande Property thus no royalties were payable and no amounts were withdrawn by the CPRM.

(b) Brazil Land Taxes

On December 31, 2010, the Company received notice from the Departamento Nacional de Producao Mineral ("DNPM") that it owes 51,406,850 Reals (2009 – 1,857,128 Reals) in land taxes. For the twelve months ended December 31, 2010, the Company had accrued 454,430 Reals (C$272,340) based on management's estimate and understanding of the laws governing the DNPM. The Company believes that an administrative error has been made on the part of the DNPM. The Company has hired local counsel in Brazil to investigate. Local counsel has concluded their investigation and the Company has been paying down land taxes that are confirmed to be correct and is renegotiating a settlement for the ones that are either invalid or illegal. This is not expected to have a material effect on the Company. As at June 30, 2011, the Company has accrued 433,133 Reals (C$267,719).

The Company is party to certain management contracts. These contracts require that additional payments of up to $2,062,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements. Minimum commitments remaining under these contracts were approximately $201,000 all due within one year.

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.

18. Subsequent events

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

19. Transition to IFRS

The Company's consolidated financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS and these condensed interim consolidated financial statements were prepared as described in note 2 of the Company's March 31, 2011 Condensed Interim Consolidated Financial Statements, including the application of IFRS 1. IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement in those financial statements of compliance with IFRS. The Company will make this statement when it issues its 2011 annual financial statements.

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

Initial elections upon adoption

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

IFRS Exemption Options

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

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

3. *IAS 27 – Consolidated and Separate Financial Statements*

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

IFRS Mandatory Exceptions

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

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the consolidated statements of financial position and consolidated statements of comprehensive income have resulted in reclassifications of various amounts on the consolidated statements of cash flows, however as there have been no changes to the net cash flows, no reconciliations have been presented.

a) Expiry of share-based compensation

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

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

(Expressed in Canadian dollars unless otherwise noted)

Impact on Consolidated Balance Sheets –

		31-Dec-10		30-Jun-10
Share-based payment reserve	$	(2,243,661)	$	(2,100,814)
Adjustment to deficit	$	(2,243,661)	$	(2,100,814)

b) Exploration and evaluation expenses

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

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

Impact on Consolidated Balance Sheets -

		31-Dec-10		30-Jun-10
Evaluation and exploration	$	(13,126,561)	$	(8,932,771)
Adjustment to deficit	$	(13,126,561)	$	(8,932,771)

Impact on Consolidated Statements of Comprehensive Income -

		31-Dec-10		30-Jun-10
Evaluation and exploration	$	5,550,149	$	1,355,722
Adjustment to deficit	$	5,550,149	$	1,355,722

c) Functional Currency

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

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

Impact on Consolidated Balance Sheets -

		31-Dec-10		30-Jun-10
Property, plant and equipment	$	(19,029)	$	2,366
AOCI		(118,627)		111,741
Adjustment to deficit	$	137,656	$	(114,107)

Impact on Consolidated Statements of Comprehensive Income

		31-Dec-10		30-Jun-10
General and administration	$	463	$	637
Amortization		(8,612)	$	(594)
Exploration and evaluation		31,603	$	(637)
Foreign exchange (gain) / loss		(123,852)		(2,572)
AOCI		118,627		(111,741)
Adjustment to deficit	$	(18,229)	$	114,907

(Expressed in Canadian dollars unless otherwise noted)

Reconciliation of Consolidated Statement of Comprehensive Loss for the three months ended June 30, 2010

	Note	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Expenses				
Management fees paid to directors		$ 48,387	$ -	$ 48,387
Salaries, wages and consulting fees		149,934	-	149,934
Legal fees		4,676	-	4,676
Audit fees		19,010	-	19,010
General and administration		123,070	637	123,707
Amortization	(c)	14,517	(269)	14,248
Share-based payment		52,895	-	52,895
Exploration and evaluation expenses	(b)	-	1,132,332	1,132,332
Foreign exchange (gain) loss	(c)	(117,555)	129,741	12,186
Loss from operations		(294,934)	(1,262,441)	(1,557,375)
Finance income		40,039	-	40,039
Gain on capital assets		15,611	-	15,611
Loss for period		(239,284)	(1,262,441)	(1,501,725)
Exchange difference on translating foreign subsidiaries	(c)	-	139,515	139,515
Comprehensive loss		$ (239,284)	$ (1,122,926)	$ (1,362,210)
Loss per share				
Basic		$ (0.00)		$ (0.01)
Diluted		$ (0.00)		$ (0.01)
Weighted average number of shares outstanding				
Basic		137,964,351		137,964,351

(Expressed in Canadian dollars unless otherwise noted)

Reconciliation of Consolidated Statement of Comprehensive Loss for the six months ended June 30, 2010

	Note	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Expenses				
Management fees paid to directors		$ 787,887	$ -	$ 787,887
Salaries, wages and consulting fees		349,173	-	349,173
Legal fees		84,519	-	84,519
Audit fees		31,510	-	31,510
General and administration		257,734	637	258,371
Amortization	(c)	26,524	(594)	25,930
Share-based payment		1,252,396	-	1,252,396
Exploration and evaluation expenses	(b)	-	1,355,722	1,355,722
Foreign exchange (gain) loss	(c)	- 105,207	109,169	3,962
Loss from operations		(2,684,536)	(1,464,934)	(4,149,470)
Finance income		50,950		50,950
Gain on capital assets		15,611		15,611
Loss for period		(2,617,975)	(1,464,934)	(4,082,909)
Exchange difference on translating foreign subsidiaries	(c)	-	111,741	111,741
Comprehensive loss		$ (2,617,975)	$ (1,353,193)	$ (3,971,168)
Loss per share				
Basic		$ (0.02)		$ (0.03)
Diluted		$ (0.02)		$ (0.03)
Weighted average number of shares outstanding				
Basic and diluted		129,179,821		129,179,821

(Expressed in Canadian dollars unless otherwise noted)

Reconciliation of consolidated Statement of Financial Position as of June 30, 2010

Canadian GAAP accounts	Note	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Assets				
Current assets				
Cash and cash equivalents		$ 5,890,284	$ -	$ 5,890,284
Prepaid expenses and sundry receivables		$ 140,052	-	140,052
		6,030,336	-	6,030,336
Non-current assets				
Exploration and evaluation assets	(b)	$ 8,932,771	(8,932,771)	-
Property, plant and equipment	(c)	271,430	2,366	273,796
Term deposit	(c)	522,552	-	522,552
Total assets		$ 15,757,089	$ (8,930,405)	$ 6,826,684
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 949,265		$ 949,265
		949,265	-	949,265
Shareholder's equity				
Issued capital		33,634,472		33,634,472
Share-based payment reserve	(a)	8,183,276	(2,100,814)	6,082,462
Accummulated other comprehensive income	(c)	-	111,741	111,741
Retained earnings	(a), (b),(c)	(27,009,924)	(6,941,332)	(33,951,256)
Total equity		14,807,824	(8,930,405)	5,877,419
Total liabilities and equity		$ 15,757,089	$ (8,930,405)	$ 6,826,684

(Expressed in Canadian dollars unless otherwise noted)

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

	Note	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Expenses				
Management fees paid to directors		$ 484,928	$ -	$ 484,928
Salaries, wages and consulting fees		1,107,271	-	1,107,271
Legal fees		88,487	-	88,487
Audit fees		72,874	-	72,874
General and administration	(c)	922,925	463	923,388
Amortization	(c)	65,933	(8,612)	57,321
Share-bases payments		2,264,866	-	2,264,866
Exploration and evaluation expenses	(b),(c)	-	5,581,752	5,581,752
Foreign exchange (gain) loss	(c)	(69,506)	(123,852)	(193,358)
Loss from operations		(4,937,778)	(5,449,751)	(10,387,529)
Finance income		199,179	-	199,179
Gain on capital assets		15,882	-	15,882
Income tax expense		(35,455)	-	(35,455)
Loss for period		(4,758,172)	(5,449,751)	(10,207,923)
Exchange difference on translating foreign subsidiaries	(c)	-	(118,627)	(118,627)
Comprehensive loss		$ (4,758,172)	$ (5,568,378)	$ (10,326,550)
Loss per share				
Basic		$ (0.04)	$ (0.04)	$ (0.08)
Diluted		$ (0.04)	$ (0.04)	$ (0.08)
Weighted average number of shares outstanding				
Basic		134,449,381	134,449,381	134,449,381

(Expressed in Canadian dollars unless otherwise noted)

Reconciliation of consolidated statement of financial position as of December 31, 2010

Canadian GAAP accounts	Note	Canadian GAAP Balances	IFRS Adjustments	IFRS Balance
Assets				
Current assets				
Cash and cash equivalents		$ 7,127,226	$ -	$ 7,127,226
Prepaid expenses and sundry receivables		194,669	-	194,669
		7,321,895	-	7,321,895
Non-current assets				
Exploration and evaluation assets	(b)	13,126,561	(13,126,561)	-
Property, plant and equipment	(c)	536,616	(19,029)	517,587
Term deposit		552,133	-	552,133
Total assets		$ 21,537,205	$ (13,145,590)	$ 8,391,615
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 1,074,407	$ -	$ 1,074,407
Finance lease		75,972	-	75,972
Taxes payable		14,182	-	14,182
		1,164,561	-	1,164,561
Long-term Liabilities				
Finance lease		33,646	-	33,646
Deferred taxes		14,182	-	14,182
		1,212,389	-	1,212,389
Shareholder's equity				
Issued capital		40,829,667		40,829,667
share-based payment reverses	(a)	8,645,271	(2,243,661)	6,401,610
Accummulated other comprehensive income	(c)	-	(118,627)	(118,627)
Retained earnings	(a),(b),(c)	(29,150,122)	(10,783,302)	(39,933,424)
Total equity		20,324,816	(13,145,590)	7,179,226
Total liabilities and equity		$ 21,537,205	$ (13,145,590)	$ 8,391,615