



# BELVEDERE

resources

## **Management's Discussion & Analysis ('MD&A')** **For the Quarter Ended September 30, 2011**

This MD&A is intended to help the reader understand Belvedere Resources Ltd. ('BEL' or 'the Company'), our operations and our present business environment.

This MD&A has been prepared as of November 23, 2011 and covers the results of operations for the third quarter 2011 and the year ended December 31, 2010. It is intended to supplement the 2010 audited annual consolidated Financial Statements and notes thereto which were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). This MD&A should be read in conjunction with the Company's condensed consolidated interim financial statements for the period ended September 30, 2011, which are expressed in Euros and prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The financial statements together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as certain forward-looking statements relating to the potential future performance. Additional information relating to the Company is available from the Canadian securities regulators on SEDAR at [www.sedar.com](http://www.sedar.com).

## BUSINESS OVERVIEW

Belvedere Resources Limited (“Belvedere”) is focused on exploring and developing nickel and gold projects in Finland. The company currently produces 2,500 tonnes of Nickel in concentrate per annum. In addition the company has a portfolio of advanced gold properties in close proximity to the mill and in other areas of Finland which are rapidly being moved down the development pipeline towards production.

After the successful re-start of the Hitura Nickel Mine in 2010, the company aims to bring its nearby Kopsa gold deposit into production, where metallurgical and resource studies are currently underway. The company is also investigating expanding production at the Hitura Nickel Mine, through extending the open-pit at North Hitura and evaluating other near surface resources at Mid and South Hitura.

More than 17,000m of drilling has been completed during 2011 to date on the Rantasalmi and Kopsa gold properties and the Hitura open-pit expansion project. In total, Belvedere has spent in excess of €2.1 M on exploration related expenses to date for 2011. Of this, approximately €800,000 is to be refunded by REBgold Corporation under the terms of the Joint Venture.

### Nickel Operations

During the third quarter, total milled tonnes were 5% greater than the planned 122,000 tonnes. Lower production in July reflects a planned two week maintenance shutdown of the mill and mine holidays. Nickel production was adversely impacted by continued low grades from the main production stopes. The situation has now normalised and grades have improved going into the 4<sup>th</sup> quarter. The low production grades were once again partially offset by better concentrate grades. However overall nickel tonnes in concentrate produced of 464 t (1.02 million pounds) was 18% below the target of 568 tonnes and 9% lower than in Q2, 2011. A similar pattern is repeated in the cobalt tonnes which totalled 18.3 t, 22% below the planned total of 24 tonnes.

Month	Milled (t)	Con (t)	Ni t in Con.	Ni lb in Con	Co t in Con.
July	24,498	978	85	187,425	3.4
August	50,987	2,348	198	436,590	7.9
September	52,496	2,130	181	399,105	7.0
Q3 Total	127,981	5,456	464	1,023,120	18.3

Total operating costs for Q3 were as planned averaging €39.0 per milled ore tonne, compared to €36.8 and €38.0 per milled ore tonne in Q2 and Q1 respectively. The difference reflecting the higher costs/tonne in July due to scheduled mill shutdown maintenance and mine holidays. Total operating costs per pound of nickel in concentrate for Q3 averaged €4.87 (~US\$ 6.57 based on USD:EUR of 1.35) .

Concentrate is loaded into containers and shipped to Jinchuan Group in China with a 90% payment made on receipt of initial papers after loading and the remaining monies being paid once check assays are received in the receiving port in China.

## OUTLOOK

As announced in the Q2 MD&A low grades continued to impact the third quarter results at the Hitura nickel mine due to excessive ore dilution in the deep east stopes. The geological and mining teams have worked hard to rectify these problems and Q4 operating results are expected to reflect that. A power outage at the mill late in late October is not expected to influence total production for Q4 as there is ample mill capacity available.

Management remains focused on growing the business through internal investment in gold and nickel projects. A heavy inward investment programme is ongoing. The goal is to complete new resource estimates for the open-pit expansion at the Hitura Nickel mine and Kopsa gold property to allow feasibility

studies to commence to meet our vision of expanding nickel production in 2012 and becoming a gold producer in late 2013.

## SELECTED FINANCIAL INFORMATION

The following selected annual financial information in the table that follows has been derived from the condensed consolidated interim financial statements of the Company for the periods indicated and should be read in conjunction with such statements and notes thereto. Those financial statements have been prepared in accordance with International Financial Reporting Standards. Note 2010 figures have been restated in accordance with IFRS and have not been previously disclosed. See Note 18 to the Financial Statements for a comparison with Canadian GAAP. 2009 figures are reported in accordance with Canadian GAAP, and have not been restated in accordance with IFRS, as the Company's date of transition from Canadian GAAP to IFRS was January 1, 2010.

The Company generated net income for the quarter ended September 30, 2011 of €549,884 or €0.00 per share, which compares with a net loss of €782,253 or €0.01 per share reported for the same period of fiscal 2010.

The principal causes of these quarterly and annual variations are explained after the 'Selected Financial Information' table following.

Selected Financial Information All amounts in €000's, except shares and per share figures	Quarter ended September 30 2011	Quarter ended September 30 2010	Quarter ended September 30 2009
Revenue	5,821	1,496	-
Operating Expenses	5,258	1,964	945
G&A Expenses *	260	468	352
Other (income) and expenses	367	(418)	133
(Gain) loss on fair valuation derivative liability	(521)	428	-
Income tax recovery	(93)	(164)	-
Net income (loss)	550	(782)	(1,430)
Loss per share (basic and diluted)	(0.00)	(0.01)	(0.02)
Cash Flow (used) from operating activities	516	(1,809)	(6,329)
Cash Flow (used) from investing activities	(156)	(710)	(76)
Cash Flow (used) from financing activities	(525)	2,109	(6,376)
Net increase (decrease) in cash	(284)	(434)	95
Cash at end of period	2,524	794	370
Total Assets	22,839	17,964	17,289
Total Liabilities	12,027	13,961	18,407
Working Capital **	382	1,068	(1,855)
Weighted average number of shares outstanding	140,692,743	107,914,006	79,183,336
Dividends per Share	-	-	-

\*: Including stock based compensation

\*\* : Excluding cash restricted under standby letter of credit

During the third quarter:

- The Hitura Mine produced 464t (1.02 million pounds) of nickel in concentrate, compared to the planned production of 568t, 18% below forecast.
- The Company generated net income for the quarter ended September 30, 2011 of €549,884 or €0.00 per share, which compares with a net loss of €48,944 for the previous quarter and, a loss of €797,253 or €0.01 per share reported for the same period (Q3) of fiscal 2010.
- General and administrative expenses decreased to €482,138 (2010: €256,084) substantially as a consequence of lower stock compensation expense.
- Other expense was €366,803 (Q3 2010 Income: €417,600) as a consequence of foreign exchange losses.
- Working capital was negatively impacted by the transfer of €475,000 to restricted cash to cover the increase in the Hitura environmental bond..

## SUBSEQUENT EVENTS

In October, as detailed in the exploration update below, Belvedere updated the resources for the Osikonmäki East project on their Rantasalmi gold property. The total Inferred Resource has been increased by 52% to 244,000 oz's of gold. In addition a further 68,000 oz's has been upgraded to the Indicated Resource category for a total resource of 312,000 oz's of gold. The prospect remains open in all directions.

## SUMMARY OF QUARTERLY RESULTS

The quarterly results for the Company for the last eight fiscal quarters are set out in the following table.

### Quarterly Results

(all amounts in thousands of Euros except per share figures)

Fiscal 2011	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	-	5,821	4,382	6,965
Net income (loss) for the period	-	550	(49)	1,027
Basic and diluted earnings per share	-	-	-	0.01
Fiscal 2010	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	5,626	1,495	-	-
Net income (loss) for the period	760	173	(1,675)	3,170
Basic and diluted earnings (loss) per share	0.01	0.01	(0.01)	0.03
Fiscal 2009	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Revenue	-	-	-	-
Net loss for the period	(3,704)	(1,430)	-	-
Basic and diluted loss per share	(0.04)	(0.02)	-	-

**2009 figures:** These figures are reported in accordance with Canadian GAAP, and have not been restated in accordance with IFRS, as the Company's date of transition from Canadian GAAP to IFRS was January 1, 2010.

**2010 figures:** These amounts have been restated in accordance with IFRS and have not been previously disclosed.

Losses for fiscal 2009 reflect costs associated with maintaining operating assets in care and maintenance mode. The loss on bankruptcy and mineral property impairment charge contributed to the material increase in net losses reported in the fourth quarter.

The Company reacquired the Hitura assets in Q1 and the subsequent fair valuation of these assets and resultant gain is reflected in the results for fiscal 2010. The ramp up to commercial production is reflected in the third and fourth quarters of 2010 and the first quarter of 2011.

## **EXPLORATION AND DEVELOPMENT UPDATE**

During the first three quarters of 2011, the majority of exploration work has focused on the open pit expansion studies at Hitura, the metallurgical studies and resource estimate at Kopsa, and the infill drilling programme on the Rantasalmi gold project in SE Finland.

### Open Pit Expansion Studies for Hitura Nickel Mine

On 23<sup>rd</sup> February, 2011 Belvedere commenced drill campaign on the southern edge of the old Hitura open pit. Drilling has continued since then with a total of 58 holes totalling 6,950 metres. The drill programme is expected to be completed by the end of November for a total of 7,470 metres over 62 holes.. Desktop studies from historical drilling indicate that extending the open pit to the south of its current margins could add significantly to the operating life of the mine. The infill drilling will enable a new resource statement to be completed on this part of the Hitura Nickel mineralisation, expected by the end of January, 2012, allowing an investment decision to be made early in 2012.

### Kopsa Gold Property

In late July, a 4,000m infill drill programme started on the Kopsa project, with the objective of enabling the completion of an NI 43-101 compliant mineral resource estimate for the main zone mineralisation to an Indicated Resource category. Drilling is continuing and is expected to be completed in November, 2011.. An updated NI 43-101 is expected to be completed early in 2012.

### Rantasalmi Gold Property

The Rantasalmi Gold Property, is one of the two Belvedere properties in the Joint Venture with REBgold Corporation, as such it has been placed in a dedicated subsidiary BR Gold Mining Oy. At its formation Belvedere owns 100% of BRGM; at the end of the earn-in period (after expenditures of CDN \$6M) Belvedere will own 50% of the BRGM.

At the end of June, 2011 a drill programme consisting of 54 holes over 6,118 metres was completed on the Osikonmäki East deposit. The final assays were received in August, and Golder Associates (UK) Ltd were commissioned to prepare an NI 43-101 compliant resource estimate for the deposit.

The NI 43-101 compliant resource estimate was completed and announced in a news release on 11<sup>th</sup> October, 2011, with the technical report filed on Sedar. The Qualified Person responsible for the Independent Technical Report determined that the Osikonamki East gold property has NI 43-101 compliant resources, modelled and reported at a 0.5 g/t Au cut-off, and down to a maximum vertical depth of 220 metres as follows:

<b>Category</b>	<b>Tonnes</b>	<b>Au g/t</b>	<b>Troy Oz's</b>
Indicated	1,296,000	1.70	68,000
Inferred	3,542,000	2.09	244,000

## LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

The Company's overall liquidity risk continued to improve significantly from the prior year as a result of the start up of nickel production at Hitura, and is bolstered by the fixed price sales agreement with Jinchuan. The Company generated €5,820,775 in revenues in the third quarter of fiscal 2011 (2010: €1,495,543).

With operations at the Hitura Mine at full production capacity, the conversion of the Investec loan into equity and the completion of the private placement in Q1, the company has sufficient financing for at least the next 12 months of normal operations.

Financings have all previously been completed in Canadian dollars and therefore there is an exchange rate risk at the corporate level to movements between the Canadian dollar and Euro on funds being transferred to Finland.

The Company's operating results and cash flow are affected by changes in the Euro exchange rate relative to the US Dollar and Canadian Dollar. The Company's exposure to both fluctuations in the price of nickel and exchange rate movements have largely been mitigated through the fixed price sales agreement at a fixed US dollar/Euro exchange rate. On July 7, 2009, the Company and Jinchuan entered into an agreement whereby the US\$7,500,000 of principal and US\$175,605 of interest owing under the prepayment agreement between Finn Nickel"), a 100% owned subsidiary of Belvedere, and Jinchuan would be satisfied by Belvedere issuing 7,675,605 preference shares for US\$1.00 each. These preference shares have a redemption price of US\$1.00 each, carry a cumulative 2.5% dividend, are non-voting and will not be convertible into common shares. On the 20th April, 2011, Jinchuan agreed to defer the redemption dates by six months so that the 7,675,605 preference shares are redeemable at the option of Jinchuan in four annual tranches beginning on December 30, 2011 and ending on December 30, 2014.

Cash and short terms deposits (denominated in Euros) were as follows:

Currency	At September 30, 2011	At September 30, 2010
Canadian Accounts	56,274	110,348
Euro Accounts	2,435,095	652,807
Sterling Accounts	32,927	31,106
Total	2,524,296	794,261

At the date of this MD&A, interest was being received on Euro deposits was 1.1% and interest being received on Canadian Dollar deposits was 0%

During the third quarter, cash flow from operating activities was €516,296 and reflects the restart of mining operations at Hitura. This compares to cash used of €1,808,653 in Q3 2010.

Cash flow used in financing activities was €525,110 and relates to the repayment of a capital lease and an additional €475,000 set aside as restricted funds in relation the increase in the Hitura environmental bond to €2 million. This compares to cash flow generated from the issuance of common shares of €2,109,232 in Q3 2010.

Capital spending on the open pit expansion area and underground drifting at Hitura, and exploration drilling on the Company's gold properties (net of €761,762 reimbursement of 2011 Rantasalmi exploration drilling costs by REBgold) was €156,100 (2010: €709,778).

At November 23, 2011, the Company had a working capital surplus of €0.4 million.

The Company may be dependent upon debt and equity financing to carry out its exploration and development plans and there can be no assurance that such financing will be available on terms acceptable to the Company or at all.

As at November 23, 2011 the Company had cash resources of €1.9 million.

### Financial Instruments

The fair values of cash and cash equivalents, receivables and accounts payable approximate their carrying values due to the short-term to maturities of these financial instruments.

The fair value of long-term liabilities was determined using discounted cash flows at prevailing market rates and the fair value is considered to approximate carrying value. The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at September 30, 2011.

The Company is exposed to fluctuations in interest rates, foreign currency exchange and electricity rates.

The Company has not entered into any derivative contracts. The Company's contract with Jinchuan Group Ltd for the sale of nickel, copper and cobalt concentrate from the Hitura Nickel Mine contains a price adjustment feature based on quoted market prices during the month subsequent to the date of delivery. The price adjustment feature is considered to be an embedded derivative that requires separation in accordance with GAAP requirements. Market prices were such that the Company recognized no fair value adjustment in its consolidated financial statements as at September 30, 2011 in regards to this embedded derivative.

### **RELATED PARTY TRANSACTIONS**

The Company paid €43,293 to Midas Exploration relating to wages of an executive director (2010: €26,322) and management fees of €28,306 to ATC Group in the Netherlands (2010: €44,659).

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The details of the Company's accounting policies are presented in accordance with International Financial Reporting Standards (IFRS) as set out in Note 2 to the Company's condensed consolidated interim financial statements as at and for the period ending September 30, 2011. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. The preparation of the Company's financial statements depends upon estimates of proven and probable reserves, measured and indicated mineral resources and recoverable Nickel, assumptions of operating costs and future Nickel prices and possible values assigned to potential resources on exploration properties. Such estimates and assumptions affect the cost recovery of long-lived assets and the rate at which depletion and amortization are charged to earnings. In addition, management must estimate costs associated with mine reclamation and closure costs.

The following estimates are considered by management to be the most critical for investors to understand some of the processes and reasoning that go into the preparation of the Company's financial statements, providing some insight also to uncertainties that could impact the Company's financial results.

### Going Concern

The accompanying condensed consolidated interim financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and discharge of liabilities in the normal course of operations for the foreseeable future. The Company generated operating income for the three and nine months ended September 30, 2011 of €563,143 and €1,228,00041 respectively (2010 – operating losses of €(468,221)), and net income for the three and nine months ended September 30, 2011 of €549,884 and €1,944,672 respectively (three and nine months ended September 30, 2010 – net income (loss) of €(797,253) and €1,688,372 respectively.

At September 30, 2011, the Company held unrestricted cash of €2,524,296 (September 30, 2010 - €764,621), and had a net working capital surplus of €381,920 (September 30, 2010 – surplus of €1,067,596).

### Measurement Uncertainty

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items that require, or could require estimates as the basis for determining the stated amounts include allowance for doubtful accounts, inventories, electricity hedging, mineral property, plant and equipment, asset retirement obligations, stock-based compensation, allocation of purchase price of acquisitions and income and mining taxes.

Depreciation and depletion of mineral property, plant and equipment assets are dependent upon estimates of useful lives and reserves estimates, both of which are determined with the exercise of judgement. The assessment of any impairment of mineral property, plant and equipment is dependent upon estimates of fair value that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Asset retirement obligations are recognized in the period in which they arise and are stated as the fair value of estimated future costs. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

### Mineral Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and depletion. Maintenance, repairs and renewals are charged to operations.

Mining properties and mining and process facility assets are amortized on a units-of-production basis which is measured by the portion of the mine's economically recoverable and proven ore reserves recovered during the period.

All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the units-of-production method following commencement of production.

**Resources and Reserves** The Qualified Person responsible for the Independent Technical Report has determined that the Hitura Mine has NI 43-101 compliant Mineral Reserves and Resources as follows, where Resources are exclusive of Reserves:

Category	Tonnes	Ni%	Cu%
Proven Reserves	972,000	0.69	0.24
Probable Reserves	350,000	0.62	0.23

Total Mineral Reserves	1,322,000	0.67	0.24
Measured Resources	1,336,000	0.71	0.23
Indicated Resources	1,086,000	0.60	0.20
Total Measured and Indicated Resources	2,422,000	0.66	0.22
Inferred Resources	615,000	0.67	0.29

Hitura Reserves and Resources (October 13<sup>th</sup>, 2010)

**Depletion and Life of Mine** Current proven and probable reserves allow mining to January 2013. In the first nine months of operations to March 31<sup>st</sup> 2010, of the 377,541 t mined, was depleted from the May 31<sup>st</sup> Proven Reserve figure. The remainder mainly came from old stopes not included in the reserves, as it was originally thought that access could be problematic. Historically about 95% of Measured and Indicated Resources are converted to Reserves at Hitura. Mineralisation is known to extend below current and planned production levels in North Hitura, as well as in the relatively unexplored Mid- and South Hitura

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

#### Impairment and Uncollectability of Financial Assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount as follows: the carrying amount of the asset is reduced to its discounted estimated recoverable amount, either directly through or the use of an allowance account and the resulting loss is recognized in the consolidated statement of operations for the year.

For investments included under financial instruments, if there is an other than temporary decline in the value of the investment, such reduction is included in the consolidated statement of operations.

#### Closure Costs

The Company has an obligation to reclaim its properties after the minerals have been mined from the site, and has estimated the costs necessary to comply with existing reclamation standards. These estimates are recorded as a liability at their fair values in the periods in which they occur. If the estimate of reclamation costs proves to be inaccurate, the Company could be required to increase the provision for site closure and reclamation costs, which would increase the amount of future reclamation expense, resulting in a reduction in the Company's earnings and net assets.

### Stock Based Compensation

The Company accounts for stock-based compensation using the Black-Scholes fair value option pricing model. Stock-based compensation is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

### Purchase Price Allocations on Business Acquisitions

Purchase price allocations on business acquisitions are determined based on management's estimates.

### Income Taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

## **OFF BALANCE SHEET TRANSACTIONS / PROPOSED TRANSACTIONS**

The Company has no Off Balance Sheet transactions nor Proposed Transactions.

## **CHANGES IN ACCOUNTING POLICIES**

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

#### **IFRS Conversion Plan**

The quarter ending September 30, 2011 with comparative financial results for 2010, is our third interim period reported under IFRS. All comparative figures have been restated to be in accordance with IFRS.

The Company's IFRS conversion plan addresses matters including changes in accounting policies, IT and data systems, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion is understood and managed reasonably, the Company has retained an IFRS conversion consultant. Through in-depth training and detailed analysis of IFRS standards, the Company's accounting personnel has obtained a thorough understanding of IFRS and possesses sufficient financial reporting expertise to support the Company's future needs. The Company has also reviewed its internal and disclosure control processes and believes they will not need significant modification as a result of the conversion to IFRS. Further, the Company has assessed the impact on IT and data systems and has concluded there will be no significant impact to applications arising from the transition to IFRS.

#### **Significant Impacts on Transition to IFRS**

Our financial statements were prepared in accordance with Canadian GAAP until December 31, 2010. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures. For a description of the significant accounting policies the Company has adopted under IFRS, including the estimates and judgments we consider most significant in applying those accounting policies, please refer to note 2 of the condensed consolidated interim financial statements.

The adoption of IFRS resulted in some changes to the consolidated balance sheets and income statements of the Company previously reported under Canadian GAAP. To help users of the financial statements better understand the impact of the adoption of IFRS on the Company, we have provided reconciliations from Canadian GAAP to IFRS for total assets, liabilities, and equity, as well as net income and comprehensive income for the comparative reporting periods. Please refer to note 18 of the condensed consolidated interim financial statements for the reconciliations between IFRS and Canadian GAAP.

### **IFRS 1 First-Time Adoption of International Financial Reporting Standards**

Adoption of IFRS requires the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Please refer to note 18 of the condensed consolidated interim financial statements for a detailed description of the IFRS 1 exemptions we elected to apply.

### **OTHER MATTERS**

#### Outstanding Share Data

As at the date of this MD&A the following securities are outstanding:

Common Shares	151,812,291
Warrants	13,887,714
Options	7,175,000

#### Further Information

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's web site [www.belvedere-resources.com](http://www.belvedere-resources.com).

### **CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION**

*All statements in this document, other than statements of historical fact, that address exploration drilling, exploitation activities and events or developments that the Company expects to occur, constitute 'forward looking statements' and these statements are made as of the date hereof. Any forward looking statements are based upon reasonable assumptions, but no guarantees or assurances can be given that actual results will be consistent with such statements.*

*Forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:*

- *Risks inherent in the natural resource exploration, development and production*
- *Lack of operating cash flow and the Company's dependency on additional capital*
- *Competition in the mineral exploration and mining industries*
- *Governmental regulation and environmental liability*
- *Uncertainty of title of resource properties*
- *Results of legal claims made by or against the Company*

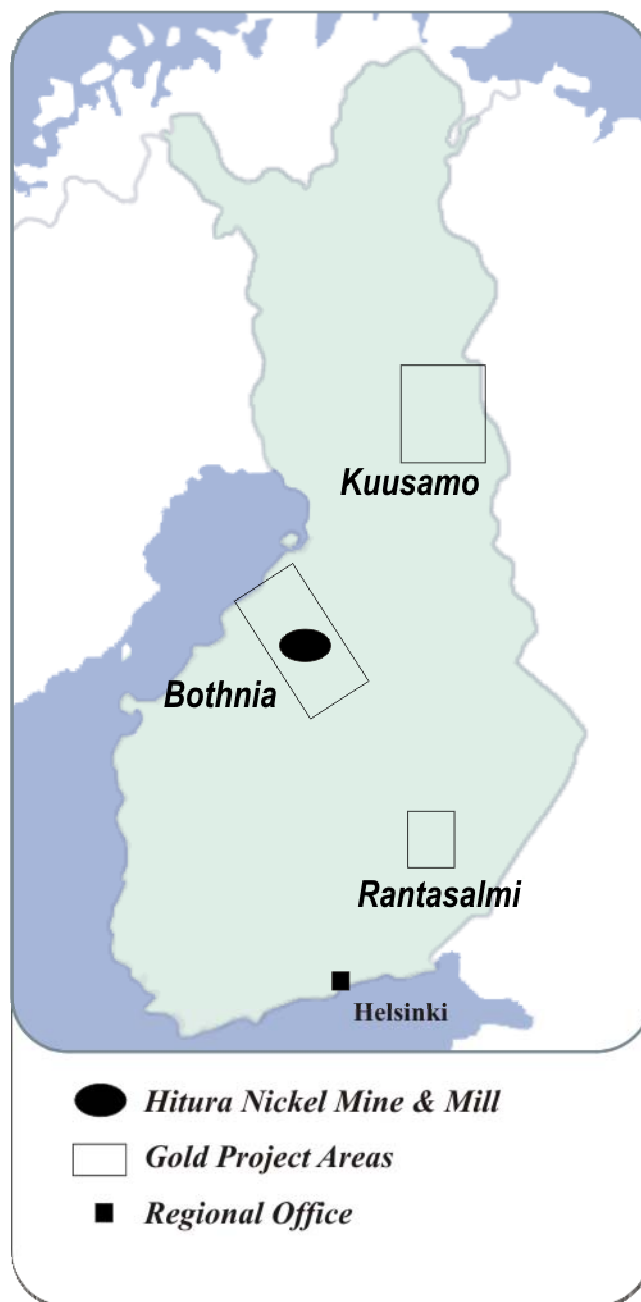
*Readers should not place undue reliance on any forward looking statements. Forward looking statements are not guarantees of future performance and actual results may differ materially. The Company*

*undertakes no obligation to update these forward looking statements in the event that management's beliefs, estimates or opinions, or other factors, change. The technical (non-financial) aspects in this report have been prepared by Dr. Toby Strauss, the Company's Chief Operating Officer, who is acting as Qualified Person in compliance with National Instrument 43-101 with respect to this MD&A.*

## **NOTICE TO READERS IN THE UNITED STATES**

*Canadian standards, including those under NI 43-101, differ significantly from the requirements of the Securities and Exchange Commission of the United States ("SEC"), and mineral reserve and resource information contained or incorporated by reference in the MD&A may not be comparable to similar information disclosed by U.S. companies. Under U.S. standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. The SEC's disclosure standards normally do not permit the inclusion in documents filed with the SEC of information concerning "measured mineral resources," "indicated mineral resources" or "inferred mineral resources" or other descriptions of the amount of mineralization in mineral deposits that do not constitute "reserves" by U.S. standards. U.S. investors should also understand that "inferred mineral resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an "inferred mineral resource" will ever be upgraded to a higher category. Under Canadian rules, estimated "inferred mineral resources" may not form the basis of feasibility or pre-feasibility studies except in rare cases. Investors are cautioned not to assume that all or any part of an "inferred mineral resource" exists or is economically or legally mineable. Disclosure of "contained ounces" in a mineral resource estimate is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. The requirements for identification of "reserves" are also not the same as those of the SEC, and reserves reported by the Company may not qualify as "reserves" under SEC standards. Accordingly, information concerning mineral deposits set forth herein may not be comparable with information made public by companies that report in accordance with US standards.*

**APPENDIX 1- OVERVIEW OF OPERATING REGIONS**



**APPENDIX 2- SCHEDULE OF KEY FACTS RELATING TO Q3 2011**

<b>Region</b>	<b>Operation/ Activity</b>	<b>Key Facts</b>
<b>NICKEL</b>		
Hitura	Nickel Operations	<ul style="list-style-type: none"> <li>Operating at a current capacity of 540,000 tonnes per annum, producing approx. 2,500 tonnes of Ni in concentrate</li> <li>Concentrate continues to be delivered to Jinchuan under the terms of an 18 month sales agreement that expires at the end of February 2012.</li> </ul>
	Nickel Exploration	<ul style="list-style-type: none"> <li>A 5,600 m diamond drill programme commenced on the open pit expansion studies at the Hitura</li> <li>Drilling continues</li> </ul>
<b>GOLD</b>		
Bothnia Exploration	Hirsikangas	<ul style="list-style-type: none"> <li>No work done in Q1 2011</li> <li>No work done in Q2 2011</li> <li>No work done in Q3 2011</li> </ul>
Bothnia Exploration	Ängesneva (Kiimala Property)	<ul style="list-style-type: none"> <li>No work done in Q1 2011</li> <li>No work done in Q2 2011</li> <li>Joint Venture agreement signed with REBgold Corporation in August 2011</li> </ul> <p>No exploration in Q3 2011</p>
Kuusamo	Haarakumpu	<ul style="list-style-type: none"> <li>No work done in Q1 2011</li> <li>No work done in Q2 2011</li> <li>No work done in Q3 2011</li> </ul>
Rantasalmi	Osikonmäki	<ul style="list-style-type: none"> <li>A 5,000 metre drill programme commenced in February</li> <li>High-grade intersects announced in press releases</li> <li>Drilling completed June 2011 (6,118 m over 54 holes)</li> <li>Joint Venture agreement signed with REBgold Corporation in August 2011</li> <li>Mineral resource estimate completed in October 2011</li> </ul>
Bothnia Exploration	Kopsa	<ul style="list-style-type: none"> <li>Initial metallurgical results announced in June 2011</li> <li>A 4,000 metre drill programme commenced end of July 2011</li> <li>Drilling continues</li> </ul>

## APPENDIX 3- 2011 PRODUCTION SUMMARY

All production has come from the Hitura Nickel Mine

Month	Milled (t)	Con (t)	Ni t in Con.	Co t in Con.
January	49,049	2,399	211	8.2
February	42,419	1,791	155	6.2
March	51,444	2,161	181	7.5
Q1 Total	142,912	6,380	547	22

Month	Milled (t)	Con (t)	Ni t in Con.	Co t in Con.
April	43,952	1,708	144	6.1
May	51,768	2,279	187	8.0
June	49,097	2,139	178	7.1
Q2 Total	144,817	6,126	<b>510</b>	21.2

Month	Milled (t)	Con (t)	Ni t in Con.	Co t in Con.
July	24,498	978	85	3.4
August	50,987	2,348	198	7.9
September	52,496	2,130	181	7.0
Q3 Total	127,981	5,456	464	18.3

Month	Milled (t)	Con (t)	Ni t in Con.	Co t in Con.
Q1+Q2+Q3 Total	415,710	17,961	1,521	61.4

## APPENDIX 4- RESERVES AND RESOURCES

### Nickel Reserves

Prospect	Category	Tonnes	Ni%	Cu%
Hitura	Proven Reserves	972,000	0.69	0.24
Hitura	Probable Reserves	350,000	0.62	0.23
<b>Hitura</b>	<b>Total Ore Reserves</b>	<b>1,322,000</b>	<b>0.67</b>	<b>0.24</b>

### Nickel Resources

Prospect	Category	Tonnes	Ni%	Cu%
Hitura	Measured & Indicated	2,422,000	0.66	0.22
Hitura	Inferred	615,000	0.67	0.29

Notes:

1. Where a property has Measured and Indicated or Indicated and Inferred resources, Measured and Indicated Resources are separate from Inferred Resources
2. Where a property has Reserves this figure is in addition to and is not included in the Measured, Indicated or Inferred Resource categories

### Gold Resources

Property	Prospect	Category	Tonnes	Au g/t	Cu%	Co%	Troy Ounces
Hirsikangas		Indicated	3,002,000	1.23			119,000
Hirsikangas		Inferred	2,673,000	1.27			109,000
Rantasalmi	Osikonmäki East	Indicated	1,296,000	1.70			68,000
Rantasalmi	Osikonmäki East	Inferred	3,542,000	2.09			244,000
Rantasalmi	Osikonmäki West	Historical	90,000	4.86			14,000
Rantasalmi	Pirilä	Historical	150,000	8.9			43,000
Kopsa		Historical	25,000,000	0.57	0.15		458,000
Kopsa <sup>2</sup>		Historical	1,100,000	1.9			67,000
Kiimala	K3 (Vesiperä)	Historical	300,000	2.5			24,100
Kiimala	K1 (Ängesneva)	Indicated	3,850,000	1.19			147,000
Kuusamo	Haarakumpu	Historical	900,000		0.46	0.34	
Kuusamo	Kouvertaara	Historical	1,580,000	0.4		0.1	20,300

Notes:

1. Where a property has Measured and Indicated or Indicated and Inferred resources, Measured and Indicated Resources are separate from Inferred Resources.
2. Kopsa resources: The smaller tonnage, higher grade resource is INCLUDED in the larger bulk resource

### **PROPERTY SPECIFIC TECHNICAL INFORMATION OF ESTIMATES**

#### **HITURA**

*The ore reserve and resource estimate for Hitura is effective from 13<sup>th</sup> October, 2010, and has been prepared by Markku Meriläinen of Outotec Oyj, acting as an independent "Qualified*

Person". The resource estimate is based on data accurate up until 31<sup>st</sup> May, 2010. The ore resource was calculated using block modelling, made up of 5m x 5m x 5m parent blocks, with sub-blocks of 2.5m x 2.5m x 2.5m constrained by a 0.47% Ni grade envelope. The grades inside the blocks were calculated using a combination of ordinary Kriging and an inverse distance squared method, depending on the quality of the variograms associated with the different ore zones. The maximum search distance was 200m for all estimations. The distance between the drilling profiles used for constructing the grade envelopes, varies from 6 m to 25 m but the most frequent one is 12.5 m. The minimum of 3 and maximum of 15 composites were used to estimate the block grade. An average specific gravity of 2.7 was assigned for all blocks.

The calculation of Reserves is based on the ongoing profitable mining operations at the Hitura Mine. The key economic criteria that have been used for the calculation of reserves are based on 18 months of production through to end of December 2011. After mining dilution (varying between 13% and 34% depending on area within the mine using historical figures) and plant recoveries (66%), total production in this period is expected to be 725,000 tonnes of ore at a head grade of 0.67 % Ni, producing 3,219 tonnes of nickel in concentrate. The operating cost for this period is € 37.32 /tonne of ore. Belvedere has an offtake agreement in place with Jinchuan Group Ltd for an 18 month supply of concentrate, with a floor price denominated in Euros. For the purpose of calculating reserves a nickel price of €15,417 has been used. Capital and opening costs totalled € 1.26 million, which was partially funded by a € 2.0 million convertible loan facility with Investec. These costs are all fully amortised by end of December 2011

Further information regarding the status of Hitura in regards environmental, permitting, and title issues can be found in the NI 43-101 Technical Report "Updated Resource and Reserve estimate of the Hitura Nickel Mine in Central Finland" dated 13th October, 2010, and filed on SEDAR. There are no known issues that may materially affect the mineral resources listed above.

### **OSIKONMÄKI EAST**

The mineral resource estimate for Osikonmäki East is effective from 6<sup>th</sup> October, 2011 and has been prepared by Golder Associates (UK) Ltd under the supervision of Alexandra Akyurek (CSci, MSc MIMMM), acting as an independent "Qualified Person" as defined by National Instrument 43-101. Mrs Akyurek is a member of the Institute of Materials, Minerals and Mining (Member #447670). Mineral resources of the Osikonmäki East gold deposit have been prepared and categorised for reporting purposes by Golder, according to the Canadian Institute of Mining (CIM) Standards on Mineral Resource and Reserves Definitions and Guidelines, referred to in the National Instrument (NI) 43-101, Standard Disclosure for Mineral Projects (Standards) for submission to the TSX.

The Osikonmäki database includes 199 diamond drillholes totalling 24,271 metres drilled. These include 79 drillholes for a total of 7,809 m of core drilled by Belvedere and 120 drillholes for 16,462m of core drilled by the GTK (Geological Survey of Finland) between 1986 and 1991. The database includes 1,135 Au assays from within the modelled wireframes. Drill core sample lengths vary between 0.01 and 4.06 metres but were generally 1.0 metres (average 0.85 metres). All assays were composited to a "best fit" 1m for use in the interpolation. No topcutting was employed.

The mineralisation was divided into three domains: Main Lode, Offset Lode and Top Lode. Wireframe models were delineated using a gold cut-off grade of 0.5 g/t Au. The mineral resource was calculated using block modelling to a maximum vertical depth of 220 metres, made up of 10m x 10m x 10m blocks (x:y:z) constrained by the modelled wireframe. Sub-blocks of 5m x 5m x variable (z) were created to better outline the mineralised lodes.

To account for undulations in the topography of the Lodes, Golder employed an "unfold" strategy using Datamine's UNFOLD technology. Composite samples are "unfolded" and all subsequent data manipulation, including variography and estimation is performed in the transformed coordinate system.

Block grades were interpolated using a three pass, ordinary kriging estimate for the three lodes. For the Main Lode the minimum number of samples was 12, and the maximum 32, with a maximum of 5 samples permitted from one hole. For the Offset and Top Lodes the minimum number of samples was 7 and the maximum 32, with a maximum of 5 samples permitted from one hole (maximum of 4 for the third pass).

The dimensions of the search ellipses were as follows:

<b>Interpolation pass</b>	<b>X</b>	<b>Y</b>	<b>Z</b>
First pass	40m	50m	10m
Second pass	80m	100m	20m
Third pass	200m	250m	50m

Bulk density of the mineralisation was based on actual specific gravity data collected during exploration. A total of 227 recent density determinations from within the mineralised rock as defined by the wireframe model, were used in establishing an average bulk density of 2.69 tonnes/m<sup>3</sup>. Specific gravity of the blocks was estimated using inverse distance for the Main, Offset and Top Lodes.

Indicated mineral resources are defined as those portions of the deposit estimated in the first estimation pass, using only Belvedere samples, and using more than 15 samples. Inferred mineral resources are defined as those portions of the deposit outside of the indicated resources and contained within the mineralised wireframes. Indicated resources are separate from Inferred resources.

### **HIRSIKANGAS**

The Hirsikangas mineral resource is effective from November 30<sup>th</sup> 2009, and has been prepared by Thomas Lindholm of GeoVista AB of Sweden, acting as independent “Qualified Person”. The ore resource was calculated using block modeling made up of 10m x 10m x 2m blocks with sub-blocks down to 2.5m x 2.5m x 0.5m. The block models were constrained by a wireframed three-dimensional volume interpreted from mineralised structures on oblique sections. The grades inside the blocks were calculated using the Inverse Distance Squared Method, with several passes. The Indicated Resources are where drilling was on a grid of 50m x 50m. The Inferred Resources are where drill spacing was greater than 50m x 100m. An average specific gravity of 2.72 g/cm<sup>3</sup> was assigned for all blocks. Further information regarding the status of the property in regards to environmental permitting, and title issues can be found in the NI 43-101 Technical Report “Hirsikangas Gold Deposit, Central Ostrobothnia, Finland” dated November 30<sup>th</sup>, 2009, and filed on SEDAR. There are no known issues that may materially affect the mineral resources listed above.

### **K1 (ÄNGESNEVA)**

The mineral resource estimate for Ängesneva (K1) is effective from 2<sup>nd</sup> June, 2010 and has been prepared by Mr Thomas Lindholm, MSc of GeoVista AB, Luleå, Sweden acting as an independent “Qualified Person” as defined by National Instrument 43-101. Mr. Lindholm is a fellow member of the Australasian Institute of Mining and Metallurgy (Member #230476). Mineral resources of the Ängesneva gold deposit have been prepared and categorised for reporting purposes by Mr. Lindholm, following the guidelines of the JORC Code. Mr Lindholm is qualified to be a Competent Person as defined by the JORC Code on the basis of training and experience in the exploration, mining and estimation of mineral resources of gold deposits. The Ängesneva (K1) database includes 69 diamond drillholes totalling 9,167.71 metres drilled between 1988 and 2010. The database includes 4,442 Au assays. Drill core sample lengths vary between 0.08 and 4.4 metres but were generally about 1.0 metres (average 1.19 metres). All assays were composited to 1.5 m for use in the interpolation. The mineralisation was modelled as one domain. A wireframe was constructed based on a 0.5 g/t Au cut-off grade, permitting the inclusion of up to 7m waste. The mineral resource was calculated using block modelling to a maximum vertical depth of approximately 250 metres (Z=-160), made up of 10m x 10m x 2m blocks constrained by the modelled wireframe. The block model was rotated to an azimuth of 030° to better fit the

geometry of the body. Block grades were interpolated using 3 concentric search ellipses using ordinary Kriging with a minimum of 3 and a maximum of 25 samples. The first search ellipse had a maximum range of 26m (being 2/3 the range determined by variography), the second was 52m, and the final 104m. 8.6% of blocks were populated in the 1<sup>st</sup> pass, 63.6% in the 2<sup>nd</sup> pass and the remainder of 27.7% populated in the 3<sup>rd</sup> pass. Bulk density of the mineralisation was based on actual specific gravity data collected during exploration. A total of 285 measurements were taken from within the modelled mineralised zone, giving an average bulk density of 2.83 tonnes/m<sup>3</sup>. Further information regarding the status of the property in regards to environmental permitting, and title issues can be found in the NI 43-101 Technical Report "Ängesneva (K1) Gold Deposit, Kiimala Property, Central Ostrobothnia, Finland." dated June 2<sup>nd</sup>, 2010, and filed on SEDAR. There are no known issues that may materially affect the mineral resources listed above.

### **HISTORICAL RESOURCES**

The following properties only have Historical Resources associated with them, that were prepared prior to the implementation of National Instrument 43-101. The sources of the historical estimates are identified below. The estimates are based upon historical diamond drilling without NI 43-101 compliant QA/QC procedures. Belvedere does not have, and is not aware of, any more recent resource or reserve estimates which are compliant with the standards laid out in National Instrument 43-101. Belvedere advises that it has not done the work necessary to verify the classification of either of the mineral resource estimates and such estimates have not been verified by a qualified person. The Company is not treating the historical resource estimates supplied in this news release as National Instrument 43-101-defined resources, and the historical resource estimates should not be relied upon.

KOPSA The historical resource estimate for Kopsa is found in the Outokumpu Oy Report "080/2344/MAI/82 (1982)". Further information on the deposit is found in the "Technical Report on the Arkala, Kopsankangas and Susineva Properties" filed on Sedar 6<sup>th</sup> September 2002

KOUVERVAARA The historical resource estimate for Kouvervaara is found in the Geological Survey of Finland, "Report of Investigation 101 (1991)". Further information on the deposit is found in the "Technical Report on the Kuusamo Properties" filed on Sedar 17th November 2006

HAARAKUMPU The historical resource estimate for Haarakumpu is found in some Lapin Malmi Oy reports dated 1985. Further information on the deposit is found in the "Technical Report on the Kuusamo Properties" filed on Sedar 17th November 2006

OSIKONMÄKI WEST The historical resource estimate for Osikonmäki West is found in the Geological Survey of Finland Report "M06/3233/92/1/10 (1992)". Further general information on the deposit is found in the NI 43-101 Technical Report "Rantasalmi Gold Project, Finland" dated December, 2005, and filed on SEDAR 30<sup>th</sup> October, 2006.

PIRILA The historical resource estimate for Pirila is found in the Geological Survey of Finland Report "M19/3233/86/1/10 (1986)".

VESIPERÄ The historical resource estimate for Vesiperä is found in the Geological Survey of Finland Report "M19/2433/-88/1/10 (1988)".