



NOTICE OF 2017 ANNUAL AND SPECIAL
MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

AND

ANNUAL REPORT FOR THE FINANCIAL
YEAR ENDED DECEMBER 31, 2016

(TSX: ESM)
www.eurosunmining.com

EURO SUN MINING INC.
65 Queen Street West, 8th Floor
Toronto, Ontario, Canada
M5H 2M5

NOTICE OF THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the annual and special meeting (the "**Meeting**") of shareholders of Euro Sun Mining Inc. (the "**Corporation**") will be held at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada on Tuesday, June 6, 2017 at 10:00 a.m. (Toronto time), for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2016, together with the auditors' report thereon;
2. to elect the directors of the Corporation;
3. to re-appoint UHT McGovern Hurley LLP, Chartered Accountants, as auditors of the Corporation until the close of the next annual general meeting of shareholders and to authorize the directors to fix the remuneration of the auditors for the ensuing year;
4. to consider and, if deemed appropriate, to pass an ordinary resolution to approve, ratify and confirm the Corporation's stock option plan and all unallocated options, rights and entitlements thereunder; and
5. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

DATED at Toronto, Ontario, this 8th day of May, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

"G. Scott Moore" (signed)

G. Scott Moore
Chief Executive Officer

Notes:

1. A Management Information Circular, Form of Proxy and Financial Statement Request Form accompany this Notice of Meeting. Registered shareholders who are unable to attend the Meeting in person are requested to sign and return the enclosed Form of Proxy to TSX Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, Canada, M5H 4H1. The proxies to be used at the Meeting should be returned to TSX Trust Company before 10:00 a.m. (Toronto time) on Friday, June 2, 2017.
2. In accordance with the requirements of the *Canada Business Corporations Act*, the directors have fixed a record date of April 28, 2017. Accordingly, shareholders registered on the books of the Corporation as of April 28, 2017 are entitled to notice of the Meeting and to vote at the Meeting.
3. If you are a beneficial shareholder and receive these materials through your broker, intermediary, trustee or other nominee, please complete and return the materials in accordance with the instructions provided to you by your broker, intermediary, trustee or other nominee.

EURO SUN MINING INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Management Information Circular (this "**Circular**") is furnished in connection with the solicitation of proxies by the management of Euro Sun Mining Inc. (the "**Corporation**") for use at the annual and special meeting (the "**Meeting**") of shareholders of the Corporation to be held at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada on Tuesday, June 6, 2017 at 10:00 a.m. (Toronto time) for the purposes set forth in the attached Notice of Meeting (the "**Notice**") and at any adjournment thereof.

It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally (including by phone or email) by directors, officers or employees of the Corporation. The cost of proxy solicitation will be borne by the Corporation.

Unless otherwise indicated, the information in this Circular is given as of May 8, 2017, and all dollar amounts are in Canadian dollars.

APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

The persons named in the enclosed Form of Proxy are officers of the Corporation.

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for or on behalf of the shareholder at the Meeting other than the persons designated in the enclosed Form of Proxy. Such right may be exercised by striking out the names of the persons designated in the Form of Proxy, or by preparing another proxy in proper form, and inserting in the blank space provided for that purpose the name of the desired person and delivering the executed proxy to TSX Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, Canada, M5H 4H1, at any time prior to 10:00 a.m. (Toronto time) on Friday, June 2, 2017.

A shareholder forwarding the enclosed Form of Proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The common shares of the Corporation (the "**Common Shares**") represented by the proxy submitted by a shareholder will be voted in accordance with the directions, if any, given in the proxy.

A shareholder who has given the enclosed Form of Proxy has the right under subsection 148(4) of the *Canada Business Corporations Act* (the "**CBCA**") to revoke the proxy (i) by instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing or, if the shareholder is a body corporate, by an officer or attorney thereof duly authorized, and deposited at the registered office of the Corporation at any time prior to 4:30 p.m. (Toronto time) on the last business day preceding the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, or (ii) in any other manner permitted by law.

The Corporation's registered office is located at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada, M5H 2M5.

MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed Form of Proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such Common Shares will be voted FOR each of the matters identified in the Notice and described in this Circular.**

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters that may properly come before the Meeting. As of the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice.

VOTING BY BENEFICIAL SHAREHOLDERS

The information set forth in this section is important to shareholders of the Corporation who do not hold Common Shares in their own name.

Shareholders who hold Common Shares through their brokers, intermediaries, trustees or other nominees (such shareholders being collectively called "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If Common Shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholders will not appear on the share register of the Corporation. Such Common Shares will most likely be registered in the name of the broker or an agent of the broker. Such Common Shares can only be voted by brokers, intermediaries, trustees or other nominees (collectively, the "**Intermediaries**" and any one is an "**Intermediary**") and can only be voted by them in accordance with instructions received from Beneficial Shareholders. **As a result, Beneficial Shareholders should carefully review the voting instructions provided by their Intermediary with this Circular and ensure that they communicate how they would like their Common Shares to be voted in accordance with those instructions.**

Most Intermediaries delegate responsibility for obtaining voting instructions from clients to a service company (a "**Service Company**"). The Service Company typically supplies voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to the Service Company or to follow the alternative voting procedures detailed on the voting instruction form. The Service Company then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from a Service Company cannot use that form to vote Common Shares directly at the Meeting. Instead, the Beneficial Shareholder must return the voting instruction form to the Service Company or follow the alternative voting procedures, as mentioned above, well in advance of the Meeting in order to ensure that such Common Shares are voted.** Alternatively, a Beneficial Shareholder may be given a proxy that has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Beneficial Shareholder but which is not otherwise

completed. Because the Intermediary has already signed the Form of Proxy, this Form of Proxy is required to be signed by the Beneficial Shareholder when submitting the proxy. In this case, the Beneficial Shareholder who wishes to vote by proxy should otherwise properly complete the Form of Proxy and deliver it as specified above under the heading "Solicitation of Proxies".

In either case, the purpose of these procedures is to permit Beneficial Shareholders to direct the voting of Common Shares which they beneficially own. A Beneficial Shareholder who wishes to attend and vote at the Meeting in person (or to have another person attend and vote on behalf of the Beneficial Shareholder) should print the Beneficial Shareholder's (or such other person's) name in the blank space provided for that purpose in the first paragraph of the proxy form or, in the case of a voting instruction form, follow the corresponding instructions on that form. **In either case, Beneficial Shareholders should carefully follow the instructions of their Intermediary and its Service Company, as applicable.**

NON-OBJECTING BENEFICIAL HOLDERS

These securityholder materials are being sent to both registered and non-registered owners Common Shares. The Corporation is sending the proxy-related materials for the Meeting directly to "non-objecting beneficial owners" ("**NOBOs**") as defined under National Instrument 54-101. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you (instead of through an Intermediary), your name and address and information about your NOBO holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding your shares on your behalf. By choosing to send these materials to you directly, the Corporation (and not the Intermediary holding your shares on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions. **Please return your voting instructions as specified in the request for voting instructions.**

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of the date of this Circular, a total of 50,001,183 Common Shares and no preferred shares were issued and outstanding.

Each Common Share entitles the holder thereof to one vote at all meetings of shareholders of the Corporation.

Shareholders of record as of April 28, 2017 shall be entitled to either (i) attend in person and vote at the Meeting the Common Shares held by them or, (ii) attend by proxy and vote at the Meeting the Common Shares held by them, provided a completed and executed proxy shall have been delivered to the Corporation as specified above under the heading "Appointment, Revocation and Deposit of Proxies".

As of the date of this Circular, to the knowledge of the directors and senior officers of the Corporation, no one shareholder owns, directly or indirectly, more than 10% of the issued and outstanding Common Shares. As of the date of this Circular, the directors and officers of the Corporation own or control, directly or indirectly, in the aggregate, 248,537 Common Shares representing approximately 0.50% of the current issued and outstanding Common Shares.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Financial Statements and Auditors' Report

The directors of the Corporation will present to the shareholders at the Meeting the audited consolidated financial statements of the Corporation for the financial years ended December 31, 2016, together with the auditors' report thereon. No vote by the shareholders with respect to such financial statements is required or proposed to be taken.

2. Election of Directors

The Articles of Incorporation of the Corporation provide that the board of directors (the "**Board**") shall consist of not more than ten directors and not less than one director to be elected annually. The Board has fixed the number of directors to be elected at the Meeting at seven.

Unless otherwise specified, the persons named in the enclosed Form of Proxy will vote FOR the election of the nominees whose names are set forth below.

All seven of the nominees are currently directors of the Corporation. All of the nominees are eligible to be directors and have expressed a willingness to act as such. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a director, but if this should occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the close of the next annual meeting of shareholders of the Corporation following his election, unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table sets out the name of each person proposed to be nominated for election as a director, his present principal occupation or employment, the date on which he was first elected or appointed a director of the Corporation and the approximate number of Common Shares beneficially owned, directly or indirectly, or over which he exercises control or direction as at the date of this Circular. Shareholders will be asked to vote for each nominated director on an individual basis.

Name of Proposed Nominee	Present Principal Occupation or Employment	Director Since	Common Shares beneficially owned, controlled or directed ⁽¹⁾
Stan Bharti Ontario, Canada Independent ⁽²⁾	Executive Chairman Forbes & Manhattan Inc.	May 19, 2016	Nil
Guy Charette Québec, Canada	Lawyer	March 25, 2003 ⁽³⁾	11,611
David C. Danziger ⁽⁴⁾ Ontario, Canada Independent ⁽²⁾	Partner, MNP LLP, Chartered Accountants	September 17, 2010	37,436
G. Scott Moore Ontario, Canada	Chief Operating Officer Forbes & Manhattan Inc.	August 4, 2016	92,650

Name of Proposed Nominee	Present Principal Occupation or Employment	Director Since	Common Shares beneficially owned, controlled or directed ⁽¹⁾
Justin Reid ⁽⁴⁾ Ontario, Canada Independent ⁽²⁾	President and CEO Sulliden Mining Capital Inc.	August 4, 2016	Nil
Matthew Simpson ⁽⁴⁾ Ontario, Canada Independent ⁽²⁾	President and CEO Black Iron Inc.	May 19, 2016	Nil
Peter Tagliamonte Ontario, Canada Independent ⁽²⁾	Chief Executive Officer Belo Sun Mining Corp.	May 19, 2016	Nil

Notes:

- (1) The information as to the number of Common Shares beneficially owned, controlled or directed, not being within the knowledge of the Corporation, has been furnished by the respective proposed directors individually.
- (2) Independent refers to the standards of independence established under National Instrument 52-110 – *Audit Committees of the Canadian Securities Administrators* ("NI 52-110").
- (3) Mr. Charette was a founding director of the Corporation, but he resigned as a director on September 17, 2010 in order to accommodate the appointment of Mr. Danziger to the Board. He was re-elected as a director on May 12, 2011. Mr. Charette also served as the Interim Chief Executive Officer of the Corporation from January 23, 2014 to May 19, 2016.
- (4) Member of the Audit Committee. Mr. Danziger is the Chairman of the Audit Committee. See also "Committees of the Board".

The Board has adopted a majority voting policy, pursuant which stipulates that if a nominee for election as a director of the Corporation receives a greater number of votes "withheld" than votes "for", with respect to an election of directors by shareholders, such nominee director will be expected to offer to tender his or her resignation promptly following the meeting of shareholders at which such director is standing for election. The Board will consider such offer to resign and make a decision whether to accept it or not after having taken into account all of the relevant circumstances concerning same. A director who offers to resign in such a situation should not be part of any committee or Board deliberations pertaining to the resignation offer. This policy only applies in circumstances involving uncontested elections of directors. An "uncontested election of directors" means that the number of director nominees is the same as the number of directors to be elected to the Board and that no proxy material is circulated in support of one or more nominees who are not part of the candidates supported by the Board.

Section 35(A) of the Corporation's By-law No. 1 (the "**Advance Notice By-Law**"), which sets out advance notice requirements for director nominations, was confirmed by the Corporation's shareholders at the annual and special meeting held on August 4, 2016. The Advance Notice By-Law sets forth a procedure requiring advance notice to the Corporation by any shareholder who intends to nominate any person for election as a director of the Corporation. Among other things, the Advance Notice By-Law fixes a deadline by which shareholders must notify the Company of their intention to nominate directors and sets out the information that shareholders must provide in the notice for it to be valid. These requirements are intended to provide all shareholders with the opportunity to evaluate and review all proposed nominees and vote in an informed and timely manner regarding said nominees. The procedures provided for by Section 35(A) do not interfere with the ability of shareholders to requisition a meeting or to nominate directors for election by way of a shareholder proposal in accordance with the CBCA. The Advance Notice By-Law is

available on SEDAR at www.sedar.com. As of the date of this Circular, the Company has not received any notice of a shareholder's intention to nominate directors at the Meeting pursuant to the Advance Notice By-Law.

Other than as disclosed below under the heading "Management Cease Trade Order of the Corporation", none of the proposed directors are, as at the date of this Circular, or have been, within the 10 years prior to the date of this Circular, a director or executive officer, of any company that, while that person was acting in such capacity:

- (a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, other than:
 - (i) Mr. Stan Bharti who was a director of Stetson Oil & Gas Ltd. when on May 7, 2008 it became subject to a cease trade order for failing to file its financial statements. This cease trade order was revoked on May 30, 2008. Mr. Bharti was also director of Kansai Mining Corporation ("**Kansai**"), a company listed on the TSX Venture Exchange. On January 29, 2008, a cease trade order was issued against Kansai and each of the directors and officers, as a result of Kansai failing to file comparative financial statements for the year ended September 30, 2007 and management's discussion and analysis for the year ended September 30, 2007. On March 5, 2008, the cease trade order was revoked; and
 - (ii) Mr. David Danziger who was appointed a director of American Apparel, Inc. ("**American Apparel**"), a company listed on the NYSE MKT LLC exchange, on July 11, 2011 and resigned as director on June 14, 2015. Subsequently, on October 5, 2015, American Apparel announced that it had reached an agreement with its lenders to significantly reduce its debt and interest payments through a consensual pre-arranged reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. On October 6, 2015, American Apparel announced that it received a notification letter stating that the staff of NYSE regulation, Inc. determined to suspend trading immediately and commence proceedings to delist American Apparel's common stock from NYSE MKT LLC. The Chapter 11 reorganization was approved by the Court in January 2016;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except for Mr. Danziger in respect of American Apparel as disclosed above.

None of the proposed directors have, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become

subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

None of the proposed directors have been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Management Cease Trade Order of the Corporation

On April 16, 2014, the Ontario Securities Commission issued a permanent management cease trade order, which superseded a temporary management cease trade order dated April 4, 2014, against Guy Charette, in his capacity as Interim CEO and Rishi Tibriwal, in his capacity as CFO. The permanent management cease trade order was issued in connection with the Corporation's failure to file its (i) audited annual financial statements for the period ended December 31, 2013, (ii) management's discussion and analysis relating to the audited annual financial statements for the period ended December 31, 2013, and (iii) corresponding certifications of the foregoing filings as required by National Instrument 52-109 – *Certification of Disclosure in the Issuer's Annual and Interim Filings*.

The management cease trade order was lifted on June 19, 2014 following the filing of the required continuous disclosure documents on June 17, 2014.

During the period of the management cease trade order, Messrs. Charette and Danziger were directors of the Corporation.

Committees of the Board

The Audit Committee of the Board is currently composed of three directors, being Messrs. Danziger (Chairman), Reid and Simpson.

The Corporate Governance and Nominating Committee of the Board is composed of three directors, being Messrs. Simpson (Chairman), Tagliamonte and Charette.

The Human Resources and Compensation Committee of the Board of Directors is composed of three directors, being Messrs. Reid (Chairman), Simpson and Bharti.

3. Appointment of Auditors

Shareholders of the Corporation will be asked at the Meeting to re-appoint UHY McGovern Hurley LLP, Chartered Accountants, as the Corporation's auditors to hold office until the close of the next annual meeting of shareholders of the Corporation or until their successors are appointed, and to authorize the directors of the Corporation to fix the auditors' remuneration.

Unless otherwise specified, the persons named in the enclosed Form of Proxy will vote FOR the said appointment of UHY McGovern Hurley LLP as auditors of the Corporation

and **FOR** authorizing the directors of the Corporation to fix the remuneration of the auditors for the ensuing year.

4. **Stock Option Plan**

Since March 21, 2007, the Corporation has adopted a stock option plan (the “**Stock Option Plan**”), the purpose of which is to secure for the Corporation and its shareholders the benefits of the incentive inherent in share ownership by directors, officers, employees and contractors of the Corporation who could have significant impact on the growth and success of the Corporation.

The Board administers the Stock Option Plan, designates from time to time those directors, officers, employees, and contractors of the Corporation to whom options are to be granted and determines the number of shares covered by such options. Options are granted by the Corporation pursuant to recommendations by the Corporation’s Human Resources and Compensation Committee and approval of the Board.

The Stock Option Plan was last approved by the Corporation’s shareholders in 2013 and was approved by the TSX at the time the Corporation graduated to the TSX from the Canadian Securities Exchange in 2016. In accordance with TSX policy, the Corporation is required to seek shareholder approval for its Stock Option Plan and any unallocated options, rights or other entitlements thereunder every three years.

On May 8, 2017, the Board re-adopted the Stock Option Plan, as amended, a copy of which is attached to this Circular as Appendix “A”. The following is a summary of the principal terms of the Stock Option Plan, which is qualified in its entirety by the provisions of the Stock Option Plan:

- Eligible participants of the Stock Option Plan include any director, officer, employee of the Corporation or any affiliate thereof, as well as any person or corporation engaged under a written contract to provide bona fide consulting, technical, management or other services to the Corporation or its affiliates for an initial, renewable or extended period of 12 months or more;
- The number of options that may be granted under the Stock Option Plan may not exceed 10% of the number of issued and outstanding Common Shares at the time of grant, from time to time. The Stock Option Plan is considered to be an “evergreen plan” since the Common Shares covered by options which have been exercised, cancelled or have expired unexercised shall be available for subsequent grants, and the number of options available for grant increases as the number of issued and outstanding Common Shares increases.
- The maximum number of shares that may be issued under the Stock Option Plan is currently 5,000,118, representing 10% of the number of issued and outstanding Common Shares. Options to purchase an aggregate of 4,853,615 Common Shares are currently outstanding and unexercised, representing approximately 9.71% of the Common Shares currently issued and outstanding. Options to purchase an aggregate of 146,503 Common Shares remain available for grant under the Stock Option Plan, representing approximately 0.29% of the current maximum;
- No options shall be granted under the Stock Option Plan if such grant could result, at any time, in (i) the number of common shares issuable to insiders of the Corporation under all share compensation arrangements exceeding 10% of the issued and outstanding

Common Shares, (ii) the issuance to insiders of the Corporation, within any one-year period, of a number of Common Shares exceeding 10% of the issued and outstanding Common Shares, (iii) the number of Common Shares reserved for issuance under all share compensation arrangements with any one participant, together with such participants permitted assigns, exceeding 5% of the issued and outstanding Common Shares and (iv) a grant of more than 2% of the issued and outstanding Common Shares to any one contractor in any one-year period;

- The Board is responsible for determining the exercise price of options granted under the Stock Option Plan; however, the exercise price of any option must not be lower than the "Market Price" (as defined in the Stock Option Plan);
- The Board is responsible for determining the term of options granted under the Stock Option Plan; however, the term of any option must not exceed ten years from the date of grant;
- An option which is subject to vesting, shall vest and may be exercised during the term of such option in such manner as determined by resolution of the Board at the time of grant;
- If a holder of options ceases to be an eligible participant under the Stock Option Plan, any unexercised option granted to such holder shall expire on the earlier of the expiry date of such options or such other time in accordance with the terms set out by the Board at the time of grant;
- Options granted under the Stock Option Plan may not be assigned or transferred except to certain permitted assigns;
- There is no transformation of options granted under the Stock Option Plan into stock appreciation rights involving the issuance of securities from the treasury of the Corporation;
- The Corporation will not provide financial assistance to any optionholder to facilitate the exercise of option under the Stock Option Plan; and
- Subject to any regulatory approval, the Board may from time to time amend or revise the terms and conditions of the Stock Option Plan, provided that no such action may in any manner adversely affect the rights under any previously granted options unless the consent of the affected optionholders has been obtained or unless additional similar rights comparable thereto, or other compensation of equal or greater value, is given to such optionholder.

A resolution (the "**Options Resolution**") will be placed before the Corporation's shareholders at the Meeting to again renew the Stock Option Plan and approve the unallocated options thereunder. This approval will be effective for three years from the date of the Meeting. If approval is not obtained at the Meeting, options which have not been allocated as of June 6, 2017 will be cancelled and the Corporation will not be able to grant further options under the Stock Option Plan until such time as shareholder approval is obtained. As well, any options which are outstanding as of such date and are subsequently cancelled, terminated or exercised will not be available for a new grant of options. However, previously allocated options will continue to be unaffected by the approval or disapproval of the Options Resolution.

In order to be effective, the Options Resolution must be approved by the affirmative vote of a simple majority of the votes cast at the Meeting in respect of such resolution. The Board unanimously recommends that shareholders vote FOR the Options Resolution. Accordingly, disinterested shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the following Options Resolution:

“BE IT RESOLVED that:

1. *the Stock Option Plan, as summarized in the Circular dated May 8, 2017 and in the form attached as Appendix “A” thereto, be and is approved, ratified and confirmed as the Corporation’s stock option plan;*
2. *all unallocated options, rights and other entitlements under the Stock Option Plan be and are hereby approved and ratified until the date which is three years from the date hereof; and*
3. *Any one director or officer of the Corporation be and is hereby authorized and directed, for and on behalf of the Corporation, to do all acts and things as such director or officer may deem necessary or advisable to give effect to this resolution.”*

Unless otherwise instructed, the persons named in the Proxy intend to vote FOR the Options Resolution.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Human Resources and Compensation Committee

The compensation program of the Corporation is administered by the Board with the assistance of the Human Resources and Compensation Committee (the "**Compensation Committee**"). Based on recommendations from the Compensation Committee, the Board makes decisions in respect of compensation matters relating to senior executives and directors of the Corporation, ensuring consistent application in accordance with industry standards.

The responsibilities of the Compensation Committee include assisting the Board with: (a) establishing key human resources and compensation policies; (b) establishing goals relevant to the performance and incentive compensation of the Chief Executive Officer (the "**CEO**"); (c) evaluating the performance and related incentive compensation entitlement of the CEO; (d) reviewing and evaluating of the performance of the senior management as determined by the CEO and related incentive compensation recommendations; and (e) evaluating and setting of compensation for directors.

Specifically, in carrying out these duties, the Compensation Committee:

- reviews and makes recommendations to the Board with respect to the overall compensation strategy and policies for directors and senior executives of the Corporation;

- reviews and makes recommendations to the independent members of the Board with respect to the corporate goals and objectives relevant to the compensation of the CEO and evaluates the performance of the CEO in light of those goals and objectives;
- makes recommendations to the independent members of the Board with respect to the compensation of the CEO based on this evaluation;
- reviews and makes recommendations to the independent members of the Board with respect to the compensation of the Chairman of the Board;
- reviews and approves the annual compensation of all other senior executives of the Corporation, as recommended by the CEO;
- oversees and approves grants and awards under the Corporation's long-term incentive plan;
- makes recommendations to the Board with respect to the Corporation's incentive compensation and share-based plans that are subject to the approval of the Board;
- researches and identifies trends in employment benefits; and
- establishes and periodically reviews of the Corporation's policies, if any, in the area of management benefits and perquisites.

The Compensation Committee currently consists of Messrs. Reid, Simpson and Bharti, all of whom are considered independent within the meaning of NI-52-110, and Mr. Reid acts as the Chairman.

Each of the current members has direct experience relating to executive compensation matters, having served on similar committees of other publicly-traded companies, including other mining companies. The significant industry experience of each of the members of the Compensation Committee, either as directors or officers of publicly-traded companies, provides them with a suitable perspective to make decisions on the appropriateness of the Corporation's compensation policies and practices and to advise and make recommendations to the other members of the Board.

Objectives of Executive Compensation

The objectives of the Corporation's executive compensation program are to attract, retain, motivate and reward qualified and experienced executives that can progress the Corporation's strategy.

The compensation program is designed to incentivize such executives to achieve the annual and long-term business goals of the Corporation and to reward each senior executive officer for their achievements on the basis of individual, group and corporate performance.

While the Corporation does not have a formal compensation policy, the guiding philosophy of the Corporation's executive compensation program is to:

- align the interests of the CEO and executives with the interests of the Corporation's shareholders by linking their compensation to the performance of the Corporation;
- establish executive compensation on an individual basis in order to retain within the Corporation qualified and experienced individuals;
- ensure that compensation is fair and appropriate in the opinion of reasonable shareholders and that it be established, when deemed reasonable and effective to do so, with reference to the market for similar positions in other comparable mining and exploration companies;
- designate an appropriate portion of compensation "at risk" that is variable and linked to individual, group and/or corporate performance;
- allocate an appropriate portion of variable compensation to equity based awards, aligning interests of the executives directly with those of shareholders;
- equitably manage compensation so that executives in similar positions and locations are rewarded commensurately; and
- effectively communicate goals and calculation methodologies so that they are understood by both executives and shareholders.

Executive Compensation-Related Fees

For the financial year ended December 31, 2016, the Corporation did not pay any compensation-related fees. The table below sets out the aggregate fees billed by compensation advisors for their services related to determining compensation for the Corporation's directors and executive officers for each of the two most recently completed financial years:

Financial Year	Fees Billed
2016	Nil
2015	Nil

Elements of Executive Compensation

The following elements of compensation are employed to reward the Corporation's senior executive officers:

Element	Purpose
<u>Base Salaries/Fees</u>	Base salaries/fees form an essential component of the Corporation's compensation strategy as a key to the Corporation remaining competitive, are fixed and therefore not subject to uncertainty, and can be used as the base to determine other elements of compensation and benefits. In determining the base salaries/fees of executive officers, the Compensation Committee and the Board consider the following:

	<ul style="list-style-type: none"> ▪ the recommendations of the CEO (other than in respect of the CEO’s compensation); ▪ the particular responsibilities related to the position; ▪ the experience, expertise and level of the executive officer; and ▪ the executive officer’s overall performance based on informal feedback. <p>The emphasis placed on any of these factors is at the discretion of the Board and may vary among the executive officers.</p>
<p><u>Bonus Payments</u></p>	<p>The purpose of the Corporation’s bonus program is to provide executives with the opportunity to receive a cash incentive that is broadly related to the progress of the Corporation and individual performance.</p> <p>The Corporation does not utilize a set of formal objective measures to determine bonus entitlements but rather determines bonus payments to executives in a discretionary manner on a case by case basis. The Compensation Committee, in making recommendations to the Board in respect of bonus awards, considers the achievement of certain corporate and technical milestones. In addition, no specific weights are assigned to any criteria individually, rather, the performance of the Corporation is broadly considered as a whole when determining the level of bonuses, if any, to be paid. The Corporation does not focus on any particular performance metric</p>
<p><u>Long-Term Incentives</u></p>	<p>Long-term incentives are designed to reward long-term executive performance, the retention of qualified executives and to align executive incentives directly with those of shareholders by retaining a proprietary interest in the equity of the Corporation while at the same time not drawing on the cash resources of the Corporation.</p> <p>The Corporation does not utilize a set of formal objective measures to determine long-term incentive grants. Rather such grants are determined on a case by case basis having consideration to such grants previously awarded. There are no specific quantitative or qualitative measures associated with long-term incentive grants, and no specific weights are assigned to any criteria individually. The performance of the Corporation is broadly considered as a whole when determining long-term incentive awards, if any, and the Corporation does not focus on any particular performance metric.</p> <p>The Corporation grants subject to approval by the Board long-term incentive awards in the form of stock options ("Options") and deferred share units ("DSUs").</p> <p>Stock Options</p> <p>The Compensation Committee reviews Option grant recommendations made by the CEO with regard to each executive's individual performance in contributing to the strategic objectives of the Corporation and demand in the market for the skills of that executive.</p> <p>The Compensation Committee makes its recommendations for approval of grants to the Board along with recommendations on an Option award for the executives and Board members.</p>

	<p>Deferred Share Units</p> <p>DSUs directly track the value of Common Shares and strengthen the alignment of interests between executives and the Corporation's shareholders by linking a portion of compensation to the future value of Common Shares.</p> <p>DSUs are granted at the market value of Common Shares and are credited with additional DSUs reflecting any dividends paid.</p> <p>DSU awards are used to enable executives to defer a portion of their short-term incentive, effectively converting this to a long-term incentive aligned with stock performance. DSUs are also a component of director compensation.</p> <p>DSUs are paid out in cash (or Common Share equivalent) at the time the executive ceases to be eligible to participate in the DSU program usually at the time of departure from the Corporation.</p> <p>No DSUs were granted by the Corporation in 2016.</p>
<p><u>Benefits and Perquisites</u></p>	<p>Benefits and perquisites provide protection for the executive and his/her family or provide access to amenities that enable the executive to be more effective. Generally, such arrangements leverage the Corporation's ability to purchase services at a discounted rate over those that would be available to an individual.</p>

Chief Executive Officer Compensation

The components of the CEO's compensation are the same as those that apply to the other executive officers of the Corporation, namely base salary/fee, bonus and long-term incentives. The Compensation Committee reviews and ensures that the compensation of the CEO complies with the principles underlying the Corporation's overall compensation philosophy. The Compensation Committee:

- periodically reviews the CEO's compensation and recommends any changes to the Board for approval;
- reviews corporate goals and objectives relevant to the compensation of the CEO and recommends them to the Board for approval; and
- reviews and, if appropriate, recommends to the Board for approval any agreements between the Corporation and the CEO, including protections in the event of a change of control or other special circumstances, as appropriate.

Compensation Risks

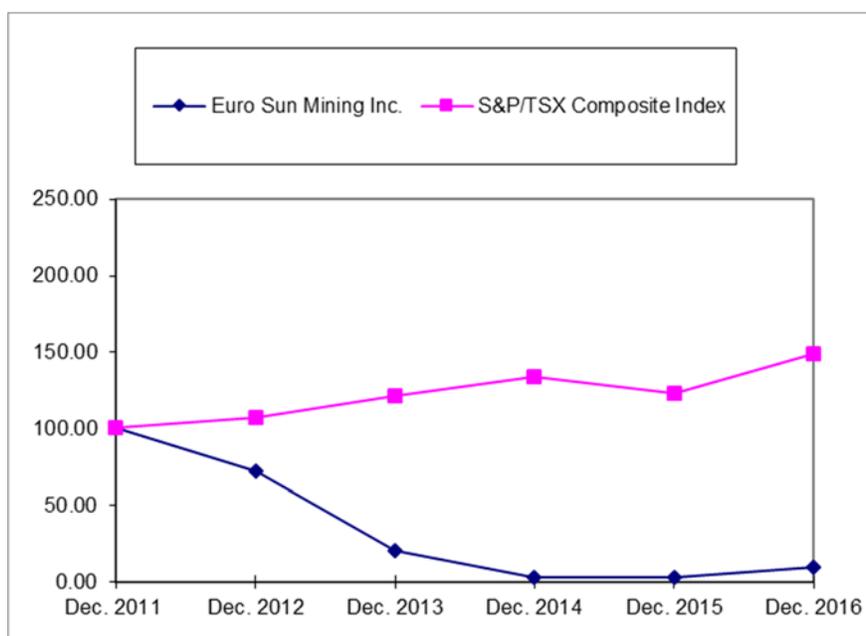
In light of the Corporation's size and the balance between long-term objectives and short-term financial goals with respect to the Corporation's executive compensation program, the Board does not deem it necessary to consider at this time the implications of the risks associated with its compensation policies and practices.

Financial Instruments

Although the Corporation has not adopted any specific policies in this regard other than in connection with errors and omissions, in the event a director or Named Executive Officer (as defined herein) purchases financial instruments that are designed to hedge or offset a decrease in market value of the Corporation's equity securities granted as compensation or held, directly or indirectly, by the director or Named Executive Officer, such purchases must be disclosed in the insider reporting filings. To date, no such purchases have been disclosed by any director or Named Executive Officer of the Corporation.

Performance Graph

The following graph compares the total cumulative shareholder return for \$100 invested in the Corporation's Common Shares on December 31, 2011 against the cumulative shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years:



	Dec. 2011	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016
Euro Sun Mining Inc.	100.00	72.41	20.69	3.45	3.45	9.49
S&P/TSX Composite Index	100.00	107.19	121.11	133.90	122.76	148.64

Summary Compensation Table

Securities legislation requires disclosure of the compensation paid to a corporation's "**Named Executive Officers**" being the CEO and the Chief Financial Officer ("**CFO**") and each of the three most highly compensated "Executive Officers", other than the CEO and CFO, whose total compensation was individually more than \$150,000 for the financial year. The Corporation had six Named Executive Officers during the financial year ended December 31, 2016.

The following table provides information regarding the compensation of the Named Executive Officers of the Corporation for the financial years ended December 31, 2014, 2015 and 2016.

In respect of the option-based awards disclosed below, the total value represents all Options granted during a year. The fair value of the Options was computed based on the total number Options granted during a year, whether vested or not, using the Black-Scholes option pricing model.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$)	Option-based awards ⁽⁷⁾ (\$)	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans ⁽⁸⁾ (\$)	Long-term incentive plans (\$)			
G. Scott Moore ⁽¹⁾ CEO	2016	222,580	Nil	896,993	150,000	Nil	Nil	Nil	1,269,573
	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Guy Charette ⁽²⁾ Interim CEO	2016	75,000	Nil	448,496	Nil	Nil	Nil	150,000 ⁽⁹⁾	673,496
	2015	180,000	Nil	Nil	Nil	Nil	Nil	Nil	180,000
	2014	259,752	Nil	Nil	Nil	Nil	Nil	Nil	259,752
Paul Bozoki ⁽³⁾ CFO	2016	63,000	Nil	224,248	10,000	Nil	Nil	Nil	297,248
	2015	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carlos Pinglo ⁽⁴⁾ CFO	2016	142,739	Nil	Nil	Nil	Nil	Nil	110,000 ⁽¹⁰⁾	252,739
	2015	86,220	Nil	Nil	Nil	Nil	Nil	Nil	86,220
	2014	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Michael Kozub ⁽⁵⁾ General Counsel and Corporate Secretary	2016	185,000	Nil	Nil	Nil	Nil	Nil	Nil	185,000
	2015	188,830	Nil	Nil	Nil	Nil	Nil	Nil	188,830
	2014	185,000	Nil	Nil	Nil	Nil	Nil	Nil	185,000
Randall K. Ruff ⁽⁶⁾ Executive Vice President - Exploration	2016	US\$175,000	Nil	Nil	Nil	Nil	Nil	Nil	US\$175,000
	2015	US\$182,083	Nil	Nil	Nil	Nil	Nil	Nil	US\$182,083
	2014	US\$182,083	Nil	Nil	Nil	Nil	Nil	Nil	US\$182,083

Notes:

- (1) Mr. Moore became the Corporation's CEO as of May 19, 2016. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".

- (2) Mr. Charette was appointed Executive Vice President of the Corporation on September 17, 2010 initially on a consulting basis and, since April 1, 2011 on an employment basis. Mr. Charette's employment as the Corporation's Executive Vice President terminated on January 23, 2014, and he acted as Interim CEO on a consulting basis from that time until May 19, 2016, at which time he ceased to be the Corporation's Interim CEO.
- (3) Mr. Bozoki became the Corporation's CFO as of June 1, 2016. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".
- (4) Mr. Pinglo ceased to be the Corporation's CFO as of June 1, 2016.
- (5) Mr. Kozub was appointed General Counsel and Corporate Secretary on March 1, 2011. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".
- (6) Mr. Ruff was appointed COO on May 24, 2004. Effective February 1, 2008 Mr. Ruff was appointed Executive Vice President, Exploration. Mr. Ruff's employment agreement also provides for expatriate features. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".
- (7) The Options granted in 2016 have an exercise price of \$1.36. See also "Incentive Plan Awards – Value Vested or Earned During the Year". The fair value of Options is estimated using the using the Black-Scholes option pricing model. The grant date fair value of option-based awards as presented will differ from the compensation expense included for these grants in the Corporation's financial statements as, in accordance with International Financial Reporting Standards accounting requirements, the compensation expense in the financial statements reflects only the fair value amortized in the period based on each grant's vesting terms.
- (8) Represents bonus amounts, payable in cash.
- (9) Compensation in respect of past services.
- (10) Compensation in respect of the termination of Mr. Pinglo's employment with the Corporation. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".

Incentive Plan Awards

Other than the Stock Option Plan and the DSU program, the Corporation has no other forms of long-term incentive plans.

Outstanding Option-Based Awards and Share-Based Awards

The following table provides information regarding the option-based and share-based incentive plan awards for each Named Executive Officer outstanding as at December 31, 2016:

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽⁵⁾	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽⁶⁾ (\$)
G. Scott Moore ⁽¹⁾	708,753	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Guy Charette ⁽²⁾	354,376 55,054	1.36 7.27	June 13, 2021 Aug. 13, 2017	Nil Nil	Nil	Nil	66,666
Paul Bozoki ⁽³⁾	177,188	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Carlos Pinglo ⁽⁴⁾	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options ⁽⁵⁾	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽⁶⁾ (\$)
Michael Kozub	5,505	7.27	Aug. 13, 2017	Nil	Nil	Nil	Nil
Randall K. Ruff	55,054	7.27	Aug. 13, 2017	Nil	Nil	Nil	197,298

Notes:

- (1) Mr. Moore became the Corporation's CEO as of May 19, 2016.
- (2) Mr. Charette ceased to be the Corporation's Interim CEO as of May 19, 2016.
- (3) Mr. Bozoki became the Corporation's CFO as of June 1, 2016.
- (4) Mr. Pinglo ceased to be the Corporation's CFO as of June 1, 2016.
- (5) Value of in-the-money Options at December 31, 2016, if any, is the difference between the exercise price of the Options and \$0.75, being the closing price of Common Shares on December 30, 2016 which was the last trading day of the financial year.
- (6) In the form of DSUs outstanding, the value of which has been calculated on the grant date. Payment on the DSUs is deferred until the time the individual ceases to be eligible to participate in the DSU program, usually at the time of departure from the Corporation. See also "Long-Term Incentives" for details of the DSU program.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards granted to the Named Executive Officers that have vested or were earned during the financial year ended December 31, 2016:

Name	Value of option-based awards vested during 2016 ⁽⁵⁾ (\$)	Value of share-based awards vested during 2016 (\$)	Value of non-equity incentive plan compensation earned during 2016
G.Scott Moore ⁽¹⁾	869,993	Nil	150,000
Guy Charette ⁽²⁾	448,496	Nil	Nil
Paul Bozoki ⁽³⁾	224,248	Nil	10,000
Carlos Pinglo ⁽⁴⁾	Nil	Nil	Nil
Michael Kozub	Nil	Nil	Nil
Randall K. Ruff	Nil	Nil	Nil

Notes:

- (1) Mr. Moore became the Corporation's CEO as of May 19, 2016.

- (2) Mr. Charette ceased to be the Corporation's Interim CEO as of May 19, 2016.
- (3) Mr. Bozoki became the Corporation's CFO as of June 1, 2016.
- (4) Mr. Pinglo ceased to be the Corporation's CFO as of June 1, 2016.
- (5) The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Sholes Model as at the date of grant.

Pension Plan Benefits

The Corporation has no pension plan in place.

Termination of Employment, Change in Responsibilities and Employment Contracts

G. Scott Moore

G. Scott Moore entered into a consulting agreement with the Corporation as of May 19, 2016 (the "**Moore Agreement**") for the services of Mr. Moore as Chief Executive Officer of the Corporation. Pursuant to the Moore Agreement, Mr. Moore receives a base fee of \$30,000 per month, plus applicable goods and services tax. Mr. Moore's base fee is reviewed on an annual basis, and he may be entitled to bonuses, stock options and benefits and the discretion of the Board.

The Moore Agreement provides for a severance payment equal to 36 months of base fees to be paid within 30 days of termination in the event the Corporation terminates the Moore Agreement without cause. The Moore Agreement may be terminated at any time by the Corporation for just cause without notice or payment in lieu thereof and without payment of any fees. Just cause is defined to include, but is not limited to: dishonesty or fraud; theft; breach of fiduciary duties; being guilty of bribery or attempted bribery; or gross mismanagement.

In the event that there is a change in control of the Corporation, either Mr. Moore or the Corporation shall have one year from the date of such change in control to elect to have Mr. Moore's appointment terminated. In the event that such an election is made, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Moore that is equivalent to 36 months of base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Moore in the 36 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2016, Mr. Moore would be entitled to \$1,230,000 upon a change of control. Following a change in control, all options granted to Mr. Moore shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Moore, but not yet vested, shall vest immediately. Similarly, following a change in control, all Common Shares issuable to Mr. Moore under any share compensation plan, but not yet issued, shall be issued immediately.

Paul Bozoki

Pannonia Capital Inc. entered into a consulting agreement with the Corporation as of June 1, 2016 (the "**Bozoki Agreement**") for the services of Mr. Bozoki as Chief Financial Officer of the Corporation. Pursuant to the Bozoki Agreement, Mr. Bozoki receives a base fee of \$9,000 per month, plus applicable goods and services tax. Mr. Bozoki's base fee is reviewed on an annual basis, and he may be entitled to bonuses, stock options and benefits and the discretion of the Board.

The Bozoki Agreement provides for a severance payment equal to 24 months of base fees to be paid within 30 days of termination in the event the Corporation terminates the Bozoki Agreement without cause. The Bozoki Agreement may be terminated at any time by the Corporation for just cause without notice or payment in lieu thereof and without payment of any fees. Just cause is defined to include, but is not limited to: dishonesty or fraud; theft; breach of fiduciary duties; being guilty of bribery or attempted bribery; or gross mismanagement.

In the event that there is a change in control of the Corporation, either Mr. Bozoki or the Corporation shall have one year from the date of such change in control to elect to have Mr. Bozoki's appointment terminated. In the event that such an election is made, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Bozoki that is equivalent to 36 months of base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Bozoki in the 36 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2016, Mr. Bozoki would be entitled to \$334,000 upon a change of control. Following a change in control, all options granted to Mr. Bozoki shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Bozoki, but not yet vested, shall vest immediately. Similarly, following a change in control, all Common Shares issuable to Mr. Bozoki under any share compensation plan, but not yet issued, shall be issued immediately.

Carlos Pinglo

Carlos Pinglo's employment as Chief Financial Officer of the Corporation was terminated without cause as of June 1, 2016. Mr. Pinglo and the Corporation were parties to an employment agreement dated July 3, 2012 (the "**Pinglo Agreement**"). The Pinglo Agreement specifies that if the Corporation terminates his employment without cause Mr. Pinglo is entitled to receive a payment in an amount equal to one-half of his annual base salary which shall be paid in a lump sum within ten days after such termination. The Pinglo Agreement also provides benefits, if any, to which they may be entitled, will be maintained for a minimum of six months from the date of termination. Finally, all options, whether vested or not shall become immediately exercisable for a period of 90 days thereafter after which time they will expire. Upon termination of his employment, the Corporation paid Mr. Pinglo a lump sum payment of \$110,000, being one-half of his annual base salary. In addition, the Corporation agreed to pay Mr. Pinglo (i) \$10,000 per month provided that he make himself available to the Corporation, on an as needed basis, for a period of three months, in order to assist the Corporation with the transition following the termination of his employment and (ii) a one-time bonus fee \$10,000 within five days of the Corporation's auditors having signed off on the Corporation's financial statements for the year ended December 31, 2016.

Michael Kozub

An employment agreement dated March 1, 2011, between Mr. Michael Kozub, currently the General Counsel and Corporate Secretary, and the Corporation (the "**Kozub Agreement**") has been approved by the Compensation Committee and the Board. The Kozub Agreement is for renewable terms of three years each beginning as of March 1, 2011 and provides for, among other things, an annual base salary of \$185,000. Mr. Kozub's base salary is reviewed on an annual basis and he may be entitled to bonuses, stock options and benefits at the discretion of the Board. Mr. Kozub may terminate his employment at any time upon written notice to the Corporation.

Regarding matters of termination, the Kozub Agreement specifies that in the event where (i) the Corporation terminates his employment without cause; or (ii) he resigns for "good reason" as such term is defined in the employment agreement; or (iii) he resigns following a change in control (as defined below), he will be entitled to receive in a lump sum payment an amount equal to two times his annual base salary which shall be paid in a lump sum within ten days after such termination, and an amount equal to two times the highest bonus or similar compensation paid to him in any of the three years preceding the termination or resignation. Accordingly, in the event of any of the foregoing and based on his salary at December 31, 2016, Mr. Kozub would be entitled to a lump sum payment of \$370,000. In addition, benefits, if any, to which he may be entitled, will be maintained for a minimum of one year from the date of termination. Finally, all options, whether vested or not shall become immediately exercisable for a period of 90 days thereafter after which time they will expire. In the event of termination for cause, compensation payable to any him will vary in accordance with the seriousness of the cause and can represent up to one year's annual base salary and bonus.

Randall K. Ruff

An employment agreement dated September 1, 2009, between Mr. Randall Ruff, currently the Executive Vice President, Exploration, and the Corporation (the "**Ruff Agreement**") has been approved by the Compensation Committee and the Board. The Ruff Agreement is for renewable terms of three years each beginning as of September 1, 2009 and provides for, among other things, an annual base salary of US\$200,000, plus expatriate features, including housing, while Mr. Ruff is based in Romania. Mr. Ruff's base salary is reviewed on an annual basis and he may be entitled to bonuses, stock options and benefits at the discretion of the Board. Mr. Ruff may terminate his employment at any time upon written notice to the Corporation.

Regarding matters of termination, the Ruff Agreement specifies that in the event where (i) the Corporation terminates his employment without cause; or (ii) he resigns for "good reason" as such term is defined in their employment agreements; or (iii) he resigns following a change in control (as defined below), he will be entitled to receive in a lump sum payment an amount equal to two times his annual base salary which shall be paid in a lump sum within ten days after such termination, and an amount equal to two times the highest bonus or similar compensation paid to him in any of the three years preceding the termination or resignation. Accordingly, in the event of any of the foregoing and based on his salary at December 31, 2016, Mr. Ruff would be entitled to a lump sum payment of US\$350,000. In addition, benefits, if any, to which he may be entitled, will be maintained for a minimum of one year from the date of termination. Finally, all options, whether vested or not shall become immediately exercisable for a period of 90 days thereafter after which time they will expire. In the event of termination for cause, compensation payable to any him will vary in accordance with the seriousness of the cause and can represent up to one year's annual base salary and bonus.

Definition of Change of Control

For the Moore Agreement and Bozoki Agreement, "change of control" is defined as any one or more of the following events:

- (1) the acquisition, directly or indirectly, by any person (person being defined as an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the Canada

Business Corporations Act) or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, Ontario of: (A) shares or rights or options to acquire shares of the Company or securities which are convertible into shares of the Company or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 25% or more of the votes entitled to be cast at a meeting of the shareholders of the Company; (B) shares or rights or options to acquire shares, or their equivalent, of any material subsidiary of the Company or securities which are convertible into shares of the material subsidiary or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 25% or more of the votes entitled to be cast a meeting of the shareholders of the material subsidiary; or (C) more than 25% of the material assets of the Company, including the acquisition of more than 25% of the material assets of any material subsidiary of the Company; or

- (2) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Company or any of its Affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Company for election to the Company's board of directors do not constitute a majority of the Company's board of directors.

For the Kozub Agreement and Ruff Agreement, "change in control" is defined as any event whereby as a result thereof, an offeror (as the term "**offeror**" is defined in Section 89(1) of the *Securities Act* (Ontario) for the purposes of Section 101 of the *Securities Act* (Ontario), or any successor provision to either of the foregoing), other than the Corporation, a Subsidiary or any employee benefit plan of either the Corporation or a Subsidiary, has acquired beneficial ownership (within the meaning of the *Securities Act* (Ontario)) of, or the power to exercise control or direction over, or securities convertible into, any voting or equity shares of the Corporation, that together with such offeror's securities (as the term "**offeror's securities**" is defined in Section 89(1) of the *Securities Act* (Ontario) or any successor provision thereto in relation to the voting or equity shares of the Corporation) would constitute voting shares of the Corporation representing more than 25% of the total voting power attached to all voting shares of the Corporation then outstanding or;

- (a) there is consummated any amalgamation, consolidation, statutory arrangement (involving a business combination) or merger of the Corporation,
- (i) in which the Corporation is not the continuing or surviving corporation; or
- (ii) pursuant to which any voting shares of the Corporation would be reclassified, changed or converted into or exchanged for cash, securities or other property, other than (in each case) an amalgamation, consolidation, statutory arrangement or merger of the Corporation in which either:
- (A) the holders of the voting shares of the Corporation immediately prior to the amalgamation, consolidation, statutory arrangement or merger have, directly or indirectly, more than 25% of the Voting Shares of the continuing or surviving corporation immediately after such transaction, or
- (B) such amalgamation, consolidation, statutory arrangement or merger, a majority of the directors on the board of directors of the continuing or

surviving corporation are persons who were directors on the board of directors of the Corporation immediately before the signing of the agreement governing such amalgamation, consolidation, statutory arrangement or merger (the "**Continuing Directors**"), and no agreement is in place providing for the removal, resignation or other replacement of such Continuing Directors, and

- (b) immediately after such amalgamation, consolidation, statutory arrangement or merger, no person or group holds, directly or indirectly, more than 25% of the Voting Shares of the continuing or surviving corporation.

The Kozub Agreement and Ruff Agreement also provide that, in the event of a change in control the executive automatically has the option of resigning his position, which option shall be exercised within 120 days from the effective date of the change of control, in which event said executive will be entitled to receive the severances outlined above. In the event where said option is not exercised, the provisions of his employment agreement will remain applicable thereafter.

Director Compensation

Director Compensation Table

The following table provides information regarding compensation earned by the Corporation's directors (other than the Named Executive Officers who are not compensated in their capacity as a director) during the financial year ended December 31, 2016:

Name	Fees Earned (\$)	Share-based awards⁽⁴⁾ (\$)	Option-based awards⁽⁵⁾ (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Stan Bharti ⁽¹⁾	Nil	Nil	896,993	Nil	N/A	210,000 ⁽⁶⁾	1,106,993
Julio L. Carvalho ⁽²⁾	18,750	11,235	Nil	Nil	N/A	Nil	29,985
David C. Danziger	31,250	Nil	448,496	Nil	N/A	Nil	479,746
John W. W. Hick ⁽²⁾	41,667	1,841	Nil	Nil	N/A	Nil	43,508
Justin Reid ⁽³⁾	Nil	Nil	448,496	Nil	N/A	Nil	448,496
Matthew Simpson ⁽¹⁾	Nil	Nil	448,496	Nil	N/A	Nil	448,496

Peter Tagliamonte ⁽¹⁾	Nil	Nil	896,993	Nil	N/A	56,000 ⁽⁷⁾	997,993
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Notes:

- (1) Became a director of the Corporation as of May 19, 2016.
- (2) Ceased to be a director of the Corporation as of May 19, 2016.
- (3) Became a Director of the Corporation as of August 4, 2016.
- (4) In full redemption of the DSUs held under the Corporation's DSU plan, the whole based on the 5-day VWAP of \$0.057 for the Corporation's Common Shares on the date that he ceased to be a director of the Corporation.
- (5) The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Sholes Model as at the date of grant.
- (6) The Corporation has entered into an agreement with Forbes & Manhattan Inc. ("**Forbes**"), of which Mr. Bharti is the Executive Chairman, pursuant to which Forbes provides consulting services to the Corporation through a number of individuals, including administrative, financial and information technology services. Forbes provides various administrative, strategic and technical services to the Corporation through its team of geologists, mining engineers and financial professionals. The nature of services provided includes assistance with strategic planning and development of business plans, development of capital markets strategy, assessment of strategic transactions, including business, technical and geological, fostering public and governmental relationships and fostering relationships with strategic investors.
- (7) In respect of consulting services provided to the Corporation.

During the financial year ended December 31, 2016, directors were paid the fees and granted options and bonuses in their capacity as directors, committee members, committee chairs or as lead director, as the case may be, as set out in the table above.

Outstanding Incentive Plan Awards for Directors

The following table provides information regarding the option-based and share-based incentive plan awards for each director (who is not also a Named Executive Officer) outstanding as of December 31, 2016:

Name	Option-Based Rewards				Share-Based Awards		
	Number of Securities underlying unexercised options ⁽¹⁾ (#)	Option exercise price (\$)	Option expiration date	Value of Unexercised in-the-money Options ⁽²⁾	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽³⁾ (\$)
Stan Bharti ⁽⁴⁾	708,753	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Julio L. Carvalho ⁽⁵⁾	Nil	N/A	N/A	Nil	Nil	Nil	Nil
David C. Danziger	24,774 354,376	7.27 1.36	Aug. 13, 2017 June 13, 2021	Nil	Nil	Nil	29,449
John W. W. Hick ⁽⁵⁾	Nil	N/A	N/A	Nil	Nil	Nil	Nil
Justin Reid ⁽⁶⁾	354,376	7.27	June 13, 2021	Nil	Nil	Nil	Nil
Matthew Simpson ⁽⁴⁾	354,376	1.36	June 13, 2021	Nil	Nil	Nil	Nil

Name	Option-Based Rewards				Share-Based Awards		
	Number of Securities underlying unexercised options ⁽¹⁾ (#)	Option exercise price (\$)	Option expiration date	Value of Unexercised in-the-money Options ⁽²⁾	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽³⁾ (\$)
Peter Tagliamonte ⁽⁴⁾	708,753	1.36	June 13, 2021	Nil	Nil	Nil	Nil

Notes:

- (1) Represents the total number of Options granted.
- (2) Value of in-the-money Options at December 31, 2015, if any, is the difference between the exercise price of the Options and \$0.75, being the closing price of Common Shares on December 30, 2016 which was the last trading day of the financial year.
- (3) In the form of DSUs outstanding, the market value of which has been calculated on the grant date. Payment on the DSUs is deferred until the time the individual ceases to be eligible to participate in the DSU program, usually at the time of departure from the Corporation. See "Long-Term Incentives" for details of the DSU program.
- (4) Became a director of the Corporation as of May 19, 2016.
- (5) Ceased to be a director of the Corporation as of May 19, 2016.
- (6) Became a director of the Corporation as of August 4, 2016.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive awards granted to the Corporation's directors (who are not also a Named Executive Officer) that have vested or were earned during the financial year ended December 31, 2016:

Name	Value of option-based awards vested during 2016 ⁽⁴⁾ (\$)	Value of share-based awards vested during 2016 (\$)	Value of non-equity incentive plan compensation earned during 2016 (\$)
Stan Bharti ⁽¹⁾	896,933	Nil	Nil
Julio L. Carvalho ⁽²⁾	Nil	Nil	Nil
David C. Danziger	448,496	Nil	Nil
John W. W. Hick ⁽²⁾	Nil	Nil	Nil
Justin Reid ⁽³⁾	448,496	Nil	Nil
Matthew Simpson ⁽¹⁾	448,496	Nil	Nil
Peter Tagliamonte ⁽¹⁾	896,933	Nil	Nil

Notes:

- (1) Became a director of the Corporation as of May 19, 2016.

- (2) Ceased to be a director of the Corporation as of May 19, 2016.
- (3) Became a director of the Corporation as of August 4, 2016.
- (4) The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Sholes Model as at the date of grant.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Corporation has established a stock option plan to grant non-transferable Options to purchase Common Shares to directors, officers, employees of and consultants to the Corporation. Under the stock option plan, the number of Common Shares reserved for issuance will not exceed 10% of the total issued and outstanding Common Shares. The Corporation's current stock option plan, as amended from time to time, has been in place since 2007.

The number of Common Shares reserved for issuance to any individual director, officer, employee of, or consultant to the Corporation will not exceed 5% of the issued and outstanding Common Shares and the issuance to insiders of the Corporation, within any one-year period, will not exceed 10% of the issued and outstanding Common Shares.

Options are granted under the stock option plan for a maximum period of ten years from the date of grant.

Under the stock option plan, the exercise price of Options granted can be no less than the closing market price of Common Shares on the day before the Options are granted.

The following table sets out information with respect to compensation plans under which equity securities of the Corporation are authorized for issuance as at December 31, 2016:

Plan Category	Securities to be issued upon Exercise of Outstanding Options and Rights (#)	Weighted-average Exercise Price of Outstanding Options and Rights (\$/Security)	Securities remaining available for future issuance under Equity Compensation Plans (#)
Plans approved by security holders	4,853,615	1.54	146,503
Plans not approved by security holders	Nil	Nil	Nil
Total	4,853,615	1.54	146,503

AUDIT COMMITTEE

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (“**NI 52-110**”) requires the Corporation, as a venture issuer, to disclose annually in its Information Circular the disclosure required by Form NI 52-110F2 with respect to the Corporation's Audit Committee, its auditors and certain other matters.

Audit Committee Charter

The text of the Audit Committee's charter is attached to this Circular as Appendix "B".

Composition of the Audit Committee

The Audit Committee meets with the Corporation's auditors as necessary and before submission of audited annual financial statements to the Board. The Audit Committee is responsible for assessing the performance of the Corporation's auditors and for reviewing the Company's financial reporting and internal controls. The Audit Committee met quarterly during the fiscal year ended December 31, 2016.

The Audit Committee members are currently David Danziger (Chairman), Justin Reid and Matt Simpson, each of whom is a director and financially literate. All three members of the Audit Committee are independent in accordance with Sections 1.4 and 1.5 of NI 52-110.

Relevant Education and Experience

Collectively, the members of the Audit Committee have considerable skill and professional experience in accounting, business and finance.

Mr. Danziger is a practicing Chartered Professional Accountant with over 30 years of experience in audit, accounting and management consulting and over 13 years of experience specific to the mineral resource sector. He is currently a partner and the Senior Vice President of Assurance at MNP LLP, Chartered Professional Accountants and also serves as a director for a number of TSX and TSX-V listed companies. Mr. Danziger is a past member of the Ontario Securities Commission's Advisory Committee on Small and Medium Sized Enterprises as well as the CPA/PDAC Taskforce on IFRS for Mining.

Mr. Reid is a geologist and capital markets executive with over 20 years of experience focused exclusively in the resource space. From February 2013 to August 2014, Mr. Reid served as President of Sulliden Gold Corporation Ltd. Mr. Reid started his career as a geologist with the SGS and Cominco Ltd. after which he became a partner and senior mining analyst at Cormark Securities in Toronto. In 2009, Mr. Reid was named Executive General Manager at Paladin Energy responsible for leading all mergers and acquisitions, corporate and market related activities. He returned to Canada in early 2011 assuming the role of Managing Director Global Mining Sales at National Bank Financial, where he directed the firm's sales and trading in the mining sector. Mr. Reid holds a B.Sc from the University of Regina, an M.Sc from the University of Toronto and MBA from the Kellogg School of Management at Northwestern University.

From 2002 to 2010, Mr. Simpson worked for the Iron Ore Company of Canada ("IOC"), a subsidiary of Rio Tinto plc with annual production capacity of 17.5 million tonnes of iron ore concentrate as publicly reported in 2009. At IOC, he held several progressive roles in Business Evaluation, Operations Planning, Continuous Improvement and in his last three years as Mine General Manager. Prior to joining IOC, Mr. Simpson worked as a process engineer for Hatch Ltd. designing and debottlenecking metallurgical refineries around the world. Mr. Simpson has extensive experience in mine design, operations and project management. He holds a Master of Business Administration (MBA) as well as a Bachelor of Science in Chemical Engineering both from Queen's University. Mr. Simpson is currently the President and Chief Executive Officer of Black Iron Inc.

Each of the current members of the Audit Committee acts, or has acted, as a director, officer and/or audit committee member of other public issuers and, as such, has obtained experience in the analysis and evaluation of financial statements generally and an understanding of the internal controls and procedures for financial reporting.

Audit Committee Oversight

The Board has not determined not to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor at any time since the commencement of the most recently completed financial year.

Pre-Approval Policy and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services.

External Auditor Disclosure

The auditor of the Corporation is currently UHT McGovern Hurley LLP, Chartered Accountants of Toronto, Ontario.

Audit Fees

The following table provides detail in respect of audit, audit related, tax and other fees payable by the Corporation to the external auditors for professional services for the past two completed financial years:

Year Ended	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
December 31, 2016	\$50,000	Nil	\$5,000	Nil
December 31, 2015	\$314,831	Nil	\$27,400	Nil

Audit Fees – payable for professional services rendered by the auditors for the audit of the Corporation’s annual financial statements as well as services provided in connection with statutory and regulatory filings, which included the review of quarterly financial statements and related documents.

Audit-Related Fees – payable for other professional services rendered by the auditors.

Tax Fees – payable for tax compliance, tax advice and tax planning professional services. These services included reviewing tax returns and assisting in responses to government tax authorities.

All Other Fees – payable for professional services which are not reported under the “Audit Fees”, “Audit-Related Fees” and “Tax Fees” categories.

CORPORATE GOVERNANCE DISCLOSURE

The Corporate Governance Disclosure policy of the Corporation is attached to this Circular as Appendix "C".

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer of the Corporation or associate of any director or officer of the Corporation is, or at any time since the beginning of the most recently completed financial year of the Corporation, has been indebted to the Corporation or any of its subsidiaries.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Effective April 29, 2017, the Corporation has renewed its directors' and officers' liability insurance in the aggregate amount of \$5,000,000 for a term of one year. The premium for this insurance policy for the period of April 29, 2017 to April 29, 2018 is \$12,500 plus applicable taxes.

In addition, the Corporation maintains "run-off" directors' and officers' liability insurance in the aggregate amount of \$15,000,000 to cover any matters that may be alleged to have occurred prior to April 29, 2016. The premiums for these "run-off" insurance policies for the period July 15, 2015 to April 29, 2022 total \$282,685 plus applicable taxes.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, as defined in National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators, or any associate or affiliate of any informed person, has any material interest in any transaction completed since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or will materially affect the Corporation or its subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as set out herein, no person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, no proposed nominee of management of the Corporation for election as a director of the Corporation and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of directors.

SHAREHOLDERS' PROPOSALS

The Corporation will review shareholder proposals intended to be included in proxy material for the next annual meeting of shareholders, expected to be held in May or June 2018, that are received by the Corporation no later than January 1, 2018.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com under the Corporation's issuer profile. Financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis, which are available on SEDAR at www.sedar.com under the Corporation's issuer profile or from the Corporation by telephone at 416-309-4299 or by e-mail at info@eurosunmining.com. This information is also available on the Corporation's web site at www.eurosunmining.com.

OTHER MATTERS

The Board is not aware of any other matters to come before the Meeting other than the matters referred to in this Circular.

DIRECTORS' APPROVAL

The contents and the sending of this Circular to the shareholders of the Corporation have been approved by the Board.

DATED at Toronto, Ontario, this 8th day of May, 2017.

BY ORDER OF THE BOARD OF DIRECTORS

"G. Scott Moore" (signed)

G. Scott Moore
Chief Executive Officer

APPENDIX "A"
EURO SUN MINING INC.
STOCK OPTION PLAN

1. PURPOSE

This Stock Option Plan is intended (i) to advance the interests of the Corporation and its shareholders and subsidiaries by attracting, retaining and motivating the high caliber performance of Eligible Persons (as such term is defined herein) upon whose judgement, initiative and effort the Corporation is largely dependent for the successful conduct of its business, and (ii) to encourage and enable such Eligible Persons to acquire and retain a proprietary interest in the Corporation by ownership of its stock.

2. DEFINITIONS

All capitalized words used but not defined herein, shall have the meanings ascribed thereto in the Company Manual of the Exchange, as such Company Manual is from time to time amended or varied and the following terms and expressions shall have the following meanings:

- 2.1 **“Administrator”** has the meaning ascribed thereto in Section 3.1;
- 2.2 **“Act”** has the meaning ascribed thereto in Section 6.2(a)(i);
- 2.3 **“Affiliate”** means any corporation which is an affiliate, as such term is used in Subsection 1(2) of the *Securities Act* (Ontario), of the Corporation or an Insider, as the case may be, and any corporation, partnership, limited partnership, trust, income trust, investment trust or other organized entity issuing securities that is similarly related to the Corporation or an Insider as the case may be;
- 2.4 **“Award Date”** has the meaning ascribed thereto in Section 5.1(b)(i);
- 2.5 **“Board”** means the Board of Directors of the Corporation;
- 2.6 **“Commission”** means the Ontario Securities Commission;
- 2.7 **“Corporation”** means Euro Sun Mining Inc. and includes its subsidiaries and any successor corporations thereof;
- 2.8 **“Contractor”** means any person or corporation engaged, under a written contract, to provide bona fide consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation for an initial, renewable or extended period of 12 months or more;
- 2.9 **“Eligible Person”** means:
- (a) any director, officer or employee of the Corporation or any Affiliate of the Corporation, (an **“Eligible Individual”**);
 - (b) a Contractor; or

- (c) a Permitted Assign of any Eligible Individual.
- 2.10 **“Event”** has the meaning ascribed in Section 4.2;
- 2.11 **“Exchange”** means the Toronto Stock Exchange;
- 2.12 **“Expiry Date”** has the meaning ascribed thereto in Section 6.1;
- 2.13 **“Insider”** means an insider, as such term is defined in Subsection 1(1) of the *Securities Act* (Ontario), of the Corporation, and includes any Affiliate of any such insider; provided, however, that “Insider” does not include a director or senior officer of an Affiliate of the Corporation unless such director or senior officer:
- (a) in the ordinary course receives or has access to information as material facts or material changes concerning the Corporation before the material facts or material changes are generally disclosed;
 - (b) is a director or senior officer of a major subsidiary (as such term is defined in National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* of the Canadian Securities Administrators) of the Corporation; or
 - (c) is an insider of the Corporation in a capacity other than as a director or senior officer of the Affiliate;
- 2.14 **“Market Price”** at any date in respect of the Shares means the closing sale price of such Shares on the last trading day immediately preceding such date on which the Shares traded on the Exchange or such other stock exchange on which the Shares are listed and posted for trading as may be selected for such purpose by the Board; provided that if the Shares are suspended from trading on such date or have not traded on the Exchange or another stock exchange for 10 or more consecutive trading days immediately prior to such date, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion but subject to any required regulatory approval;
- 2.15 **“Option Period”** has the meaning ascribed thereto in Section 5.2(e);
- 2.16 **“Option”** means an option to purchase Shares granted to an Eligible Person under the Plan, provided that any options granted under the previous plan shall be deemed to be Options granted under the Plan;
- 2.17 **“Option Price”** means the price per Share at which the Shares may be purchased under an Option, as the same may be adjusted from time to time in accordance with Section 4.2 hereof;
- 2.18 **“Optioned Shares”** means the Shares issuable pursuant to an exercise of Options;
- 2.19 **“Optionee”** means an Eligible Person to whom an Option has been granted and who continues to hold such Option;
- 2.20 **“Plan”** means this Euro Sun Mining Inc. Stock Option Plan, as the same may be amended or varied from time to time;

2.21 **“Permitted Assigns”** means:

- (a) a trustee, custodian, or administrator acting on behalf, or for the benefit, of an Eligible Individual;
- (b) a corporation controlled by an Eligible Individual;
- (c) a registered retirement savings plan or registered retirement income fund established for the benefit of an Eligible Individual;
- (d) a spouse of an Eligible Individual;
- (e) a trustee, custodian, or administrator acting on behalf, or for the benefit, of the spouse of an Eligible Individual;
- (f) a corporation controlled by the spouse of an Eligible Individual; or
- (g) a registered retirement savings plan or registered retirement income fund established for the benefit of the spouse of an Eligible Individual;

2.22 **“Share Compensation Arrangements”** mean:

- (a) stock option plans for the benefit of employees, Insiders or Contractors or any one of such groups;
- (b) individual stock options granted to employees, Contractors or Insiders if not granted pursuant to a plan previously approved by the Corporation’s security holders;
- (c) stock purchase plans where the Corporation provides financial assistance or where the Corporation matches the whole or a portion of the securities being purchased;
- (d) stock appreciation rights involving the issuances of securities from treasury;
- (e) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Corporation; and
- (f) security purchases from treasury by an employee, Insider or Contractor which is financially assisted by the Corporation by any means whatsoever;

2.23 **“Shares”** means common shares in the capital of the Corporation or, in the event of an adjustment contemplated by Section 4.2 hereof, such other shares or securities to which an Optionee may be entitled upon the exercise of an Option as a result of such adjustment;

3. ADMINISTRATION

3.1 General

The Plan shall be administered by the Board or a committee of board members which may delegate to any director, officer or employee of the Corporation (the **“Administrator”**) such

administrative duties and powers as the Board may see fit save and except for the granting of Options and the setting of terms thereof the authority for which shall rest solely with the Board or a committee thereof.

3.2 Board Powers

The Board shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan:

- (a) to establish, amend and repeal at any time and from time to time such regulations as it may deem necessary or advisable for the proper administration and operation of the Plan and such regulations shall form part of the Plan;
- (b) to interpret and construe the Plan and to determine all questions arising out of the Plan or any Option, and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
- (c) to amend the Plan and any Option in accordance with Section 9.1 hereof;
- (d) to terminate the Plan in accordance with Section 9.2 hereof;
- (e) to determine the number of Shares covered by each Option;
- (f) to determine the Option Price of each Option;
- (g) to determine the time or times when Options will be granted and exercisable;
- (h) to determine if the Shares which are issuable on the exercise of an Option will be subject to any restrictions upon the exercise of such Option; and
- (i) to prescribe the form of the instruments relating to the grant, exercise and other terms of Options.

3.3 Interpretation

The interpretation by the Board of any of the provisions of the Plan and any determination by it pursuant thereto shall be final and conclusive and shall not be subject to any dispute by any Optionee. No member of the Board or any person acting pursuant to authority delegated by the Board hereunder shall be liable for any action or determination in connection with the Plan made or taken in good faith, and each member of the Board and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Corporation.

4. SHARES OF STOCK SUBJECT TO PLAN

4.1 Number of Shares

The number of Shares which may be issued pursuant to the exercise of Options outstanding at any particular time shall not exceed 10% of the aggregate number of Shares outstanding at such time. Any Options that are exercised, cancelled or have expired unexercised are available for further grants. No fractional shares may be purchased or issued under the Plan.

4.2 Adjustments

In the event (the occurrence of which is hereinafter referred to as an “**Event**”) that (i) there are any changes in the capital structure of the Corporation through stock splits, consolidations or reclassifications, or (ii) any stock dividends are made to holders of shares, or (iii) as a result of any other recapitalization, amalgamation, merger or consolidation, the shares of the Corporation are converted into or exchangeable for any other shares, then in any such case the Corporation may make such adjustments in the right to purchase granted hereby as may be required to prevent substantial dilution or enlargement of the rights granted to or available for the Optionee hereunder. No fractional shares shall be issued upon the exercise of the Option and accordingly, if as a result of the Event, an Optionee would become entitled to a fractional share, such Optionee shall have the right to purchase only the next lowest whole number of shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded. Additionally, no lots of shares in an amount less than 500 shares shall be issued upon the exercise of an Option unless such amount of shares represents the balance left to be exercised under an Option.

5. GRANT OF OPTIONS

5.1 Eligibility

- (a) The Board shall, from time to time, in its sole discretion, determine those Eligible Persons, if any, to whom Options are to be awarded.
- (b) If the Board elects to award an Option to an employee of the Corporation, the number of Shares to be acquired on the exercise of such Option shall be determined by the Board in its sole discretion, and in so doing the Board may take into account the following criteria:
 - (i) the annual salary of the employee as at the date the Option is awarded (the “**Award Date**”) in relation to the total annual salaries payable by the Corporation to all of its employees as at the Award Date;
 - (ii) the length of time that the employee has been employed by the Corporation; and
 - (iii) the quality and importance of the work performed by the employee.
- (c) If the Board elects to award an Option to a director, officer or Contractor of the Corporation, the Board shall determine the number of Shares to be acquired on the exercise of such Option based upon any bona fide considerations that the Board in its sole discretion determines to be applicable.

5.2 Terms and Conditions of Options

- (a) **General.** Except as herein and otherwise specifically provided, the number of Shares subject to each Option, the Option Price of each Option, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. The Board may, in its entire discretion, subsequent to the time of granting Options hereunder, permit an Optionee to exercise any or all of the unvested options then outstanding and granted to the

Optionee under this Plan, in which event all such unvested Options then outstanding and granted to the Optionee shall be deemed to be immediately exercisable during such period of time as may be specified by the Board.

- (b) **Option Price.** Subject to any adjustment pursuant to the provisions of Section 4.2 hereof, the Option Price of any Option shall in no circumstances be lower than the Market Price on the date on which the grant of the Option is approved by the Board. If, as and when any Shares have been duly purchased and paid for under the terms of an Option, such Shares shall be conclusively deemed allotted and issued as fully paid non-assessable Shares at the price paid therefor.
- (c) **Assignability.** An Option is personal to the Optionee and is non-assignable (whether by operation of law or otherwise), except to a Permitted Assign of the Optionee or as otherwise provided for herein. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of an Option contrary to the provisions of the Plan, or upon the levy of any attachment or similar process upon an Option, the Option shall, at the election of the Corporation, cease and terminate and be of no further force or effect whatsoever.
- (d) **Restrictions on Grants.** No Options shall be granted to an Optionee, if such grant could result, at any time, in:
 - (i) the number of Shares issuable to Insiders under all Share Compensation Arrangements exceeding 10% of the issued and outstanding Shares;
 - (ii) the issuance to Insiders, within any one-year period, of a number of Shares exceeding 10% of the issued and outstanding Shares;
 - (iii) the number of Shares reserved for issuance under all Share Compensation Arrangements with any one Eligible Individual, together with such Eligible Individual's Permitted Assigns, exceeding 5% of the issued and outstanding Shares; or
 - (iv) a grant of more than 2% of the issued and outstanding Shares to any one Contractor in any one-year period.

For the purposes of Subsection 5.2(d), the phrase "issued and outstanding Shares" excludes any Shares issued pursuant to the Plan or other Share Compensation Arrangements over a preceding one-year period.

- (e) **Option Period.** Subject to Section 6.2, the term (the "**Option Period**") of any Options granted under the Plan will be determined by the Board, but shall not exceed ten (10) years from the date of grant.
- (f) **Vesting.** An Option which is subject to vesting, shall vest and may be exercised (in each case to the nearest full share) during the Option Period in such manner as the Board may fix by resolution. Options which have vested may be exercised in whole or in part at any time and from time to time during the Option Period.

- (g) **Legends.** Any Shares issued on the exercise of Options prior to the expiry of an applicable hold period, must and shall be legended as required by applicable securities laws and regulations.
- (h) **Exercise.** An Optionee or Permitted Assign of said Optionee may exercise an Option in whole or in part, subject to Section 6.2, at any time or from time to time during the Option Period up to 5:00 p.m. local time in Toronto, Ontario on the Expiry Date by delivering to the Corporation the applicable Stock Option Certificate and the Exercise Notice (in substantially the forms attached hereto as Schedule A and B respectively), together with a certified cheque or bank draft in the amount of the purchase price of the Options purchased pursuant to the exercise of the Option.

6. EXPIRY OF OPTIONS

- 6.1 **Duration of Option.** Each option and all rights thereunder shall be expressed to expire on the date set out in the Stock Option Certificate, and shall be subject to earlier termination as provided in Section 6.2 (the “**Expiry Date**”).
- 6.2 **Termination of Option.** An Optionee may exercise an Option in whole or in part at any time or from time to time during the period in which a particular Option may be exercised the whole in accordance with the terms and conditions set by the Board at the time of the granting thereof. Any Option or part thereof not exercised within the Option Period shall terminate and become null, void and of no further force and effect at 5:00 p.m. local time in Toronto, Ontario, on the Expiry Date. However, the Board may, subject to Section 9.1(i)(b), in its sole discretion, and by way of an express resolution to that effect, extend or limit the Expiry Date of an Option.
- 6.3 **Ceasing to Hold Office.** If the Optionee ceases to be an Eligible Person, any unexercised Options granted to such Eligible Person shall expire on the earlier of:
 - (i) The Expiry Date; or
 - (ii) Such other time in accordance with the terms set out by the Board at the time of the grant.
- 6.4 If the Optionee is a Permitted Assign of an Eligible Individual, the reference to the Optionee in this Section 6 shall be deemed to refer to the Eligible Individual associated with such Permitted Assign.

7. CHANGE IN CONTROL

In the event of a consolidation, amalgamation or merger in which the Corporation is not the surviving Corporation, or in the event the Corporation’s common shares are converted into securities of another entity or exchanged for other consideration, or in the event of an offer for fifty percent or more of Shares being made by a third party that constitutes a take-over bid as that term is defined in the *Securities Act* (Ontario) or would constitute a take-over bid as that term is defined in the *Securities Act* (Ontario) but for the fact that the offeree is not in Ontario, all outstanding Options will immediately vest, provided that if such transaction does not close, all such Options will be deemed not to have vested. Furthermore all Options will automatically vest in the event where as a result of a contested election, the nominees named in the Corporation’s

most recent Management Information Circular, shall not constitute a majority of the Board of Directors.

8. ASSIGNMENT OF OPTIONS

All benefits, rights and options accruing to any Optionee in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein. During the lifetime of an Optionee, benefits, rights and options may only be exercised by the Optionee or his or her Permitted Assign.

9. AMENDMENT AND TERMINATION

9.1 Amendment.

(i) Subject to any required regulatory approval, the Board may from time to time amend or revise the terms and conditions of the Plan, provided that no such action may in any manner adversely affect the rights under any previously granted Options unless the Corporation has the consent of the affected Optionee(s) or unless additional similar rights comparable thereto, or other compensation of equal or greater value, is given to such Optionee(s). Without limiting the foregoing, the Board is specifically authorized to amend or revise the terms of the Plan or an Option, by passing a resolution of the Board setting out such amendment, without obtaining shareholder approval in the following circumstances:

- (a) to change the vesting provisions of an Option or the Plan;
- (b) to change the termination provisions of an Option, other than extending the term of an Option held by an Insider, or the Plan, including extending the Option beyond the original Expiry Date, provided that the term of any Option shall not be more than ten (10) years from the date of grant;
- (c) to add a cashless exercise feature, payable in cash or securities, whether or not the feature provides for a full deduction of the number of underlying securities from the reserved Shares under the Plan;
- (d) to add a deferred or restricted share unit or any other provision which results in Optionees receiving securities while no cash consideration is received by the Corporation;
- (e) to change the persons who are eligible for the grant of Options;
- (f) to vary the authority of the Board in respect of the grant of Options;
- (g) to change the procedure for the tendering of a notice of exercise of Options and the exercise of Options;
- (h) to accelerate the vesting and the exercise of Options in the event of a transaction described in Section 7 of the Plan;
- (i) to purchase the outstanding Options by the Corporation in the event of a transaction described in Section 7 of the Plan; or

- (j) any other matter which does not expressly require the approval of shareholders of the Corporation under subsection (ii) below.
- (ii) Subject to regulatory approval, the Board may amend any of the provisions of the Plan relating to the following, provided the Board obtains the approval of the shareholders of the Corporation in respect thereof:
 - (a) the limitations on grants of Options to Insiders and the number of Shares that may be reserved for issuance to Insiders; or
 - (b) the maximum number of Shares reserved for issuance upon exercise of Options available under the Plan.

9.2 **Termination of the Plan.** The Board may terminate the Plan at any time provided that such termination shall not alter the terms or conditions of an Option or impair any right of any Optionee pursuant to any Option awarded prior to the date of such termination and, notwithstanding such termination, such Options shall continue to be governed by the provisions of the Plan which shall survive the termination for such purpose.

10. MISCELLANEOUS PROVISIONS

10.1 **No Shareholders Rights.** An Optionee shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by an Option until the date of issuance of a certificate for Shares upon the exercise of such Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.

10.2 **Employment or Directorship.** Nothing in the Plan or any Option shall confer upon an Optionee any right to continue or to be re-elected as a director of the Corporation or any right to continue in the employ of the Corporation or any Affiliate of the Corporation, or affect in any way the right of the Corporation or any Affiliate of the Corporation to terminate his or her employment at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Affiliate of the Corporation, to extend the employment of any Optionee beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan or policy of the Corporation or any Affiliate of the Corporation or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Affiliate of the Corporation.

10.3 **Record Keeping.** The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Optionee; and
- (b) the number of Options granted to each Optionee and the number of Options outstanding.

10.4 **Governing Law.** The Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

11. APPROVALS

The Plan shall be subject to all necessary regulatory and shareholder approvals. Any Options granted prior to such approvals shall be conditional upon such approvals being obtained and no such Options may be exercised unless and until such approvals have been obtained.

Pursuant to the requirements of the Exchange, all unallocated options, rights or other entitlements under the Plan shall be re-approved by the shareholders and directors of the Corporation every three years.

12. DATE OF THE PLAN

The Plan is dated as of the 21st day of March, 2007.

APPENDIX "B"

EURO SUN MINING INC.

CHARTER OF THE AUDIT COMMITTEE

I. PURPOSE

The Audit Committee (the "**Audit Committee**") is a committee of independent directors appointed by the Board of Directors of the Corporation (the "**Board of Directors**"). The Audit Committee's mandate is to provide assistance to the Board of Directors in fulfilling its financial reporting and control responsibility to the shareholders and the investment community. The Committee is, however, independent of the Board of Directors and the Corporation and in carrying out their role shall have the ability to determine its own agenda and any additional activities that the Audit Committee shall carry out.

II. COMPOSITION

The Committee will be comprised of at least three directors of the Company, all of whom, subject to any exemptions set out in National Instrument 52-110 *Audit Committees* ("**NI 52-110**") will be independent and financially literate. In addition, at least one member of the Audit Committee shall have accounting or related financial expertise as such qualifications are interpreted by the Board of Directors. An "independent" director is a director who has no direct or indirect material relationship with the Corporation. A "material relationship" is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of the director's independent judgement or a relationship deemed to be a material relationship pursuant to Sections 1.4 and 1.5 of NI 52-110. A "financially literate" director is a director who has the ability to read and understand a set of financial instruments that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

III. RESPONSIBILITIES

Responsibilities of the Audit Committee generally include, but are not limited to, the undertaking of the following tasks:

- Selecting and determining the compensation of the external auditors, subject to approval of the shareholders of the Corporation, to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation. In making such determination and recommendation to the shareholders, the Audit Committee will:
 - confirm the independence of the auditors and report to the Board of Directors its conclusions on the independence of the auditors and the basis for these conclusions;

- meet with the auditors and financial management to review the scope of the proposed audit for the current year, and the audit procedures to be used; and
 - obtain from the external auditors confirmation that they are participants in good standing in the Canadian Public Accountability Board oversight program and, if applicable, in compliance with other legal or regulatory requirements with respect to the audit of the financial statements of the Corporation.
- Overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. In overseeing such work, the Audit Committee will:
- review with the external auditors any audit problems or difficulties and management's response;
 - at least annually obtain and review a report prepared by the external auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, and reviewing any steps taken to deal with such issues;
 - serve as an independent and objective party to monitor the Corporation's financial reporting process and internal control system and overseeing management's reporting on internal control;
 - provide open lines of communication among the external auditors, financial and senior management, and the Board of Directors for financial reporting and control matters;
 - make inquiries of management and the external auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risks to the Corporation;
 - establish procedures to ensure that the Audit Committee meets with the external auditors on a regular basis in the absence of management;
 - ensure that the external auditors prepare and deliver annually a detailed report covering (i) critical accounting policies and practices to be used; (ii) material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; (iii) other material written communications between the external auditors and management such as any management letter or schedule of unadjusted differences; and (iv) such other aspects as may be required by the Audit Committee or legal or regulatory requirements;
 - consider any reports or communications (and management's responses thereto) submitted to the Audit Committee by the external auditors, including reports and communications related to:

- (a) deficiencies noted following the audit of the design and operation of internal controls;
 - (b) consideration of fraud in the audit of the financial statement;
 - (c) detection of illegal acts;
 - (d) the external auditors' responsibility under generally accepted auditing standards;
 - (e) significant accounting policies;
 - (f) management judgements and accounting estimates;
 - (g) adjustments arising from the audit;
 - (h) the responsibility of the external auditors for other information in documents containing audited financial statements;
 - (i) disagreements with management;
 - (j) consultation by management with other accountants;
 - (k) major issues discussed with management prior to retention of the external auditors;
 - (l) difficulties encountered with management in performing the audit;
 - (m) the external auditors judgements about the quality of the entity's accounting principles; and
 - (n) any reviews of unaudited interim financial information conducted by the external auditors;
- review the form of opinion the external auditors propose to render to the Audit Committee, the Board of Directors and shareholders; and
 - discuss significant changes to the Corporation's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or management, and the financial impact thereof.
- Pre-approving all non-audit services to be provided to the Corporation or its subsidiaries by the Corporation's external auditor, subject to any exemptions set out in NI 52-110. Notwithstanding the pre-approval process, the Audit Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine which other non-audit services the external auditors are prohibited from providing:
 - bookkeeping or other services related to the accounting records or financial statements of the Corporation;

- financial information systems design and implementation;
 - appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - actuarial services;
 - internal audit outsourcing services;
 - management functions or human resources;
 - broker, dealer, investment adviser or investment banking services;
 - legal services and expert services unrelated to the audit; and
 - any other service that the Audit Committee determines to be impermissible.
- Ensuring that the external auditors submit annually to the Corporation and the Audit Committee a formal written statement of the fees billed for each of the following categories of services rendered by the external auditors: (i) the audit of the Corporation's annual financial statements for the most recent fiscal year and, if applicable, the reviews of the financial statements included in the Corporation's Quarterly Reports for that fiscal year; and (ii) all other services rendered by the external auditors for the most recent fiscal year, in the aggregate and by each service.
 - Reviewing the Corporation's financial statements, Management's Discussion and Analysis, annual and interim earnings press releases and any other reports or other financial information to be submitted to any regulatory body, or the public, before the Corporation files, issues or publicly discloses the information. In connection with such review, the Audit Committee will ensure that:
 - management has reviewed the financial statements with the Audit Committee, including significant judgments affecting the financial statements;
 - the members of the Audit Committee have discussed among themselves, without management or the external auditors present, the information disclosed to the Audit Committee; and
 - the Audit Committee has received the assurance of both financial management and the external auditors that the Corporation's financial statements are fairly presented in conformity with Canadian GAAP in all material respects.
 - Ensuring that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to above, and periodically assessing the adequacy of those procedures.
 - Reviewing, evaluating and monitoring any risk management program implemented by the Corporation, including any revenue protection program. This function should include:
 - risk assessment;

- quantification of exposure;
 - risk mitigation measures; and
 - risk reporting.
- Reviewing the adequacy of the resources of the finance and accounting group, along with its development and succession plans.
 - Establishing procedures for:
 - the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
 - Reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.
 - Annually reviewing and revising this Charter as necessary with the approval of the Board of Directors of the Corporation and the text relating to this Charter which is required to appear in the Annual Information Form of the Corporation, as more specifically set out in Form 52-110FI *Audit Committee Information Required in an AIF*.
 - Reviewing and assessing the adequacy of the Code of Business Conduct and Ethics governing the officers, directors and employees of the Corporation and the Code of Ethics governing Financial Reporting Officers at least annually or otherwise, as it deems appropriate, and propose recommended changes to the Board of Directors.
 - Reporting its activities to the Board of Directors on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.
 - Reviewing and discussing with management, and approving all related party transactions.

IV. AUTHORITY

The Audit Committee has the authority to:

- Engage independent counsel and other advisors as the Audit Committee determines necessary to carry out its duties;
- Set and pay the compensation for any advisors employed by the Audit Committee, in accordance with applicable corporate statutes; and
- Communicate directly with the external auditors.

V. ADMINISTRATIVE PROCEDURES

- The Audit Committee will meet regularly and whenever necessary to perform the duties described above in a timely manner, but not less than four times a year. Meetings of the Audit Committee shall be held from time to time as the Committee or the Audit Chairman of the Committee shall determine upon 48 hours' notice to each of its members and by means of conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other.
- The notice period may be waived by a quorum of the Audit Committee.
- The Committee will record minutes of its meetings and, through its Chairman, report periodically to the Board.
- At the discretion of the Audit Committee, meetings may be held with representatives of the external auditors and appropriate members of management.
- The external auditors will have direct access to the Audit Committee at their own initiative.
- The Chairman of the Audit Committee may be appointed by the Board of Directors; however, if the Board of Directors does not appoint a Chairman, the members of the Audit Committee shall designate a Chairman by a majority vote of the Audit Committee.
- A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee.

APPENDIX "C"

EURO SUN MINING INC.

CORPORATE GOVERNANCE DISCLOSURE

1. Board of Directors

The board of directors (the "**Board**") of Euro Sun Mining Inc. (the "**Corporation**") facilitates its exercise of independent supervision over management by endeavouring to ensure it is composed of a majority of directors who are considered to be "independent", as such term is defined in National Instrument 52-110 – *Audit Committees*. The Board, at present, is composed of seven directors, five of whom are considered to be independent (being Messrs. Bharti, Danziger, Simpson, Reid and Tagliamonte). Mr. Charette, as former Interim CEO, and Mr. Moore, as current CEO, are not considered independent. In determining whether a director is independent, the Board considers, for example, whether that director has a relationship, which could, or could be perceived to interfere with that director's ability to objectively assess the performance of management.

The independent members of the Board hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

Board Responsibilities

The Board is responsible for the stewardship of the Corporation through the appropriate supervision of the business and management of the Corporation and is committed to adhering to the highest standards in its corporate practices. This mandate is accomplished directly and through the Audit Committee, the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee and the Environmental Health and Safety Committee. The Board believes that governance guidelines will continue to evolve to address all applicable regulatory and stock exchange requirements relating to corporate governance and will be modified and updated as circumstances warrant.

The key responsibilities of the Board and its committees are discharged in the following manner:

- the assignment to committees of directors of the Corporation the general responsibility for developing the Corporation's approach to: (i) financial reporting and internal controls; (ii) issues relating to compensation of directors, officers and employees; and (iii) corporate governance issues and matters relating to nomination of directors;
- the formation of committees of the Board when it is deemed appropriate by the Board to deal with specific issues that arise;
- with the assistance of the Corporate Governance and Nominating Committee:
 - developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines specific to the Corporation;
 - reviewing the composition of the Board and ensuring it meets its independence criteria;

- to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and other senior officers and that such officers create a culture of integrity throughout the Corporation;
 - assessing at least annually, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including, considering the appropriate size of the Board;
 - ensuring that an appropriate review and selection process for new nominees to the Board is in place;
 - ensuring that an appropriate orientation and education program for new members of the Board is in place;
 - approving disclosure and securities compliance policies, including communications policies of the Corporation; and
 - reviewing and approving the formal charters of the committees of the Board;
- with the assistance of the Audit Committee:
 - ensuring the integrity of the Corporation's internal controls and management information systems;
 - ensuring the Corporation's ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Corporation's own governing documents;
 - identifying the principal risks of the Corporation's business and ensuring that appropriate systems are in place to manage these risks, including, without limitation, implementing currency and metals hedging programs, as deemed appropriate;
 - reviewing and approving significant operational and financial matters and providing direction to management on these matters;
 - approving annual and interim financial statements of the Corporation together with the annual management's discussion and analysis, unless such approval is specifically delegated to the Audit Committee of the Board; and
 - as required and agreed upon, providing assistance to shareholders concerning the integrity of the Corporation's reported financial performance;
 - with the assistance of the Human Resources and Compensation Committee:
 - establishing appropriate performance criteria for the senior management of the Corporation, and approving the compensation of the senior management and the directors;
 - with the assistance of the Chief Executive Officer ("**CEO**"):
 -

- monitoring and reviewing feedback provided by the Corporation's shareholders;
- succession planning including selecting, appointing, training, monitoring, evaluating and, if necessary, replacing senior management to ensure management succession;
- adopting a strategic planning process and approving, at least annually, a strategic plan that takes into account business opportunities and business risks identified by the Board and/or a committee of the Board and monitoring performance against such plans; and
- reviewing and approving corporate objectives and goals applicable to the Corporation's senior management and monitoring realization of those objectives;
- reviewing with senior management:
 - major corporate decisions which require approval of the Board and approving such decisions as they arise;
 - major capital expenditure decisions in excess of thresholds previously authorized in a budget or by resolution of the Board; and
 - material decisions relating to senior personnel, major property acquisitions or divestments, major investments, and other decisions, where deemed appropriate; and
- performing such other functions as prescribed by law or assigned to the Board in the Corporation's constituting documents and by-laws.

The Board meets a minimum of four times a year and more frequently if required. The Audit Committee meets a minimum of four times a year.

Position Description for the Chairman of the Board

The Chairman of the Board shall be an independent director who is designated by the Board to act as the leader of the Board.

The Chairman will be selected amongst the directors of the Corporation who have a sufficient level of experience with corporate governance issues to ensure the leadership and effectiveness of the Board. The Chairman will be selected annually at the first meeting of the Board following the annual meeting of shareholders.

The following are the responsibilities of the Chairman. The Chairman may delegate or share, where appropriate, certain of these responsibilities with the Corporate Governance and Nominating Committee and/or any other independent committee of the Board:

- chairing all meetings of the Board in a manner that promotes meaningful discussion;
- providing leadership to the Board to enhance the Board' effectiveness, including:

- ensuring that the responsibilities of the Board are well understood by both management and the members of the Board;
 - ensuring that the Board works as a cohesive team with open communication;
 - ensuring that the resources available to the Board (in particular timely and relevant information) are adequate to support its work;
 - together with the Corporate Governance and Nominating Committee ensuring that a process is in place by which the effectiveness of the Board and its committees (including size and composition) is assessed at least annually; and
 - together with the Corporate Governance and Nominating Committee ensuring that a process is in place by which the contribution of individual directors to the effectiveness of the Board is assessed at least annually;
- managing the Board, including:
 - preparing the agenda of the Board meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;
 - adopting procedures to ensure that the Board can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;
 - ensuring meetings are appropriate in terms of frequency, length and content;
 - ensuring that, where functions are delegated to appropriate committees, the functions are carried out and results are reported to the Board;
 - ensuring that a succession planning process is in place to appoint senior members of management when necessary; and
 - working with the Corporate Governance and Nominating Committee and approaching potential candidates, when such are identified, to consider their interest in joining the Board;
 - acting as liaison between the Board and management to ensure that relationships between the Board and management are conducted in a professional and constructive manner. This involves working with the Corporate Governance and Nominating Committee to ensure that the Corporation is building a culture of integrity and good governance; and
 - at the request of the Board, representing the Corporation to external groups such as shareholders and other stakeholders, including community groups and governments.

Position Description for the Chief Executive Officer

The CEO's primary role is to manage the Corporation in an effective, efficient and forward-looking way and to fulfil the priorities, goals and objectives determined by the Board of the Corporation in

the context of the Corporation's strategic plans, budgets and responsibilities set out below, with a view to increasing shareholder value. The CEO is responsible to the Board.

Without limitation to the foregoing, the CEO is responsible for the following:

- maintaining and developing the Corporation's goal of enhancing shareholder value by being a successful and profitable exploration, development and mining company;
- maintaining and developing with the Board strategic plans for the Corporation and successfully implementing such plans;
- providing quality leadership to the Corporation's staff and ensuring that the Corporation's human resources are managed properly;
- providing high-level policy options, orientations and discussions for consideration by the Board;
- maintaining existing and developing new strategic alliances and considering possible merger or acquisition transactions with other mining companies which will be constructive for the Corporation's business and will help enhance shareholder value;
- providing support, co-ordination and guidance to various responsible officers and managers of the Corporation;
- ensuring communications between the Corporation and major stakeholders, including and most importantly, the Corporation's shareholders, are managed in an optimum way and are done in accordance with applicable securities laws;
- providing timely strategic, operational and reporting information to the Board and implementing its decisions in accordance with good governance, with the Corporation's policies and procedures, and within budget;
- acting as an entrepreneur and innovator within the strategic goals of the Corporation;
- co-ordinating the preparation of an annual business plan;
- ensuring appropriate governance skills development and resources are made available to the Board; and
- complying at all times with laws and the Corporation's Codes of Business Conduct and Ethics and ensuring to provide a culture of high ethics throughout the organization.

2. Directorships

As of the date of this Circular, the following members of the Board and/or nominees thereto are also directors of other reporting issuers, as indicated beside their names:

Director	Other Reporting Issuers
Stan Bharti	Sulliden Mining Capital Inc. Belo Sun Mining Inc. Aberdeen International Inc.
Guy Charette	N/A
David C. Danziger	WeedMD Inc. Eurotin Inc. Era Resources Inc. Poydras Gaming Finance Corp. Jackpotjoy plc The Intertain Group Limited
G. Scott Moore	Blue Sky Energy Inc. Pitchblack Resources Ltd. Mason Graphite Inc. Tangelo Games Corp.
Justin Reid	Sulliden Mining Capital Inc. Trigon Metals Inc. Aguia Resources Inc.
Matthew Simpson	Black Iron Inc.
Peter Tagliamonte	Sulliden Mining Capital Inc. Belo Sun Mining Inc.

3. **Orientation and Continuing Education**

While the Corporation has not yet developed an official orientation or training program for new directors, it is expected that orientation and continuing education activities will be tailored to the particular needs and experience of each director and the overall needs of the Board and will encompass interviews with other directors and the Corporate Governance and Nominating Committee and management during which new members would be briefed on the Corporation and its activities. The Corporation does however ensure that all new directors receive a complete package outlining the securities law obligations and restrictions on members of the Board and the Corporation.

The Corporation encourages directors to participate in seminars and/or courses that will enhance their role as a director to the Corporation.

4. Ethical Business

The Board's mandate includes satisfying itself as to the integrity of the Corporation's executive officers and endeavours to reflect, in all of the Corporation's dealings, a culture of integrity and ethical business conduct.

The Board strives to promote integrity and at all times encourages directors to exercise independent judgement in considering transactions or agreements in respect of which a director or officer has a material interest and all such transactions or agreements must be approved by the Board.

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**") that addresses issues, such as conflicts of interest, protection and proper use of corporate assets and opportunities, confidentiality of corporate information, fair dealing with shareholders, partners, suppliers, competitors and employees, compliance with laws, rules and regulations and reporting of any illegal or unethical behaviour, as well as monitoring compliance with such a code. The purposes of the Code are to:

- promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- promote avoidance of conflicts of interest, including disclosure to an appropriate person of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Corporation files with, or submits to, the securities regulators and in other public communications made by the Corporation;
- promote compliance with applicable governmental laws, rules and regulations;
- promote the prompt internal reporting to an appropriate person of violations of the Code;
- promote accountability for adherence to the Code;
- provide guidance to employees, officers and directors to help them recognize and deal with ethical issues; and
- foster the development of a culture of honesty and accountability within the Corporation.

Violations of this Code by an employee, officer or director are grounds for disciplinary action up to and including, but without limitation, immediate termination of employment or request for resignation of a directorship.

A copy of the Code is available on the website of the Corporation at www.eurosunmining.com.

5. Whistleblower Policy

The Corporation has adopted a Whistleblower Policy that allows its directors, officers, consultants and employees who feel that a violation of the Code has occurred, or who has concerns regarding financial statement disclosure issues, accounting, internal accounting controls or auditing matters,

to report such violations or concerns on a confidential and anonymous basis. Reporting of a violation or concern is made to the Chair of the Corporation's Audit Committee who then investigates each matter so reported and takes corrective or disciplinary action, if appropriate.

6. Anti-Corruption Policy

The Corporation has adopted an Anti-Corruption Policy that outlines the requirements that must be fulfilled by all employees, consultants, officers and directors of the Corporation, as well as any third-parties working for or on behalf of the Corporation. These requirements include the prohibition of bribing government officials and making facilitation payments. This policy also provides the Corporation's employees, consultants, officers and directors with further clarity regarding books and records transparency, as well as the conditions with respect to gift giving to government officials, political and charitable contributions, third-party oversight and due diligence, internal controls and management's responsibility to promote and create awareness of the policy.

7. Nomination of Directors

The responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis is assumed by the full Board. Every director is entitled to bring these matters to the Board. It is open to any one director to propose new nominees to the Board for consideration, and the Board as a whole reviews the qualifications of candidates for membership on the Board and the slate of candidates for directors to be nominated for election by shareholders of the Corporation at annual general meetings of its shareholders.

8. Compensation

A Human Resources and Compensation Committee for the Corporation has been established and presently consists of three members of the Board (being Messrs. Bharti, Reid and Tagliamonte) with Mr. Reid acting as Chairman. The Human Resources and Compensation Committee is responsible for reviewing the performance, compensation, hiring, professional development, recruitment and succession planning of the directors and executive officers of the Corporation as well as all Corporation-wide employee benefits programs, based on a formal annual report and periodic interim reports from management and its own independent investigations, and reports regularly to the full Board on these activities.

The mandate of the Human Resources and Compensation Committee is:

- reviewing, structuring and approving and then recommending to the Board salary, bonus, and/or other benefits, direct or indirect, and any change of control packages of the Chairman of the Board (if any), the President, the CEO and other members of the senior management team deemed appropriate by the Human Resources and Compensation Committee;
- recommendation of salary guidelines to the Board;
- reviewing and recommending to the Board appropriate compensation for the directors of the Corporation;

- administration of (where applicable) the Corporation's compensation plans, stock option plans, outside directors compensation plans, and such other compensation plans or structures as are adopted by the Corporation from time-to-time;
- research and identification of trends in employment benefits; and
- establishment and periodic review of the Corporations' policies in the area of management benefits and perquisites.

9. Board Performance Assessment

Currently the Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the Board's decision-making processes and the quality of information provided by management, and among other things:

- overseeing strategic planning;
- monitoring the performance of the Corporation's assets;
- evaluating the principal risks and opportunities associated with the Corporation's business and overseeing the implementation of appropriate systems to manage these risks;
- approving specific acquisitions and divestitures;
- evaluating senior management; and
- overseeing the Corporation's internal control and management information systems.

10. Diversity and Women on the Board of Directors and in Executive Positions

The Corporation has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board consider the level of representation of women when making executive officer appointments or set targets regarding women on the Board or in executive positions. However, informally, the Corporation values diversity, including, without limitation, diversity of experience, perspective, education, race, gender, sexual orientation and national origin as part of its overall business strategy. The Board intends to consider whether it should adopt specific policies and practices regarding the representation of women on the Board and in executive positions. As of the date hereof, no members of the Board are women.

11. Board and Audit Committee Meeting Attendance

During 2016, the Board met a total of five times. The Board's policy is to hold in-camera sessions with the independent directors at the end of each meeting of the Board to the extent required.

The following table summarizes meetings of the Board and the Audit Committee and individual director attendance at such meetings during the financial year ended December 31, 2016:

Summary of Board and Committee Meetings Held (during the Financial Year ended December 31, 2016)		
Board of Directors		5
Audit Committee		4
Summary of Attendance by Director (during the Financial Year ended December 31, 2016)		
Director	Board Meetings Attended	Audit Committee Meetings Attended
Stan Bharti ⁽¹⁾	3 of 4	1 of 2
Julio L. Carvalho ⁽²⁾	1 of 1	1 of 1
Guy Charette	5 of 5	N/A
David C. Danziger	5 of 5	4 of 4
John W. W. Hick ⁽²⁾	1 of 1	1 of 1
G. Scott Moore ⁽³⁾	1 of 1	N/A
Justin Reid ⁽³⁾⁽⁴⁾	1 of 1	1 of 1
Matthew Simpson ⁽⁵⁾	4 of 4	3 of 3
Peter Tagliamonte ⁽⁶⁾	3 of 4	N/A

Notes:

- (1) Became a director of the Corporation as of May 19, 2016. Mr. Bharti was a member of the Corporation's Audit Committee from May 19, 2016 to August 23, 2016.
- (2) Ceased to be a director of the Corporation as of May 19, 2016. Messrs. Carvalho and Hick were members of the Corporation's Audit Committee until May 19, 2016.
- (3) Became a director of the Corporation as of August 4, 2016.
- (4) Mr. Reid became a member of the Corporation's Audit Committee as of August 23, 2016.
- (5) Became a director of the Corporation as of May 19, 2016. Mr. Simpson became a member of the Corporation's Audit Committee as of May 19, 2016.
- (6) Became a director of the Corporation as of May 19, 2016.

EUROSUN

MINING

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Euro Sun Mining Inc.

We have audited the accompanying consolidated financial statements of Euro Sun Mining Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of income and comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

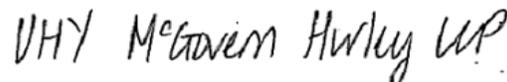
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Euro Sun Mining Inc. and its subsidiaries as at December 31, 2016, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matters

The consolidated financial statements of Euro Sun Mining Inc. for the year ended December 31, 2015 (prior to the effects of the change in policies described in Note 2 to the consolidated financial statements), were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2016.

As part of our audit of the consolidated financial statements of Euro Sun Mining Inc. for the year ended December 31, 2016, we also audited the adjustments described in Note 2 that were applied to restate the consolidated financial statements for the year ended December 31, 2015 for the effects of a change in policies. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Euro Sun Mining Inc. for the year ended December 31, 2015 other than with respect to the adjustments, and accordingly, we do not express any opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2015 taken as a whole.

UHY McGovern Hurley LLP



Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 21, 2017

EURO SUN MINING INC.

Consolidated Statements of Financial Position (Expressed in United States Dollars)

As at:	December 31, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 5,511,102	\$ 549,076
Restricted deposits (Notes 4 and 5)	22,343	903,951
Prepaid expenses and sundry receivables	169,922	464,433
Total current assets	5,703,367	1,917,460
Assets classified as held for sale (Note 4)	-	62,412,194
Non-current assets		
Property, plant and equipment (Note 6)	32,436	84,820
Software license costs (Note 7)	-	24,536
Total assets	\$ 5,735,803	\$ 64,439,010
Liabilities		
Current liabilities		
Trade and other payables (Notes 8, 9 and 17(b))	\$ 851,003	\$ 703,369
Total current liabilities	851,003	703,369
Liabilities classified as held for sale (Note 4)	-	312,967,459
Total liabilities	\$ 851,003	313,670,828
Equity (deficiency) attributable to shareholders		
Share capital (Note 10(b))	202,320,836	196,773,069
Warrants (Note 10(d))	2,627,351	3,256,109
Contributed surplus (Note 10(c))	4,679,005	2,201,847
Accumulated deficit	(204,890,732)	(429,967,103)
Accumulated other comprehensive income (loss)	148,340	(21,495,740)
Total equity (deficiency)	4,884,800	(249,231,818)
Total liabilities and equity (deficiency)	\$ 5,735,803	\$ 64,439,010
Nature of operations and going concern (Note 1)		
Commitments and contingencies (Note 17)		
Subsequent event (Note 19)		

Approved by the Board of Directors on March 21, 2017:

"David Danziger", Director

"Stan Bharti", Director

The notes to the consolidated financial statements are an integral part of these statements.

EURO SUN MINING INC. (FORMERLY CARPATHIAN GOLD INC.)

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in United States Dollars)

	Year ended December 31, 2016	Year ended December 31, 2015
Expenses		
General and administrative (Note 11(a))	\$ 2,037,877	\$ 5,767,853
Consulting and management expense (Note 11(b))	5,777,721	896,264
Exploration and evaluation expenditures (Note 12)	1,473,999	939,349
Legal settlements (Note 17 (b))	1,249,119	-
Depreciation and amortization (Notes 6 and 7)	44,048	95,310
Impairment (Note 6)	70,013	-
Other loss (income) (Note 11(c))	(6,353)	(13,277,996)
Net (loss) income from continuing operations for the year	(10,646,424)	5,579,220
Net income (loss) from discontinued operations for the year (Note 4)	230,531,490	(79,209,026)
Net income (loss) for the year	219,885,066	(73,629,806)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustments	148,340	(12,890,119)
Other comprehensive income (loss) for the year from continuing operations	\$ 148,340	\$ (12,890,119)
Total comprehensive (loss) for the year from continuing operations	\$ (10,498,084)	\$ (7,310,899)
Cumulative translation adjustments from discontinued operations	21,495,740	-
Other comprehensive income for the year from discontinued operations	\$ 21,495,740	\$ -
Total comprehensive income (loss) for the year from discontinued operations	\$ 252,027,230	\$ (79,209,026)
Total comprehensive income (loss) for the year	\$ 241,529,146	\$ (86,519,925)
Basic and diluted (loss) income per share		
- continuing operations	\$ (0.23)	\$ 0.15
Basic and diluted income (loss) per share		
- discontinued operations	\$ 5.05	\$ (2.07)
Total basic and diluted income (loss) per share	\$ 4.82	\$ (1.92)
Weighted average number of common shares outstanding - basic and diluted (Note 13)	45,683,315	38,216,784

The notes to the consolidated financial statements are an integral part of these statements.

EURO SUN MINING INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency) (Expressed in United States Dollars)

	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Shareholders' Equity (Deficiency)
	\$	\$	\$	\$	\$	\$
Balance, December 31, 2014	196,773,069	3,256,109	2,267,854	(356,409,020)	(8,605,621)	(162,717,609)
Expiry of stock options	-	-	(71,723)	71,723	-	-
Share-based payment	-	-	5,716	-	-	5,716
Net loss and comprehensive loss for the year	-	-	-	(73,629,806)	(12,890,119)	(86,519,925)
Balance, December 31, 2015	196,773,069	3,256,109	2,201,847	(429,967,103)	(21,495,740)	(249,231,818)
Shares issued in private placements (Note 10(b))	8,630,675	-	-	-	-	8,630,675
Valuation of warrants (Note 10(b))	(2,507,222)	2,507,222	-	-	-	-
Valuation of broker warrants (Note 10(b))	(283,401)	283,401	-	-	-	-
Transaction costs incurred (Note 10(b))	(333,657)	(163,272)	-	-	-	(496,929)
Option exercise (Note 10(c))	41,372	-	(16,797)	-	-	24,575
Share-based payment (Note 10(c))	-	-	4,429,151	-	-	4,429,151
Expiry of stock options (Note 10(c))	-	-	(1,935,196)	1,935,196	-	-
Expiry of warrants (Note 10(d))	-	(3,256,109)	-	3,256,109	-	-
Net income and comprehensive income for the year	-	-	-	219,885,066	21,644,080	241,529,146
Balance, December 31, 2016	202,320,836	2,627,351	4,679,005	(204,890,732)	148,340	4,884,800

The notes to the consolidated financial statements are an integral part of these statements.

EURO SUN MINING INC.

Consolidated Statements of Cash Flows (Expressed in United States Dollars)

	Year ended December 31, 2016 \$	Year ended December 31, 2015 \$
Cash flows from operating activities		
Income (loss) for the year	219,885,066	(73,629,806)
Adjustment for:		
Depreciation and amortization	44,048	3,276,647
Accretion	87,740	263,220
Unrealized foreign exchange gain	-	(14,405,305)
Gain on disposition of MRDM	(230,628,958)	-
Share-based payments	4,429,151	5,716
Impairment	1,202,571	33,157,880
Gain on sale of property, plant and equipment	-	(17,431)
Interest income	(27,292)	(9,370)
Deferred share unit costs	21,089	1,484
Unrealized loss on derivative contracts	-	6,019,862
	(4,986,585)	(45,337,103)
Trade receivables	307,504	(1,008,009)
Prepaid expenses and sundry receivables	(1,484,528)	2,100,312
Inventories	(1,796,598)	(17,587,141)
Trade, other payables and payables from Gold Stream transaction	4,144,580	(8,760,294)
Deferred revenues	-	(785,039)
Net cash used in operating activities	(3,815,627)	(71,377,274)
Cash flows from investing activities		
Restricted deposits	(9,797)	17
Interest income	27,292	9,370
Proceeds on sale of property, plant and equipment	-	22,163
Acquisition of property, plant and equipment	(1,465,052)	(10,808,882)
Acquisition of software licensing	-	(15,117)
Mine development assets	(909,416)	(1,413,130)
Cash disposed of in MRDM	(250,961)	-
Net cash used in investing activities	(2,607,934)	(12,205,579)
Cash flows from financing activities		
Proceeds from project loan facility	2,686,260	82,378,346
Proceeds from private placements	8,630,675	-
Share issue costs	(496,929)	-
Proceeds from option exercise	24,575	-
Net cash from financing activities	10,844,581	82,378,346
Effect of exchange rate changes on cash and cash equivalents	468,671	1,515,182
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,889,691	310,675
CASH AND CASH EQUIVALENTS, beginning of year	621,411	310,736
CASH AND CASH EQUIVALENTS, end of year	5,511,102	621,411
Cash and cash equivalents at the end of the year	5,511,102	621,411
Included in cash and cash equivalents per statement of financial position	5,511,102	549,076
Included in assets classified as held for sale (Note 4)	-	72,335

The notes to the consolidated financial statements are an integral part of these statements.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in United States Dollars)

1. Nature of operations and going concern

Euro Sun Mining Inc. (formerly Carpathian Gold Inc.), together with its subsidiaries (collectively the "Company"), is a gold and copper exploration and development mining company focused primarily on its 100% owned Rovina Valley Project ("RVP") located in west-central Romania.

The Company was incorporated under the federal laws of Canada (the *Canada Business Corporations Act*) on January 17, 2003, is domiciled in Canada and its common shares are currently posted for trading and listed on the Toronto Stock Exchange ("TSX") under the symbol "ESM". At the Annual and Special Meeting on August 4, 2016, the shareholders approved the Company changing its name to Euro Sun Mining Inc. The address of its registered office is 65 Queen Street West, Suite 805, Toronto, Ontario, M5H 2M5.

These consolidated financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business for the next fiscal year. For the year ended December 31, 2016, the Company incurred a net loss from continuing operations of \$10,646,424 and as at December 31, 2016, reported an accumulated deficit of \$204,890,732 and working capital of \$4,852,364 including \$5,511,102 in cash and cash equivalents. The Company has no current source of operating cash flow and that there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt. Management believes its working capital is sufficient to support activities for the next twelve months.

These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes, to acquire construction and operating permits and to construct mining and processing facilities. The recoverability of the amounts shown as assets of the Company is dependent upon the Company obtaining the necessary financing to complete the exploration of its property, the discovery of economically recoverable reserves and future profitable operations.

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 operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory, social and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

The Company was the previous owner of Mineração Riacho dos Machados Ltda. ("MRDM") and the Riacho dos Machados project ("RDM Project") in Brazil. See Note 4.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors on March 21, 2017.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value, including derivative instruments up until their settlement in September 2015.

Basis of presentation

The consolidated financial statements of the Company consolidate the accounts of Euro Sun Mining Inc. and its subsidiaries. All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

The Company's financial statements consolidate its subsidiaries which comprise the following at December 31, 2016:

Name of entity	Country of incorporation	Ownership
Ore-Leave Capital (Barbados) Limited	Barbados	100%
Carpathian Gold Limited	British Virgin Islands	100%
SAMAX Romania Limited	British Virgin Islands	100%
SAMAX Romania S.R.L.	Romania	100%

On April 29, 2016, the Company closed a transaction to dispose of certain of its subsidiaries (see Note 4) and on October 31, 2016, Carpat Gold S.R.L., one of the Company's subsidiaries, was dissolved.

Translation of Foreign Currency

These consolidated financial statements are presented in U.S. dollars (the Company's presentation currency).

Items included in the financial statements of Euro Sun Mining Inc. (the "Parent") and each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of loss.

The functional currency of the Parent is the Canadian dollar and the functional currency of each of its subsidiaries is the U.S. dollar.

Assets and liabilities of entities with functional currencies other than the U.S. dollar are translated into the presentation currency at the period end rates of exchange, and the results of their operations are translated at the average rates of exchange for the period. The resulting translation adjustments are recognized in other comprehensive income (loss) as cumulative translation adjustments. There is no tax impact on this translation.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its cash and amounts receivable as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized through profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

Financial assets and liabilities are offset and the net amount is recorded in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle on a net basis, or realize the asset and settle the liability simultaneously.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Revenue recognition

Revenues include sales of refined gold and silver and dore, which are generally physically delivered to the buyer in the period in which they are produced, with their sales price based on prevailing spot market metal prices. Revenue from metal sale is recognized when all of the following conditions have been satisfied:

- The significant risks and reward of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the sale will flow to the Company; and
- The costs incurred or to be incurred in respect of the sales can be reliably measured.

These conditions are generally satisfied when title passes to the customer.

Pre-production sales of refined gold and silver and dore are recognized as an offset to mine development assets.

Inventories

Gold production inventories, concentrate inventory and ore stockpiles are measured at the lower of weighted average production cost and net realizable value. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form and variable selling expenses. Mine supplies are measured at the lower of average purchase cost and net realizable value.

Production costs include the cost of materials, labour, mine site production overheads and depreciation to the applicable stage of processing.

The cost of ore stockpiles is increased based on the related current cost of production for the period, and decreases in stockpiles are charged to cost of sales using the weighted average cost per tonne.

Provisions are recorded to reduce the carrying amount of inventory to net realizable value to reflect changes in grades, quantity or other economic factors and to reflect current intentions for the use of redundant or slow-moving items. Provisions for redundant and slow-moving items are made by reference to specific items of inventory. The Company reverses write-downs where there is a subsequent increase in net realizable value and where the inventory is still on hand.

Spare parts, stand-by and servicing equipment and consumable material held are generally classified as inventories. Major capital spare parts are classified as a component of property, plant and equipment.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as assets held for sale if it is highly probable that the value of these assets will be recovered primarily through sale rather than through continuing use. They are recorded at the lower of carrying amount and fair value less cost of disposal. Impairment losses on initial classification as assets held for sale and subsequent gains and losses on re-measurement are recognized in the statement of comprehensive loss. Once classified as held-for sale, property, plant and equipment is no longer amortized. The assets and liabilities are presented as held for sale in the consolidated statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Non-current Assets Held for Sale and Discontinued Operations (continued)

A discontinued operation is a component of the Company that can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes, and the value of this component is expected to be recovered primarily through sale rather than continuing use.

Results of operations and any gain or loss from disposal are excluded from income from continuing operations and are reported separately as income (loss) from discontinued operations.

Software Licensing Costs

Software licensing costs are stated at cost less accumulated amortization and accumulated impairment losses. The costs of assets are amortized over their useful life which is 2-10 years.

Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the statement of loss in the period in which they are incurred.

Share-based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The Company has established a stock option plan to grant non-transferable equity settled options to purchase Common Shares to directors, officers, employees of and consultants to the Company. The number of Common Shares reserved for issuance will not exceed 10% of the total issued and outstanding Common Shares of the Company. The Company has the ability to grant for a maximum period of ten years from the date of grant.

Stock options vest over periods ranging from immediate to two years. The fair value of each option is measured at the date of grant using the Black-Scholes option pricing model and recorded as a compensation expense in the period the options are vested or the performance is complete. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid by on exercise of stock options is credited to share capital. On expiry, any amount related to the initial value of the stock option is recorded to deficit.

Deferred Costs

Costs incurred to raise capital are written off as a charge to capital upon completion of each capital raising. Costs incurred on debt financings are netted against the carrying value of the loans and charged to the consolidated statement of loss over the term of the related loans. If the Company is in default, costs are immediately expensed to the consolidated statement of (loss).

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Exploration and Evaluation Expenditures

Exploration and evaluation expenditures comprise costs of initial search for mineral deposits and performing a detailed assessment of deposits that have been identified as having economic potential.

Exploration and evaluation costs are expensed as incurred and included in the statement of loss and until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mine development assets. Exploration and evaluation costs include an allocation of administration and salary costs as determined by management.

Mine Development Assets

Mine development assets, a component of property, plant and equipment, are accumulated separately for each area of interest in which economically recoverable reserves have been identified. These assets are comprised of expenditures directly attributable to the construction of a mine and the related infrastructure.

General and administration costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant areas of interest.

No amortization is recognized in respect of development properties until they are at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Production Stage

A mine that is under construction is determined to enter the production stage when the project is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When a mine development asset moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for capitalizable costs related to property, plant and equipment additions or improvements, open pit stripping activities that provide a future benefit or expenditures that meet the criteria for capitalization in accordance with International Accounting Standard 16 ("IAS") IAS 16 Property, Plant and Equipment.

Pre-production stripping costs are capitalized until an "other than de minimis" level of mineral is extracted, after which time such costs are either expenses, capitalized to inventory or, if it qualifies as an open pit stripping activity that provides a future benefit, capitalized to property, plant and equipment. Various relevant criteria is considered to assess when an "other than de minimis" level of mineral is produced. Some of the criteria considered would include, but not limited to, the following:

- The amount of minerals mined versus total ounces in the life of mine;
- The amount of ore tons mined versus total life of mine expected ore tons mined;
- The current stripping ratio versus the life of mine ratio; and
- The ore grade versus the life of mine grade.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Production Stage (continued)

Stripping costs incurred during the production stage of a pit are accounted for as costs of inventory produced during the period that the stripping costs are incurred, unless these costs are expected to provide future economic benefit to the identifiable component of the ore body. Components of the ore body are based on the distinct development phases identified by the mine planning engineers when determining the optimal development plan for the open pit. Production phase stripping costs generate a future economic benefit when the related stripping activity:

- Improves access to a component of the ore body to be mined in the future;
- Increases the fair value of the mine (or pit) as access to future mineral reserves becomes less costly; and
- Increases the production capacity or extends stripping costs that are expected to generate a future economic benefit are capitalized as open pit mine development costs.

Mine development costs are depreciated on a unit of production basis whereby the denominator is the estimated ounces of gold in proven and probable reserves and the portion of resources considered probable of economic extraction based on the current life of mine plan in the current component of the ore body that has been made more accessible through the strip activity and all future components in the current plan that benefit from the particular stripping activity. Mine development assets are depreciated once the open pit has entered production and the future economic benefit is being derived.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of income (loss) during the period in which they are incurred.

The Company depreciates property, plant and equipment on the straight line depreciation method. The assets' useful lives are as follows:

Buildings	-	10-25 years
Office Equipment	-	4-10 years
Computer Equipment	-	5-10 years
Machinery & Equipment	-	4-10 years
Vehicles	-	4-5 years
Leasehold Improvements	-	1-10 years

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Income Taxes

Income tax comprises current and deferred tax. Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss, which may differ from earnings reported in the statement of loss due to items of income or expense that are not currently taxable or deductible for tax purposes, using tax rates substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The Company records foreign exchange gains or losses representing the impacts of movements in foreign exchange rates on the tax bases of non-monetary assets and liabilities which are denominated in foreign currencies. Foreign exchange gains and losses relating to deferred income taxes are included in deferred income tax expense or recovery in the statement of loss.

The Company recognizes uncertain tax positions in its consolidated financial statements when it is considered more likely than not that the tax position shall be sustained.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments, such as guaranteed investment certificates and deposit accounts with Canadian chartered banks and Romanian banks, cashable within three months of the date of original issue.

Derivatives

The Company may enter into derivative instruments to mitigate economic exposures to commodity price and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as fair value through profit or loss and recorded at their fair value with realized gains or losses arising from changes in the fair value recorded in the statement of loss in the period they occur. Fair values for derivative instruments classified as fair value through profit or loss are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the consolidated statement of financial position at fair value and mark-to-market adjustments on these instruments are included in the consolidated statement of loss.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
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2. Significant accounting policies (continued)

Deferred Share Unit Plan

Non-executive directors and executives are granted Deferred Share Units (“DSUs”) under the terms of the Company’s DSU Plan. The fair value of DSUs at the time of conversion or award, as applicable, is determined with reference to the weighted average trading price of the Company’s common shares over the five trading days immediately preceding the date of conversion or award, as applicable. The fair value of the DSUs, which are settled in cash, is recognized as a share based compensation expense with a corresponding increase in liabilities, over the period from the grant date to settlement date. The fair value of the DSUs is marked to the quoted market price of the Company’s common shares at each reporting date with a corresponding change recorded in the consolidated statement of income (loss).

Income (Loss) per Share

Basic income (loss) per share is calculated by dividing net income (loss) attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted income per share is calculated whereby the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive.

Provisions

(a) General

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

(b) Decommissioning and site rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk by way of adjusting the cash flows and is discounted using a risk free discount rate. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation is generally considered to have been incurred when the mine assets are constructed or the environment is disturbed at the Company’s operations. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased based on the unwind of the discount rate.

The periodic unwinding of the discount is recognized in the statement of loss as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development will be recognized as changes to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
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2. Significant accounting policies (continued)

Future accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2017. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - Revenue From Contracts With Customers (“IFRS 15”) proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IAS 7 – Statement of Cash Flows (“IAS 7”) was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
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2. Significant accounting policies (continued)

Future accounting standards issued but not yet effective (continued)

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

There are no other standards/amendments or interpretations that are expected to have a significant effect on the consolidated financial statements of the Company.

Accounting changes

Exploration and evaluation expenditures

During 2016, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts.

A summary of changes to the comparative figures to reflect this retrospective change in accounting policy is as follows:

Consolidated statement of financial position:

- As the exploration and evaluation assets of the Company had previously been fully impaired, there is no change to the comparative consolidated statement of financial position.

Consolidated statement of income (loss) and comprehensive income (loss):

- Decrease in impairment expense with an offsetting increase in exploration and evaluation expense as follows: year ended December 31, 2015 - \$939,349.
- No change in net income (loss) or comprehensive income (loss).

Consolidated statement of cash flows:

- Decrease in cash flows used in operations with a corresponding increase in cash flows used in investing activities as follows: year ended December 31, 2015 - \$943,387.

Expired share-based payments and warrants

During the year ended December 31, 2016, the Company elected to change its accounting policy for the treatment of share-based payments and warrants whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit on expiry. The value of unexercised and outstanding warrants and options will continue to be recorded in the warrant reserve and contributed surplus reserve accounts, respectively. The Company believes that this presentation provides more relevant financial information. Previously, the Company’s policy was to record the value of expired options and warrants within contributed surplus along with the value of outstanding share options.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
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2. Significant accounting policies (continued)

Accounting changes (continued)

A summary of changes to the comparative figures to reflect this retrospective change in accounting policy is as follows:

Consolidated statements of financial position:

- Decrease to deficit and a corresponding decrease to contributed surplus as follows: as at December 31, 2014 - \$8,658,002; as at March 31, 2015 - \$8,658,002; as at June 30, 2015 - \$8,658,146; as at September 30, 2015 - \$8,658,146; as at December 31, 2015 - \$8,729,725; as at March 31, 2016 - \$8,771,574.
- No change in assets, liabilities, or total shareholders' equity.

Consolidated statements of income (loss) and comprehensive income (loss):

- No change.

Consolidated statements of cash flows:

- No change.

3. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements:

Estimated useful life of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

Fair value of derivatives

Management estimates the fair values of its derivatives using valuation techniques which determine their present value based on available market data including expected future gold prices, future exchange rates and interest rates.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
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3. Critical accounting estimates and judgments (continued)

Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at the each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Share-based payments

The Company grants stock options to directors, officers, employees and consultants of the Company under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates such as the life of options, volatility and forfeiture rates. Changes in assumptions used to estimate fair value could result in materially different results.

Mineral reserve estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

EURO SUN MINING INC.

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4. Non-current assets held for sale and discontinued operations

On April 29, 2016, the Company closed a transaction to dispose of its RDM Project producing gold project in Brazil.

Yamana Gold Inc.'s Brio Gold division ("Brio") purchased from Macquarie Bank Limited ("Macquarie") all of Macquarie's rights and interest in its secured loan to the RDM Project of the Company's subsidiaries as below.

Name of entity	Country of incorporation	Ownership
Ore-Leave Capital (Brazil) Limited	Barbados	100%
OLV Cooperatie U.A.	The Netherlands	100%
OLC Holdings B.V.	The Netherlands	100%
Mineração Riacho dos Machados Ltda. ("MRDM")	Brazil	100%

On April 29, 2016, the Ontario Superior Court of Justice (Commercial List) issued an order approving, among other things, a credit bid transaction, which was initiated by Brio with the cooperation of the Company, and the sale to Brio of all of the Company's direct and indirect equity interests in MRDM (the "Restructuring").

Brio has delivered to the Company and the directors of the Company and certain of its subsidiaries a full release and discharge with respect to any liability under (i) the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Company, MRDM and certain other subsidiaries of the Company, and (ii) Macquarie's security in respect of the foregoing agreements previously acquired by Brio from Macquarie, including the Company's guarantee thereof.

Furthermore, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 70,194,444 pre-consolidation common shares (the "Shares") in the capital stock of the Company at a price of CAD\$0.018 per Share for aggregate gross proceeds of US\$1,000,000 (CAD\$1,253,600) on a private placement basis (see Note 10(b)(ii)).

As part of the transaction closing, \$903,951 held in trust and shown as restricted cash at December 31, 2015 was returned to Macquarie.

None of the other assets of the Company have been affected by the Restructuring, and the Company continues to own its Romanian assets.

As at December 31, 2016, the Restructuring has been completed and all the assets, liabilities and obligations related to the RDM Project have been disposed of. As a result of the disposition of the RDM Project, including MRDM, the Company recorded a gain of \$230,628,958 which represents the difference between the consideration and the net liability of the RDM Project on the date of disposition. The income from discontinued operations of \$230,531,490 includes the revenues and expenses of the RDM project up to the date of disposition of April 29, 2016, along with the gain on disposition of \$230,628,958.

EURO SUN MINING INC.

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4. Non-current assets held for sale and discontinued operations (continued)

As at December 31, 2015, all of the assets and liabilities of MRDM (refer to the table below) were classified as held for sale.

	December 31, 2015
Assets	
Current assets	
Cash and cash equivalents	\$ 72,335
Restricted deposits	344,049
Trade receivables	2,921,436
Prepaid expenses and sundry receivables	345,184
Inventory	42,858,731
	46,541,735
Non-current assets	
Deposits and receivables	5,637,090
Property, plant and equipment	4,352,587
Mine development assets	5,880,782
	\$ 62,412,194
Liabilities	
Current liabilities	
Trade and other payables	\$ 8,991,658
Project loan facility - short-term	270,770,175
Payables from Gold Stream transaction	27,549,600
	307,311,433
Non-current liabilities	
Rehabilitation provision	5,656,026
	\$ 312,967,459

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
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4. Non-current assets held for sale and discontinued operations (continued)

The following table presents summarized consolidated statements of income (loss) and comprehensive income (loss) related to the discontinued operations of MRDM:

	Year Ended December 31,	
	2016	2015
Revenue	\$ 20,275,211	\$ 47,915,768
Expenses		
Costs and expenses of mining operations		
Operating costs and mine site administrative expenses	16,181,804	23,734,755
Mine site depreciation and amortization	-	3,276,647
General and administrative	2,283,993	10,597,604
Employee compensation expense	714,122	2,440,974
Gain on disposition of MDRM	(230,628,958)	-
Impairment	1,132,558	34,101,267
Net loss on derivative contracts	-	18,609,398
Finance costs		
Interest	-	35,253,756
Accretion	87,740	263,220
Other (income)	(27,538)	(1,152,827)
Income (loss) from discontinued operations	\$ 230,531,490	\$ (79,209,026)

The following table presents summarized consolidated statements of cash flows for the discontinued operations for the years ended December 31, 2016 and 2015:

Year ended December 31,	2016	2015
Cash flows from operating activities of discontinued operations	\$ 1,867,340	\$ (62,799,681)
Cash flows from investing activities of discontinued operations	(5,017,459)	(10,808,882)
Cash flows from financing activities of discontinued operations	2,686,260	74,744,529
Effect of exchange rates on cash and cash equivalents	391,524	(1,162,132)
Decrease in cash and cash equivalents	(72,335)	(26,166)
Cash and cash equivalents at beginning of the year	72,335	98,501
Cash and cash equivalents at end of the year	\$ -	\$ 72,335
Supplemental information:		
Interest paid	\$ -	\$ 29,352,550

EURO SUN MINING INC.

Notes to Consolidated Financial Statements For the years ended December 31, 2016 and 2015 (Expressed in United States Dollars)

5. Restricted Deposits

As at December 31, 2016, restricted cash consists of CAD\$30,000 (\$22,343) on deposit with the bank as security for the Company's corporate credit card. As at December 31, 2015, the Company's restricted deposits totaled \$1,248,000 which represented an employee trust fund. Of the \$1,248,000 outstanding at December 31, 2015, \$344,049 was included as assets classified as held for sale, the remaining \$903,951 was returned to Macquarie as part of the closing of the transaction in Note 4.

6. Property, plant and equipment

	Land	Plant and other constructions	Buildings	Leasehold improvements	Computers and office equipment	Machinery & equipment (including vehicles)	Total
Cost:							
At December 31, 2015	\$ -	\$ -	\$ -	\$ 177,839	\$ 83,840	\$ 15,770	\$ 277,449
Effect of foreign exchange	-	-	-	11,046	9,807	1,163	22,016
Additions	-	-	-	-	-	32,436	32,436
Impairment	-	-	-	(188,885)	(93,647)	(16,933)	(299,465)
At December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,436	\$ 32,436
Depreciation:							
At December 31, 2015	\$ -	\$ -	\$ -	\$ 123,811	\$ 54,045	\$ 14,773	\$ 192,629
Effect of foreign exchange	-	-	-	9,515	7,736	1,117	18,368
Depreciation charge for the year	-	-	-	13,187	4,225	1,043	18,455
Impairment	-	-	-	(146,513)	(66,006)	(16,933)	(229,452)
At December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net book value:							
At December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,436	\$ 32,436
At December 31, 2015	\$ -	\$ -	\$ -	\$ 54,028	\$ 29,795	\$ 997	\$ 84,820
Cost:							
At December 31, 2014	\$ 388,401	\$ 18,526,255	\$ 1,244,337	\$ 360,549	\$ 1,359,670	\$ 19,514,448	\$ 41,393,660
Effect of foreign exchange	-	-	-	(34,292)	(16,167)	(3,042)	(53,501)
Additions	-	5,261,169	639,175	-	50,498	350,317	6,301,159
Disposals	-	-	-	-	-	(158,568)	(158,568)
Impairment	-	(23,787,424)	-	-	-	(2,766,771)	(26,554,195)
Transferred to assets classified as held for sale	(388,401)	-	(1,883,512)	(148,418)	(1,310,161)	(16,920,614)	(20,651,106)
At December 31, 2015	\$ -	\$ -	\$ -	\$ 177,839	\$ 83,840	\$ 15,770	\$ 277,449
Depreciation:							
At December 31, 2014	\$ -	\$ 3,956,478	\$ 102,497	\$ 188,801	\$ 574,226	\$ 8,717,721	\$ 13,539,723
Effect of foreign exchange	-	-	-	(21,150)	(9,558)	(2,508)	(33,216)
Depreciation charge for the year	-	1,036,929	199,817	54,404	160,329	1,621,012	3,072,491
Disposals	-	-	-	-	-	(153,835)	(153,835)
Transferred to assets classified as held for sale	-	(4,993,407)	(302,314)	(98,244)	(670,952)	(10,167,617)	(16,232,534)
At December 31, 2015	\$ -	\$ -	\$ -	\$ 123,811	\$ 54,045	\$ 14,773	\$ 192,629
Net book value:							
At December 31, 2015	\$ -	\$ -	\$ -	\$ 54,028	\$ 29,795	\$ 997	\$ 84,820
At December 31, 2014	\$ 388,401	\$ 14,569,777	\$ 1,141,840	\$ 171,748	\$ 785,444	\$ 10,796,727	\$ 27,853,937

As at December 31, 2016, the carrying value of property, plant and equipment is comprised of \$nil in corporate and other (December 31, 2015 - \$84,820), \$nil in Brazil (December 31, 2015 - \$nil) and \$32,436 in Romania (December 31, 2015 - \$nil).

EURO SUN MINING INC.

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7. Software License Costs

	Cost	Accumulated amortization	Net book value
At December 31, 2014	\$ 1,108,588	\$ 446,146	\$ 662,442
Effect of foreign exchange	(56,427)	(46,153)	(10,274)
Additions	25,392	144,418	(119,026)
Transferred to assets classified as held for sale	(784,081)	(275,475)	(508,606)
At December 31, 2015	\$ 293,472	\$ 268,936	\$ 24,536
Effect of foreign exchange	8,222	7,165	1,057
Additions	-	25,593	(25,593)
Disposal	(301,694)	(301,694)	-
At December 31, 2016	\$ -	\$ -	\$ -

As at December 31, 2016, the carrying value of software licensing fees is comprised of \$nil in corporate and other (December 31, 2015 - \$24,536), \$nil in Brazil (December 31, 2015 - \$nil) and \$nil in Romania (December 31, 2015 - \$nil).

8. Trade and other payables

	December 31, 2016		December 31, 2015	
Trade payables	\$	82,668	\$	433,900
Accrued liabilities		748,068		260,577
Accrual for DSU (Note 9)		20,267	\$	8,892
	\$	851,003	\$	703,369

9. Deferred share units

Effective January 21, 2010, the Company established a Deferred Share Unit ("DSU") Plan for directors or officers of the Company or any affiliate thereof ("Eligible Person"). A DSU is a unit equivalent in value to one common share of the Company based on the five-day average trading price of the Company's common shares on the TSX immediately prior to the date on which the value of the DSU is determined. Upon termination, an eligible person receives a cash payment equivalent to the quoted market value of a common share on the termination date multiplied by the number of DSUs held by them. The DSU liability is based on the quoted market value of the Company's shares at the date of the statement of financial position.

The following transactions occurred during the years ending December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Number of DSUs outstanding, beginning of year	52,228	52,228
Redeemed	(12,629)	-
Number of DSUs outstanding, end of year	39,599	52,228
Liability, end of year (included in trade and other payables)	\$ 20,267	\$ 8,892
Expense for the year	\$ 21,089	\$ 1,484

EURO SUN MINING INC.

Notes to Consolidated Financial Statements For the years ended December 31, 2016 and 2015 (Expressed in United States Dollars)

10. Share capital

(a) Authorized

Unlimited number of common shares, without par value.
Unlimited number of preference shares, without par value.

(b) Issued common shares

	Number of common shares	Stated value
Balance, December 31, 2015 and 2014 (i)	38,216,784	\$ 196,773,069
Common shares issued in private placements (ii)(iii)	11,729,332	8,630,675
Valuation of warrants (iii)	-	(2,507,222)
Valuation of broker warrants (iii)	-	(283,401)
Transaction costs incurred in private placement (iii)	-	(333,657)
Option exercise	55,054	24,575
Option exercise - option valuation	-	16,797
Balance, December 31, 2016	50,001,170	\$ 202,320,836

(i) On September 12, 2016, the Company consolidated its common shares on the basis of one new common share for every 18.164 common shares outstanding effective September 12, 2016. The impact of the common share consolidation has been reflected retroactively in these consolidated financial statements and accompanying notes.

(ii) In connection with the disposition of MDRM, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 3,864,482 common shares (the "Shares") in the capital stock of the Company at a price of CAD\$0.324 per Share for aggregate gross proceeds of \$1,000,000 (CAD\$1,253,600) on a private placement basis (the "Brio Private Placement"). The subscription price for the Shares was based on the 20-day volume weighted average price thereof as of the close of business on April 26, 2016. The Company applied for and was granted an exemption from the Canadian Securities Exchange's minimum price rule in this regard. The Brio Private Placement closed on May 2, 2016.

(iii) On May 9, 2016, the Company announced that it agreed to a private placement into the Company whereby Forbes & Manhattan Resources Inc. ("Forbes") and its associated entities will subscribe to a private placement (the "Forbes Private Placement") of units (the "Units") for a minimum amount of ten million dollars (CAD\$10,000,000) to advance its Rovina Valley Project in Romania. On May 19, 2016, the Company closed the Forbes Private Placement whereby Forbes, Sulliden Mining Capital Inc. and Black Iron Inc. subscribed for 7,864,850 Units at a subscription price of CAD\$1.27 per Unit for aggregate gross proceeds of \$7,630,675 (CAD\$10,000,000). Each Unit consists of one (1) common share of the Company ("Common Share") and one-half (0.5) of a common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one (1) Common Share at a price of CAD\$2.18 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD\$2.72 for a period of 20 consecutive trading days. The value of the Warrants was determined to be \$2,507,222 using the Black-Scholes valuation model with the following assumptions: exercise price of CAD\$2.18, risk-free rate of 0.61%, expected volatility of 382%, an expected life of two years and an expected dividend yield of 0%. The Company incurred total transaction costs of \$496,929 of which \$333,657 was allocated to share capital with the remaining allocated to warrants. The Company issued 471,891 broker warrants to Origin Merchant Securities Inc. in connection with the Forbes Private Placement. The value of the broker warrants was determined to be \$422,086 using Black-Scholes valuation model with the following assumptions: exercise price of CAD\$1.27, risk-free rate of 0.61%, expected volatility of 382%, an expected life of two years and an expected dividend yield of 0%. \$283,401 of the value of the broker warrants was allocated to share capital with the remaining allocated to warrants.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
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10. Share capital (continued)

(c) Stock options

The following table shows the continuity of stock options for the years ended December 31, 2016 and 2015:

	Number of options	Weighted average exercise price (CAD\$)
Balance, December 31, 2014	586,930	7.99
Expired	(11,011)	10.17
Forfeited	(11,011)	0.54
Balance, December 31, 2015	564,908	8.17
Exercised	(55,054)	0.59
Expired	(361,208)	8.77
Granted	4,704,969	1.36
Balance, December 31, 2016	4,853,615	1.54

As at December 31, 2016, stock options held by directors, officers, employees and consultants are as follows:

Options outstanding	Options exercisable	Grant date fair value vested (\$)	Exercise price (CAD\$)	Date of expiry	Remaining contractual life in years
148,646	148,646	251,228	7.27	August 13, 2017	0.62
4,429,704	4,429,704	4,216,143	1.36	June 13, 2021	4.45
275,265	275,265	211,634	1.36	September 30, 2021	4.75
4,853,615	4,853,615	4,679,005			

During the year ended December 31, 2016, the Company granted 4,704,969 stock options to certain directors, officers, employees and consultants with weighted average exercise prices of CAD\$1.36 per common share for a period of five years from the date of grant. The fair market value of the options was determined to be \$4,427,777 based on the following assumptions: weighted average exercise price of CAD\$1.36, weighted average risk-free rate of 0.55%, weighted average volatility of 246% and a weighted average expected dividend yield of 0%.

During the year ended December 31, 2016, the Company also recorded \$1,374 in stock-based compensation in the consolidated statements of income (loss). In addition, 55,054 options were exercised with weighted average exercise prices of CAD\$0.59 and 361,208 options expired unexercised with weighted average exercise prices of CAD\$8.77.

EURO SUN MINING INC.

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10. Share capital (continued)

(d) Common share purchase warrants

	Number of warrants	Weighted average exercise price (CAD\$)
Balance, December 31, 2015 and 2014	1,101,079	\$ 7.27
Expired	(1,101,079)	7.27
Issued in private placement (Note 10(b)(iii))	3,932,425	2.18
Broker warrants	471,891	1.27
Balance, December 31, 2016	4,404,316	\$ 2.08

As at December 31, 2016, warrants outstanding are as follows:

Number of warrants outstanding	Grant date fair value (\$)	Weighted average exercise price (CAD\$)	Expiry date
3,932,425	2,205,265	2.18	May 19, 2018
471,891	422,086	1.27	May 19, 2018
4,404,316	2,627,351	2.08	

11. Expense breakdown

(a) General and administrative expenses

	Years ended December 31,	
	2016	2015
Professional fees	\$ 1,430,767	\$ 5,239,834
Investor relations and advertising	186,594	118,754
Travel, business and development	254,916	92,845
Office and general	165,600	316,420
	\$ 2,037,877	\$ 5,767,853

(b) Consulting and management expenses

	Years ended December 31,	
	2016	2015
Salaries, consulting and benefits	\$ 1,327,481	\$ 889,064
Share-based payments	4,429,151	5,716
Deferred share unit costs	21,089	1,484
	\$ 5,777,721	\$ 896,264

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11. Expense breakdown (continued)

(c) Other (income) expense

	Years ended December 31,	
	2016	2015
Foreign exchange loss (gain)	\$ 20,939	\$ (13,238,778)
Interest income	(27,292)	(1,207)
Other income	-	(38,011)
	\$ (6,353)	\$ (13,277,996)

12. Exploration and evaluation expenditures

Exploration and evaluation expenditures during the periods presented were as follows:

	Years ended December 31,	
	2016	2015
Consulting and labour	\$ 1,019,891	\$ 663,277
Exploration costs	122,424	26,088
Field office and administration	267,100	224,512
Professional fees	-	25,472
Travel costs	64,584	-
	\$ 1,473,999	\$ 939,349

The Company owns 100% of the Rovina Valley Project in Romania, which is held through its subsidiary SAMAX Romania S.R.L. The project carries a 6% (gold) and 5% (copper) net smelter return "NSR" royalty payable to the Romanian state once in production. As at December 31, 2016, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

13. Income (Loss) per Share

Basic income (loss) per share is calculated based on the weighted average number of common shares issued and outstanding during the period. Basic and diluted weighted average shares for the year ended December 31, 2016 is 45,683,315 (2015 – 38,216,784). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted income (loss) per share. For the year ended December 31, 2016 basic and diluted loss per share for continuing operations was \$0.23 (December 31, 2015 – income of \$0.15). For the year ended December 31, 2016 basic and diluted income per share for discontinued operations was \$5.05 (December 31, 2015 – loss of \$2.07).

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14. Related party transactions

Key management personnel compensation:

	Year ended December 31, 2016	Year ended December 31, 2015
Directors and officers compensation	\$ 1,318,469	\$ 853,691
Share-based payments	3,753,193	1,484
	\$ 5,071,662	\$ 855,175

Included in the above amounts is \$158,419 paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which Mr. Stan Bharti is the Executive Chairman, Mr. Matt Simpson is Chief Executive Officer and both of whom are directors of the Company. Also included in management compensation are consulting expenses of \$169,734 paid to Gedwal Management Inc., a company controlled by Mr. Guy Charette, who is a director of the Company. In addition, officers and directors had 3,996,216 options vest with a value of \$3,753,193 during the year.

See also Note 10(b)(iii).

15. Financial Risk Factors

The Company's financial instruments comprise cash and cash equivalents, restricted deposits, sundry receivables and trade and other payables.

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are; credit risk, liquidity risk and market risk. Management reviews and agrees policies for managing each of these risks, which are summarized below:

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on income or loss and shareholders' equity, where applicable. The sensitivity has been prepared for the years ended December 31, 2016 and 2015 using the amounts of other financial assets and liabilities held as at the consolidated statement of financial position date.

(a) Credit Risk

The Company's exposure to credit risk is primarily relating to its financial assets consisting of cash and cash equivalents, restricted deposits and sundry receivables. Cash and cash equivalents consist of deposit accounts held at various Canadian and Romanian high credit quality financial institutions, from which management believes the risk of loss to be minimal.

(b) Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The Company's approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2016, the Company had a cash and cash equivalents balance of \$5,511,102 (2015 - \$549,076) to settle current liabilities of \$851,003 (2015 - \$703,369). Current liabilities consist of trade and other payables generally due within one year.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
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(Expressed in United States Dollars)

15. Financial Risk Factors (continued)

(c) Market Risk

Market risk is the risk that changes in market factors, such as interest rates, foreign exchange rates or commodity prices will affect the value of the Company's financial instruments.

(i) Interest rate risk

The Company has cash and cash equivalent balances as at December 31, 2016 and 2015. The Company considers interest rate risk to be minimal as cash is held on deposit at major financial institutions.

(ii) Foreign currency risk

The Parent's functional currency is the Canadian dollar. The Company is affected by currency transaction and translation risk primarily with respect to the Canadian dollar and Romanian Lei. Consequently, fluctuations in the U.S. dollar currency against these currencies could have a material impact on the Company's business, financial condition and results of operations. The Company does not engage in hedging activity to mitigate this risk.

The following summary illustrates the fluctuations in the exchange rates applied during the years ended December 31, 2016 and 2015:

	2016		2015	
	Average rate	Closing rate	Average rate	Closing rate
RON	0.2464	0.2313	0.3192	0.3326
CAD	0.7544	0.7448	0.7892	0.7225

A 1% strengthening or weakening of the US dollar against the Romanian Lei at December 31, 2016 would result in an increase or decrease in operating loss of approximately \$1,436. A 1% strengthening or weakening of the US dollar against the Canadian would result in an increase or decrease in other comprehensive income of approximately \$57,054.

(iii) Commodity price risk

The Company was exposed to price risk with respect to commodity pricing primarily for gold and copper. The Company had previously entered into a gold price protection program to mitigate a portion of the downside risk of changes in the market price of gold these were settled during 2015. The Company has not entered into any other gold protection program during the year ended December 31, 2016. As the Company is no longer in production, its exposure to commodity price risk is reduced.

16. Capital Disclosures

The Company manages its capital structure, defined as cash and cash equivalents, restricted deposits, share capital, contributed surplus and warrants, to ensure sufficient funds are available to the Company to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company has cash and cash equivalents held with large Canadian chartered banks and Romanian banks.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements For the years ended December 31, 2016 and 2015 (Expressed in United States Dollars)

16. Capital Disclosures (continued)

The properties in which the Company currently has an interest are in the exploration stage and as such the Company may need to access additional capital through the issuance of shares. The Company will continue to assess new properties and continue to explore and develop existing properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2016 and 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Toronto Stock Exchange ("TSX") which requires adequate working capital or financial resources such that, in the opinion of TSX, the listed issuer will be able to continue as a going concern. TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountants' or auditors' disclosures in the consolidated financial statements regarding the listed issuer's ability to continue as a going concern.

The Company's capital items are the following:

	December 31, 2016	December 31, 2015
Cash and cash equivalents	\$ 5,511,102	\$ 621,411
Restricted deposits	22,343	1,248,000
Project loan facility	-	270,770,175
Share capital	202,320,836	196,773,069
Warrants	2,627,351	3,256,109
	<u>\$ 210,481,632</u>	<u>\$ 472,668,764</u>

Up until the disposal of the RDM Project (see Note 4), the Company was required to maintain certain covenants in accordance with the terms of a project loan facility. These covenants related to financial and operational and unplanned cost overruns which the Company defaulted on and resulted in the Company entering into a forbearance agreement that ended on April 1, 2016.

17. Commitments and contingencies

(a) Lease Commitment

As of December 1, 2010, the Company entered into a sub-lease agreement for office space through March 31, 2018. The minimum annual rent thereunder is CAD\$35,640 plus applicable expenses for the entire term. In addition, the Company entered into a lease agreement in respect of additional office space for the period June 1, 2012 to March 31, 2018. The minimum annual rent thereunder was CAD\$39,618, which increased to CAD\$44,020 as of October 1, 2014 plus applicable expenses. As of September 1, 2015, all of the Company's premises covered by these agreements were sub-leased by the Company to a third party through to March 31, 2018 at full recovery.

(b) Lawsuits

During the year ended December 31, 2016, the Company settled three lawsuits with former officers of the Company for \$1,321,963 (CAD\$1,775,000). As at December 31, 2016, the Company owed CAD\$975,000 (\$726,149) payable in installments with the final installment due on March 1, 2018. The \$697,061 discounted value of the outstanding settlement amount, calculated using a discount rate of 15%, has been accrued in the consolidated financial statements.

EURO SUN MINING INC.

Notes to Consolidated Financial Statements
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17. Commitments and contingencies (continued)

(c) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$3.5 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$2.5 million pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

(d) Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities 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. Income taxes

(a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2015 - 26.5%) were as follows:

	2016	2015
	\$	\$
Income (loss) before income taxes	219,885,065	(73,629,806)
Expected income tax recovery based on statutory rate	58,270,000	(21,357,000)
Adjustment to expected income tax benefit:		
Share-based compensation	1,174,000	-
Non deductible items	(37,862,000)	3,985,000
Difference in tax rates	(23,188,000)	(7,238,000)
Change in benefit of tax assets not recognized	1,606,000	24,610,000
Deferred income tax provision (recovery)	-	-

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18. Income taxes (continued)

(b) Deferred income taxes

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2016	2015
	\$	\$
Non-capital loss carry-forwards	29,974,000	20,748,000
Share issue costs	595,000	389,000
Mineral property costs	-	21,910,000
Eligible capital property	5,345,000	6,560,000
Property, plant and equipment	-	461,000
Capital loss carry-forwards	40,466,000	47,000
Total	76,380,000	50,115,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at December 31, 2016, the Company had estimated non-capital losses for Canadian income tax purposes of approximately \$29,974,000 (2015 - \$20,748,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2036.

The Company's subsidiary, SAMAX Romania SRL ("SAMAX"), has registered as a micro-company with the Romanian tax authorities which effectively eliminates the corporate income tax on profits from certain mining activities. For SAMAX, this will reduce the corporate tax rate to 0% up until the year in which SAMAX can no longer qualify as a micro-company due to increased business activities. As a result, SAMAX is not subject to income tax in Romania and any tax attributes accumulated prior to registration have effectively expired.

19. Subsequent event

On January 30, 2017, two of the Company's subsidiaries, Carpathian Gold Limited and Samax Romania Limited, merged. The surviving company is named Samax Romania Limited.



Management Discussion and Analysis
For the year ended December 31, 2016
(all amounts in U.S. dollars unless otherwise noted)

Date: March 21, 2017

This Management Discussion and Analysis (“MD&A”) relates to the financial condition and results of operations of Euro Sun Mining Inc. (“Euro Sun” or the “Company”) as at and for the year ended December 31, 2016. This MD&A should be read in conjunction with the Company’s audited consolidated financial statements and related notes as at and for the year ended December 31, 2016. The consolidated audited financial statements and related notes of Euro Sun have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise noted, all references to currency in this MD&A are in U.S. dollars.

Certain information contained in the MD&A is forward-looking which involves risks and uncertainties. The forward looking information is not based on historical fact, but is rather based on the current plans, objectives, goals, strategies, estimates, assumptions and projections about the Company’s industry, business and future financial results. Actual results could differ materially from the results contemplated by this forward looking information due to a number of factors, including those set forth in this MD&A and under the “Cautionary Statement Regarding Forward Looking Information” and “Risk Factors” sections.

The MD&A was prepared in accordance with the requirements set out in National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

Joe Milbourne, is a qualified person as defined under National Instrument 43-101- *Standards of Disclosure for Mineral Projects* (“NI 43-101”) guidelines and has reviewed the scientific and technical information except for the geology and resource section contained in this MD&A. The representation of geologic mineral resources presented in this MD&A have been reviewed and approved by Pierre Desautels, the author of the current mineral resource estimate and an independent Qualified Person as defined by NI 43-101.

Management is responsible for the information disclosed in this MD&A and the accompanying audited financial statements and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. The audit committee of the board of directors of the Company has reviewed this MD&A and the audited consolidated financial statements as at and for the year ended December 31, 2016, and Euro Sun’s board of directors approved these documents prior to their release.

Company Overview

The Company is principally a mineral exploration and development company. Through its subsidiaries, the Company is currently focused on advancing its exploration and development plans on its 100%-owned Rovina Valley gold and copper project (the “Rovina Valley Project” or “RVP”) located in north-central Romania. The Rovina Valley Project consists of three copper-gold porphyry systems referred to as Rovina, Colnic and Ciresata on which the Company has carried out extensive exploration programs. Rovina is the second largest gold deposit in Europe holding measured and indicated mineral resources of 7.2 million ounces of gold and 1.4 billion lbs of copper.

Rovina Valley Project – History and Latest Developments

The Company holds the Rovina Valley Project through a mining license which covers a total of 27.68 square kilometres (the “Rovina License”) that is currently being ratified through a formal government process. This license secures the mineral tenure and allows the Company to begin the permitting process. The Rovina Valley Project is the Company’s sole exploration project in Eastern Europe and the main focus of its exploration efforts there since 2005. The property hosts three copper-gold porphyry systems or deposits: Rovina (the “Rovina Deposit”), Colnic (the “Colnic Deposit”) and Ciresata (the “Ciresata Deposit”). The Colnic Deposit is located approximately 2.5 km south of the Rovina Deposit and the Ciresata Deposit is approximately 4 km south of the Colnic Deposit.

The area covered by the Rovina License has good road access as well as proximity to nearby electric power and water supplies. The topography of the area is hilly with forest vegetation and an elevation of approximately 900 m above sea-level.

A preliminary economic assessment for the Rovina Valley Project was completed in March 2010. In July 2011, a consortium of leading engineering groups and specialists, led by AGP was selected to complete a pre-feasibility study for the project that included all three mineral deposits (Rovina, Colnic and Ciresata). The pre-feasibility study was put on hold in 2013, given the decline in commodity prices and the negative equity markets sentiment towards large capital projects. The interim results of the pre-feasibility study are currently being reviewed internally and the Company expects to initiate a feasibility study in 2017 for a smaller scale operation than was envisioned in the PEA study completed in March 2010.

There has been no previous commercial mining activity at the Rovina Valley Project and the proposed mine site footprint, as defined by its 2010 preliminary economic assessment (the “PEA”), does not include any known protected heritage sites or archaeological occurrences and has been specifically designed to minimize the impact on nearby communities.

On July 17, 2012, the Company announced an updated NI 43-101 resource estimate (“2012 Resource Estimate”). This updated resource incorporated a total of 120,256 m of drilling database results from 241 drill holes. The 2012 Resource Estimate was completed by AGP Consultants Inc. (“AGP”), an independent engineering company. The 2012 Resource Estimate increased the previous measured plus indicated gold resource category by 134% to 7.19 million ounces and increased the measured plus indicated copper resource by 84% to 1,420 million pounds of copper. In addition, the measured plus indicated gold resource grade increased by 12.2% from the previous resource and the tonnage by 110%.

The 2012 resource update is shown below:

Resource	Tonnage	Au	Cu	Gold	Copper	Au eq*
Category	(MM t)	(g/t)	(%)	(MM oz)	(MM lbs)	(MM oz)
Measured						
Rovina (open-pit)	31.8	0.36	0.30	0.37	209.0	0.91
Colnic (open-pit)	29.4	0.64	0.12	0.61	75.0	0.80
Ciresata (underground)	29.7	0.86	0.16	0.82	105.0	1.09
Total Measured	90.9	0.62	0.19	1.80	389.0	2.80
Indicated						
Rovina (open-pit)	73.5	0.27	0.23	0.64	370.0	1.59
Colnic (open-pit)	106.3	0.47	0.10	1.59	226.0	2.18
Ciresata (underground)	135.1	0.72	0.15	3.15	435.0	4.26
Total Indicated	314.9	0.53	0.15	5.38	1,031.0	8.03
Total Measured + Indicated	405.8	0.55	0.16	7.18	1,420.0	10.83
Comparison to 2008 Resource Estimate	+ 110%	+12.2%	-11.1%	+134%	+87%	+113%
Inferred						
Rovina (open-pit)	13.4	0.19	0.20	0.08	60.0	0.24
Colnic (open-pit)	3.8	0.32	0.10	0.04	8.0	0.06
Ciresata (underground)	9.6	0.67	0.14	0.21	29.0	0.28
Total Inferred	26.8	0.38	0.16	0.33	97.0	0.58
Comparison to 2008 Resource Estimate	-85%	-43.7%	-3.1%	-92%	-85%	-90%

- *Au eq. determined by using a gold price of \$1,370 per ounce and a copper price of \$3.52/lb. These prices are the 3-year trailing average as of July 10, 2012. Metallurgical recoveries are not taken into account for Au eq.
- Base case cut-off used in the table are 0.35 g/t Au eq. for the Colnic deposit and 0.25% Cu eq for the Rovina deposit, both of which are amenable to open pit mining and 0.65 g/t Au eq for the Ciresata deposit which is amenable to underground bulk mining.
- For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle shell model using gross metal values of \$1,350/oz Au price and \$3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of \$1,313/oz Au and \$2.57/lb Cu for Rovina and US\$2.27/lb Cu for Colnic.
- Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.

During 2012 and subsequent to the data closure date of the 2012 Resource Estimate update, the Company completed a total of 14,920 metres of drilling at the Rovina Valley Project, of which, 5,290 metres of drilling was for resource definition, 8,715 metres of exploration and satellite target drilling, predominantly at the Ciresata porphyry and 915 metres of geotechnical drilling.

Drilling activities on the Rovina Valley Project stopped on July 5, 2012 due to the impending expiry of the exploration license on August 29, 2012 and closure of the work program for the submittal of final documentation for the conversion to a mining license. In August 2012, the final exploration report was submitted to the NAMR and accepted. Romanian mining law states that the holder of an exploration license has the exclusive right to apply for a mining license at any time or within 90 days after the expiration date of the exploration license. The Company, through

its wholly-owned subsidiary, SAMAX Romania SRL (“SAMAX”) notified the NAMR of its intention to exercise its exclusive statutory right to apply for a Mining License.

SAMAX subsequently and within the 90 day requirement, submitted the required Mining License Application (“MLA”) documentation including the mining study, the waste management plan, an environmental assessment, various impact studies and a closure plan. In March 2013, the Romanian National Agency for Mineral Resources (“NAMR”) approved and registered the MLA resources/reserves in the National Registry. In October 2013, the NAMR approved the mining waste management plan.

Although initially, the MLA was to be based on a large 40,000 tonne per day operation, the decline in commodity prices and increases in capital cost items since the filing of the PEA in 2010, the Company initiated a review of the scope of the project as a smaller, lower capital intensive operation.

During the third quarter, 2014, the Company with a consortium of Romanian specialists completed a mining study for a 20,000 tonnes per day operation and associated environmental impact and risk studies which were submitted to the NAMR in August 2014. In October 2014, the NAMR approved the mining waste management plan as one of the key steps in the Mining License approval process. In addition, the Company continues to assess the scalability of a potential mining operation at the Rovina Valley project with the goal to optimize return on investment. The revised MLA may form the basis for the re commencement of the Pre-Feasibility Study.

On May 27, 2015, the NAMR granted a 20-year mining license (“MLA”) for the Rovina Valley Project. The granting of the MLA represents the first and most important step in the licensing process. Under Romanian law, the MLA will come into effect upon final review by several government departments and its publication in the official gazette. The Company will now proceed with an update to the Preliminary Economic Assessment of 2010 which will outline revised project costs and evaluate scalability options. The granting of the Rovina MLA represents the first time that Romania has granted a mining license for metals without the involvement of a state-owned enterprise.

Following the conversion to a mining license, approval to begin construction and mining operations will require a building authorization permit that will include land zoning and final environmental reviews and government approval resulting from a full Environmental Impact Assessment (“EIA”) study. During the conversion process from an exploration license to a mining license, no disruptive physical field work (i.e., drilling, land clearing, etc.) can be carried out on the property, until after the mining license has been approved. In addition, there is uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of a mine in Romania.

Through its wholly-owned operating subsidiary, SAMAX, the Company continues to maintain its proactive local stakeholder engagement program. The program includes local community hall public meetings, a public information centre and partnership programs with local NGO’s and community leaders to implement community-based projects. The good relations with the community have allowed unhindered surface access for drilling in the Rovina Valley Project area which requires permission from landowners. In addition, the Company continues with its long lead time work activities for both the EIA and SIA (“Social Impact Assessment”) documentation that will be required for the permitting of the project.

Further information on the Rovina Valley Project, including NI 43-101 reports can be found on the Company’s web site at www.eurosunmining.com.

All exploration activities undertaken by the Company in Romania must occur on valid exploration licenses or prospecting permits issued by the NAMR in Bucharest, which is responsible for the administration of all mining and exploration licenses and prospecting permits. According to the regulations and standard practices in Romania, the Company must submit reports of work completed and follow-up work programs on an annual basis to the NAMR.

Prior to initiation of any exploration activity, environmental approval of a proposed exploration program must be obtained from various land management agencies having local, county and/or regional jurisdiction. These local agencies are responsible for forestry, surface waters, archaeology and history, and are coordinated through the local environmental agency. The levels of environmental studies and approvals are determined by the local environmental agency following an approval template referred to as the 'urbanization certificate'. In practice, exploration activities, including drilling, are classified as low impact, and as such do not require comprehensive environmental impact studies.

Environmental permits for exploration are granted for one to two year periods and all local agencies have the right to monitor and inspect environmental impacts to evaluate compliance with issued permits even though such monitoring tends to be minimal in scope and nature. Any changes to the exploration activity that result in a greater environmental impact require approval.

Due to the fact that SAMAX is an exploration & evaluation stage company, the activities it conducts on its projects are largely restricted to drilling and ancillary activities associated with the drilling programs, such as access road and drill pad construction. As such, the reclamation costs in respect of drilling activities are not material to the Company and are factored into the Company's budgets for exploration programs. If and when the Company wishes to enter the production stage, it will need to prepare a feasibility study as well as extensive environmental impact assessments studies. These environmental impact assessments will provide the Company with a better idea of the future costs of compliance with applicable environmental requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life.

Disposition of the Riacho dos Machados Project

The development of the Riacho dos Machados project (“RDM”), located in Brazil, was the Company’s sole focus since late 2008. On April 29, 2016, the Company closed a transaction to dispose of its RDM gold project in Brazil.

Yamana Gold Inc.’s Brio Gold division purchased from Macquarie all of Macquarie’s rights and interest in its secured loan to the RDM gold project of the Company’s subsidiaries as below.

Name of entity	Country of incorporation	Ownership
Ore-Leave Capital (Brazil) Limited	Barbados	100%
OLV Cooperatie U.A.	The Netherlands	100%
OLC Holdings B.V.	The Netherlands	100%
Mineração Riacho dos Machados Ltda. (“MRDM”)	Brazil	100%

On April 29, 2016, the Ontario Superior Court of Justice (Commercial List) issued an order approving, among other things, a credit bid transaction, which was initiated by Brio with the cooperation of the Company, and the sale to Brio of all of the Company’s direct and indirect equity interests in MRDM (the “Restructuring”).

Brio has delivered to the Company and the directors of the Company and certain of its subsidiaries a full release and discharge with respect to any liability under (i) the project loan facility, the gold purchase agreement and the gold sale and purchase agreement and related guarantees previously entered into by Macquarie and the Company, MRDM and certain other subsidiaries of the Company, and (ii) Macquarie’s security in respect of the foregoing agreements previously acquired by Brio from Macquarie, including the Company’s guarantee thereof.

Furthermore, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 3,864,482 common shares (the “Shares”) in the capital stock of the Company at a price of CAD\$0.327 per Share for aggregate gross proceeds of \$1,000,000 (CAD\$1,263,500) on a private placement basis.

As part of the transaction closing, \$903,951 held in trust and shown as restricted cash at December 31, 2015 was returned to Macquarie.

None of the other assets of the Company have been affected by the Restructuring, and the Company continues to own its Romanian assets.

As at December 31, 2016, the Restructuring has been completed and all the assets, liabilities and obligations related to the RDM project have been disposed of. As a result of the disposition of RDM, the Company recorded a gain of \$230,628,958 which represents the difference between the consideration and the net liability of RDM on the date of disposition. The income from discontinued operations of \$230,531,490 includes the revenues and expenses of the RDM project up to the date of disposition of April 29, 2016, along with the gain of disposition of \$230,628,958.

As at December 31, 2015, all of the assets and liabilities of MRDM were classified as held for sale:

	December 31, 2015
Assets	
Current assets	
Cash and cash equivalents	\$ 72,335
Restricted deposits	344,049
Trade receivables	2,921,436
Prepaid expenses and sundry receivables	345,184
Inventory	42,858,731
	<hr/> 46,541,735
Non-current assets	
Deposits and receivables	5,637,090
Property, plant and equipment	4,352,587
Mine development assets	5,880,782
	<hr/> 62,412,194
Liabilities	
Current liabilities	
Trade and other payables	\$ 8,991,658
Project loan facility – short-term	270,770,175
Payables from Gold Stream transaction	27,549,600
	<hr/> 5,656,026
Non-current liabilities	
Rehabilitation provisions	5,656,026
	<hr/> 312,967,459
Total Liabilities	<hr/> <hr/>

Fourth Quarter Highlights

On October 18, 2016, the Company announced that it obtained a new prospecting permit from Romanian's National Agency for Mineral Resources for the Stanija area, located approximately 3 kilometres east of its Rovina Valley Mining Licence, in west-central Romania. The Stanija property covers 42 square kilometres in the highly prolific Golden Quadrilateral mining district in the South Apuseni mountains. The permit is valid for three years and exploration work will begin immediately. Extensive exploration activities were conducted in the Stanija area after the modern mining law became effective, in 1998; initially from 2000 to 2004 by European Goldfields, and again by Euro Sun's subsidiary, SAMAX, in 2007. Based on results from this historical work, Euro Sun has already identified several exploration targets within the two target areas.

Outlook

The Company's primary focus is to advance the permitting process with the regulatory bodies for its Rovina Valley Project. In May 2015, a mining license was issued to Euro Sun by the National Agency for Mineral Resources (NAMR). By law, the license will need to be ratified by four ministries, namely the Ministry of Economy, Environment, Public Finance and Justice, and published in the government Gazette. Euro Sun management is working diligently to have NAMR initiate the ratification process and allow the Company to initiate the full permitting process at Rovina.

Concurrently with permitting efforts, environmental base line work and social programs will also continue on the Rovina Valley Project. The Company also intends to initiate a feasibility study in early 2017.

Selected Annual Information

	2016	2015	2014
	\$	\$	\$
Net (loss) income for the year from continuing operations	(10,646,424)	5,579,220	(51,838,084)
Net income (loss) for the year from discontinued operations	230,531,490	(79,209,026)	(162,630,325)
Basic and diluted (loss) income per share from continuing operations*	(0.23)	0.15	(1.36)
Basic and diluted income (loss) per share from discontinued operations*	5.05	(2.07)	(4.26)
Total assets	5,735,803	64,439,010	86,423,508
Total non-current financial liabilities	-	-	10,547,206
Total assets classified as held for sale	-	62,412,194	-
Total financial liabilities classified as held for sale	-	312,967,459	-
# weighted average shares	45,683,315	38,216,798	38,216,798

Selected Quarterly Financial Information

The following tables set out selected financial information for the last eight quarters:

For the quarters ended	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	\$	\$	\$	\$
Net (loss) for the period from continuing operations	(2,013,907)	(2,213,522)	(211,783)	(6,207,212)
Net income (loss) for the period from discontinued operations	-	-	230,624,463	(92,973)
Basic and diluted (loss) per share from continuing operations*	(0.04)	(0.04)	(0.00)	(0.16)
Basic and diluted income (loss) per share from discontinued operations*	-	-	5.20	(0.00)
For the quarters ended	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
	\$	\$	\$	\$
Net income (loss) for the period from continuing operations	1,041,452	3,814,823	(3,768,612)	4,491,557
Net (loss) income for the period from discontinued operations	(28,867,182)	(25,720,217)	766,480	(25,388,107)
Basic and diluted income (loss) per share from continuing operations*	0.03	0.10	(0.10)	0.12
Basic and diluted (loss) income per share from discontinued operations*	(0.76)	(0.67)	0.02	(0.66)

* On September 12, 2016, the Company consolidated its common shares on the basis of one new common share for every 18.164 common shares outstanding on the date of consolidation. The per share income (loss) for the comparative periods have been adjusted to reflect this change.

Results of Operations for the three months and year ended December 31, 2016

Selected financial information

	For the three months ended December 31, 2016	For the three months ended December 31, 2015	For the year ended December 31, 2016	For the year ended December 31, 2015
	\$	\$	\$	\$
(Loss) income for the period	(2,013,907)	1,041,452	(10,646,424)	5,579,220
(Loss) income per share	(0.04)	0.03	(0.23)	0.15
Expenses:				
General and administrative	420,747	727,500	2,037,877	5,767,853
Consulting and management expenses	438,775	206,842	5,777,721	896,264
Legal settlements	278,833	-	1,249,119	-
Depreciation and amortization	-	22,637	44,048	95,310
Impairment	-	-	70,013	-
Other loss (income)	255,771	(2,203,930)	(6,353)	(13,277,996)
	1,394,126	(1,246,951)	9,172,425	(6,518,569)
Exploration and evaluation expenditures:				
Consulting and labour	410,993	160,156	1,019,891	663,277
Exploration costs	107,737	1,563	122,424	26,088
Field office and administration	97,323	37,404	267,100	224,512
Professional fees	-	6,376	-	25,472
Travel costs	3,728	-	64,584	-
	619,781	205,499	1,473,999	939,349
(Loss) income for the period from discontinued operations	-	(28,867,182)	230,531,490	(79,209,026)
(Loss) income per share from discontinued operations	-	(0.76)	5.05	(2.07)

Results of Operations for the three months ended December 31, 2016 (“Q4 2016”)

The net loss from continuing operations for Q4 2016 was \$2,013,907 compared to a net income of \$1,041,452 for Q4 2015. Net income in Q4 2015 related mainly to a foreign exchange gain of \$2,165,634 compared with a foreign exchange loss of \$269,313 in Q4 2016. In addition, the Company accrued \$278,833 in Q4 2016 related to the settlement of lawsuits with former officers of the Company. Exploration and evaluation efforts at the Company’s Rovina project in the fourth quarter included: engineering trade-off studies, metallurgical testing and land acquisition efforts.

The basic and diluted loss per share from continuing operations was \$0.04 in Q4 2016 versus income per share of \$0.03 in Q4 2015.

The net income from discontinued operation under MRDM for Q4 2016 was \$nil compared to net loss of \$28,867,182 for Q4 2015. The Company completed the disposition of MRDM on April 29, 2016.

The basic and diluted income per share from discontinued operation was \$nil in Q4 2016 versus loss per share of \$0.76 in Q4 2015.

Results of Operations for the year ended December 31, 2016 (“YTD 2016”)

The net loss from continuing operations for YTD 2016 was \$10,646,424 compared to a net income of \$5,579,220 for YTD 2015. Net income in YTD 2015 related mainly to a foreign exchange gain of \$13,238,778. YTD 2016 includes \$4,429,151 (YTD 2015 - \$5,716) in share based compensation, a non-cash cost, as a result of the grant of 4,704,969 options to directors, officers, employees and consultants of the Company in the year.

Professional fees of \$1,430,767 were incurred in YTD 2016 compared to \$5,239,834 in the comparative year. Most of the professional fees were paid to a restructuring consultant and lawyers assisting with the process of disposing of RDM. Professional fees are expected to be substantially lower in coming quarters as these costs are not expected to be incurred going forward given the disposition of RDM.

During YTD 2016, the Company paid or accrued \$1,249,119 related to the settlement of three lawsuits with former officers of the Company (YTD 2015 - \$nil). Exploration and evaluation efforts at the Company's Rovina project included: engineering trade-off studies, metallurgical testing and land acquisition efforts.

In YTD 2016, a non-cash impairment charge of \$70,013 was recognized against the carrying value of mainly leasehold improvements and some office equipment at the Company's former downtown Toronto office which was subleased during the quarter (\$nil in Q4 2015).

The basic and diluted loss per share from continuing operations was \$0.23 in YTD 2016 versus income per share of \$0.15 in YTD 2015.

The net income from discontinued operation under MRDM for YTD 2016 was \$230,531,490 compared to a net loss of \$79,209,026 for YTD 2015. The basic and diluted income per share from discontinued operation was \$5.05 in YTD 2016 versus loss per share of \$2.07 in YTD 2015. MRDM was disposed of during 2016 resulting in a gain on disposition of \$230,628,958. In addition, YTD 2015 included a loss on derivative contracts of \$18,609,398 and interest costs of \$35,253,756 both of which were \$nil in YTD 2016.

Liquidity and Capital Resources

The recovery of resource property related expenditures is dependent on the ability of the Company to obtain necessary financing to complete the development of its Rovina Project or other potential projects and attain future profitable production. The Company's financial success will depend on its ability to raise financing to construct potential projects. At present, the Company has no established sources of income and the success of its exploration and development programs will be contingent upon the Company's ability to raise sufficient equity financing on terms favourable to the Company. The Company does not expect to generate any internal cash flows to help finance the development costs of the Rovina Project.

As at December 31, 2016, the Company had cash and cash equivalents of \$5,511,102 (\$549,076 – at December 31, 2015) and working capital of \$4,852,364 (\$1,214,091 as at December 31, 2015). The Company's cash flow needs are for funding the continuing operations of the exploration work in Romania, working capital requirements and corporate administration.

On September 12, 2016, the Company consolidated its common shares on the basis of one new common share for every 18.164 common shares outstanding effective September 12, 2016. The impact of the common share consolidation has been reflected retroactively in these consolidated financial statements and accompanying notes.

On March 31, 2016, the Company announced that Brio had acquired from Macquarie all of Macquarie's rights and interests in the Facility, and on April 29, 2016, Brio acquired 100% of the Company's interest in MRDM in accordance with an amended and restated restructuring agreement. Additionally, upon closing of the restructuring, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 3,864,482 common shares (the "Shares") in the capital stock of the Company at a price of CAD\$0.324 per Share for aggregate gross proceeds of \$1,000,000 (CAD\$1,253,600) on a private placement basis. The Company closed this private placement on May 2, 2016.

On May 19, 2016, the Company closed a private placement financing whereby Forbes & Manhattan Inc., Sulliden Mining Capital Inc. and Black Iron Inc. subscribed to units (the "Units") at subscription price of CAD\$1.27 per Unit for aggregate gross proceeds of \$7,630,675 (CAD\$10,000,000). Each Unit consisted of one (1) common share of the Company ("Common Share") and one-half (0.5) of a common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one (1) Common Share at a price of CAD\$2.18 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD\$2.72 for a period of 20 consecutive trading days. The Company incurred total transaction costs of \$496,929 and issued broker warrants with a fair value of \$422,086 in connection with the private placement.

Changes in Accounting Policies

For more details on the effect of these changes on the financial results of the Company please refer to Note 2 of the audited consolidated financial statements for the year ended December 31, 2016.

Exploration and evaluation expenditures

During 2016, the Company changed its accounting policy of capitalizing exploration and evaluation expenditures. The Company believes that expensing such costs as incurred provides more reliable and relevant financial information. Cost of exploration properties, including the cost of acquiring prospective properties and exploration rights, and exploration and evaluation costs are expensed until it has been established that a mineral property is commercially viable. Previously, the Company capitalized these amounts.

Expired share-based payments and warrants

During the year ended December 31, 2016, the Company elected to change its accounting policy for the treatment of share-based payments and warrants whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit on expiry. The value of unexercised and outstanding warrants and options will continue to be recorded in the warrant reserve and contributed surplus reserve accounts, respectively. The Company believes that this presentation provides more relevant financial information. Previously, the Company's policy was to record the value of expired options and warrants within contributed surplus along with the value of outstanding share options.

Operating Segments

The Company has concluded that it has only one material operating segment, the development of its Romanian mining permit, for financial reporting purposes.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements, with the exception of operating leases noted below.

Financial Commitments and Litigation

Leases

As of December 1, 2010, the Company entered into a sub-lease agreement for office space through March 31, 2018. The minimum annual rent thereunder is CAD\$35,640 plus applicable expenses for the entire term. In addition, the Company entered into a lease agreement in respect of additional office space for the period June 1, 2012 to March 31, 2018. The minimum annual rent thereunder was CAD\$39,618, which increased to CAD\$44,020 as of October 1, 2014 plus applicable expenses. As of September 1, 2015, all of the Company's premises covered by these agreements were sub-leased to the Company by a third party through to March 31, 2018 at full recovery.

Lawsuits

During the year ended December 31, 2016, the Company settled three lawsuits with former officers of the Company for \$1,321,963 (CAD\$1,775,000). As at December 31, 2016, the Company owed CAD\$975,000 (\$726,149) payable in installments with the final installment due on March 1, 2018. The \$697,061 discounted value of the outstanding settlement amounts has been accrued in the December 31, 2016 financial statements.

Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$3.5 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$2.5 million pursuant to the terms of these contracts.

Related Party Transactions

During the year ended December 31, 2016, the Company entered into the following transactions with related parties not disclosed elsewhere:

The Company paid or accrued \$1,318,469 (2015 - \$853,691) of management compensation relating to officers and directors of the Company. Included in this amount is \$158,419 paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which Mr. Stan Bharti is the Executive Chairman and Mr. Matt Simpson is Chief Executive Officer both of whom are directors of the Company. Also included in management compensation are consulting expenses of \$169,734 paid to Gedwal Management Inc. a company controlled by Mr. Guy Charette, a director of the Company. In addition, officers and directors had 3,996,216 options vest with a value of \$3,753,193 during the year.

Risk Factors

Investing in the Company involves risks that should be carefully considered. The business and operations of the Company as well as those of its subsidiaries are speculative due to their nature, the locations in which they operate, and their relative stages of development. Investors should be aware that there are various risks, that could have a material adverse effect on, among other things, title to the projects, permitting, the operating results, earnings, business and condition (financial or otherwise) of the Company. For a listing of risk factors, investors should refer to the Company's Annual Information Form in respect of the year ended December 31, 2016 filed on SEDAR.

Additional Information and Continuous Disclosure

Additional information, including the Company's press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Subsequent Events

On January 30, 2017, two of the Company's subsidiaries, Carpathian Gold Limited and Samax Romania Limited, merged. The surviving company is named Samax Romania Limited.

Outstanding Share Data

As at the date of this MD&A, the Company has:

- a) 50,001,183 common shares outstanding;
- b) 4,404,316 warrants and broker warrants outstanding with expiry dates of May 19, 2018 and exercise prices ranging from CAD\$1.27 to CAD\$2.18. If all the warrants or broker were exercised, 4,404,316 shares would be issued for proceeds of CAD\$9,171,428.
- c) 4,853,615 stock options outstanding with expiry dates ranging from August 13, 2017 to September 30, 2021 with exercise prices ranging from CAD\$1.36 to CAD\$7.27. If exercised, 4,853,615 shares would be issued for proceeds of CAD\$7,488,949.

Cautionary and non-GAAP Measures and Additional GAAP Measures

Note that for purposes of this section, GAAP refers to IFRS. The Company believes that investors use certain non-GAAP and additional GAAP measures as indicators to assess gold mining companies. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. Non-GAAP and additional GAAP measures do not have standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other companies.

Cautionary Statement Regarding Forward-Looking Information

Except for statements of historical fact relating to Euro Sun certain information contained herein constitutes forward-looking information within the meaning of applicable Canadian securities legislation which may include, but is not limited to, information with respect to the Company's expected production from, and further potential of, the Company's properties; the Company's ability to raise additional funds; the future price of minerals, particularly gold and copper; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Often, but not always, forward-looking statements/information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements/information is based on management's expectations and reasonable assumptions at the time such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration and development activities are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Euro Sun and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include: uncertainties of mineral resource estimates; the nature of mineral exploration and mining; variations in ore grade and recovery rates; cost of operations; fluctuations in the sale prices of products; volatility of gold and copper prices; exploration and development risks; liquidity concerns and future financings; risks associated with operations in foreign jurisdictions; potential revocation or change in permit requirements and project approvals; competition; no guarantee of titles to explore and operate; environmental liabilities and regulatory requirements; dependence on key individuals; conflicts of interests; insurance; fluctuation in market value of Euro Sun's shares; rising production costs; equipment material and skilled technical workers; volatile current global financial conditions; and currency fluctuations; and other risks pertaining to the mining industry. Although Euro Sun has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Euro Sun does not undertake to update any such forward-looking information, except in accordance with applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers are cautioned not to place undue reliance on forward-looking information.

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