



NOTICE OF 2020 ANNUAL AND SPECIAL  
MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

AND

ANNUAL REPORT FOR THE FINANCIAL  
YEAR ENDED DECEMBER 31, 2019

**(TSX: ESM)**  
[www.eurosunmining.com](http://www.eurosunmining.com)



**EURO SUN MINING INC.**  
66 Wellington Street West Suite 5300,  
TD Bank Tower Box 48 Toronto ON M5K 1E6 Canada

**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 77 King Street West, TD North Tower Suite 700, Toronto ON M5K 1G8 on Monday, July 31, 2020 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, 2019, together with the auditors’ report thereon, and the unaudited consolidated financial statements of the Corporation for the three-month period ended March 31, 2020;
2. to elect the directors of the Corporation;
3. to re-appoint 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 advisable, to pass an ordinary resolution to adjust the number of Common Shares reserved under the Corporation’s stock option plan from a rolling limit of 10% of the issued and outstanding Common Shares, to a fixed limit of 16,912,141 Common Shares;
5. to consider and, if deemed advisable, to pass an ordinary resolution to amend the Corporation’s deferred share unit incentive plan to provide for the issuance of common shares from treasury, and to fix a limit of 16,912,141 Common Shares issuable thereto; and
6. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

**AS A RESULT OF THE GOVERNMENTAL PROHIBITION AGAINST GROUP GATHERINGS AND TO HELP REDUCE THE SPEAD OF COVID-19, ONLY REGISTERED SHAREHOLDERS AND/OR THEIR APPOINTEES MAY ATTEND THE MEETING IN PERSON. IN ADDITION, WE ENCOURAGE ALL SHAREHOLDERS TO VOTE THEIR SHARES BY COMPLETING AND RETURNING THE ENCLOSED FORM OF PROXY, AS DESCRIBED BELOW.**

Shareholders and/or their appointees may participate in the Meeting by way of conference call however votes cannot be cast on the conference call. Please register at <https://bit.ly/3goMYb8> to receive conference call details. Electronic copies of the Meeting materials may be obtained at <https://docs.tsxtrust.com/2185>.

**DATED** at Toronto, Ontario, this 3<sup>rd</sup> day of July, 2020.

**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, 100 Adelaide St W #301, Toronto, ON M5H 1S3. The proxies to be used at the Meeting should be returned to TSX Trust Company before 10:00 a.m. (Toronto time) on Wednesday, July 29, 2020.
2. In accordance with the requirements of the *Canada Business Corporations Act*, the directors have fixed a record date of June 12, 2020. Accordingly, shareholders registered on the books of the Corporation as of June 12, 2020 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

July 3, 2020

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 77 King Street West, TD North Tower Suite 700, Toronto ON M5K 1G8 on Friday, July 31, 2020 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.

**AS A RESULT OF THE GOVERNMENTAL PROHIBITION AGAINST GROUP GATHERINGS AND TO HELP REDUCE THE SPREAD OF COVID-19, ONLY REGISTERED SHAREHOLDERS AND/OR THEIR APPOINTEES MAY ATTEND THE MEETING IN PERSON. IN ADDITION, WE STRONGLY ENCOURAGE ALL SHAREHOLDERS TO NOT ATTEND THE MEETING IN PERSON AND TO VOTE THEIR SHARES BY COMPLETING AND RETURNING THE ENCLOSED FORM OF PROXY, AS DESCRIBED BELOW.**

Shareholders and/or their appointees may participate in the Meeting by way of conference call however votes cannot be cast on the conference call. Please register at <https://bit.ly/3qoMYb8> to receive conference call details. Electronic copies of the Meeting materials may be obtained at <https://docs.tsxtrust.com/2185>.

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 July 3, 2020, 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, 100 Adelaide St W #301, Toronto, ON M5H 1S3, at any time prior to 10:00 a.m. (Toronto time) on July 29, 2020.**

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 66 Wellington Street West Suite 5300, TD Bank Tower Box 48 Toronto ON M5K 1E6 Canada.

### **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 169,121,413 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 June 12, 2020 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, 220,085 Common Shares representing approximately 0.13% 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 year ended December 31, 2019, together with the auditors' report thereon, and the unaudited consolidated interim financial statements of the Corporation for the three-month period ended March 31, 2020. 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.

**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 of the nominees are current 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 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.

#### **David C. Danziger**

Age: 63                      Director since: September 17, 2010  
Ontario, Canada

Mr. Danziger is a Chartered Accountant with over 30 years of experience in audit, accounting and management consulting and over 20 years' experience specific to the mineral resource sector. He is currently an assurance partner at MNP LLP, Chartered Professional Accountants, and a director of Eurotin Inc. Mr. Danziger has served as both a member and chairman on numerous audit committees of companies listed on each of the TSX, the TSXV and the CSE. He also serves as audit partner for many public companies and regularly presents to audit committees on all exchanges.

Shareholdings:	37,435
Independent:	Yes
Other Public Company Boards:	Eurotin Inc.

**G. Scott Moore**

Age: 55 Director since: August 4, 2016  
Ontario, Canada

Mr. Moore is the President and Chief Executive Officer of the Corporation with over 25 years of experience in the resource and durable goods sectors. He is the former President and CEO of Dacha Strategic Metals. Mr. Moore holds a Bachelor of Arts degree from the University of Toronto and an MBA from the Kellogg School of Management.

Shareholdings: 102,650  
Independent: No  
Other Public Company Boards: Origin Gold Corporation

**Daniel Callow**

Age: 49 Director since: October 15, 2019  
Ontario, Canada

Mr. Callow has over 25 years of experience in building and operating large tonnage mines globally. Mr. Callow was formerly Head of African Copper Operations for Glencore PLC., Chief Executive Officer and Executive Director of Katanga Mining Limited and Chief Executive Officer of Mopani Copper Mines PLC. Mr. Callow is a Professional Mining Engineer and holds an MBA from Henley Management College and a Bachelor (Hons) of Mining Engineering from the Camborne School of Mines. In addition, he holds a non-executive Director professional diploma from FT-London. Mr. Callow has overseen more than \$2.5 billion in mining projects from conception through to full production.

Shareholdings: Nil  
Independent: Yes  
Other Public Company Boards: QuestCap Inc.

**Eva Bellissimo**

Age: 43 Director since: April 9, 2019  
Ontario, Canada

Eva Bellissimo is a partner with McCarthy Tétrault LLP, where she is Co-leader of McCarthy Tétrault's Global Metals & Mining Group. Eva's practice focuses on M&A, corporate finance and securities law compliance matters. With over 18 years of experience in the mining industry, Eva has been a trusted advisor to numerous companies in the industry and has led hundreds of transactions, having developed a strong reputation as a strategic and pragmatic lawyer. Eva is recognized in the Canadian Legal Lexpert Directory (Mining), Lexpert's Guide to the Leading US/Canada Cross Border Corporate Lawyers in Canada and Lexpert's Global Leader's in Mining. In addition to her law practice, Eva remains actively involved with the University of Western Ontario where she was a regular lecturer on mining corporate finance at the Law School and is the Chair of the Advisory Council for the DAN Management Program. Eva holds a B.A. (ACS) and an LLB from the University of Western Ontario.

Shareholdings: Nil  
Independent: Yes  
Other Public Company Boards: Premier Gold Mines Ltd.

**Bruce Humphrey**

Age: 68 Director since: November 7, 2019  
Ontario, Canada

Mr. Humphrey is a professional mining engineer with over 45 years experience working in senior management roles with both junior and senior mining companies. As Chairman of Consolidated Thompson Iron Mines Limited, he was instrumental in construction of the \$1.2 billion Bloom lake mine project. He was the CEO of Desert Sun Mining and re-developed the Jacobina mine in Brazil back into production and up until its sale to Yamana Gold in 2006.

Mr. Humphrey was the Chief Operating Officer of Goldcorp Inc. from 1998 to 2004 responsible for developing the Red Lake mine into a world class asset. Mr. Humphrey is a former director of Yamana Gold, Rio Alto, B2Gold Corp, Crocodile Gold Corp., Avion Gold and Sulliden Gold Corporation Ltd. He is a member of the Professional Engineers of Ontario.

Shareholdings: Nil  
Independent: Yes  
Other Public Company Boards: Black Iron Inc.

**Peter Vukanovich**

Age: 61 Director since: June 30, 2020  
Ontario, Canada

Mr. Vukanovich is an entrepreneurial business leader who has built teams that delivered growth and results through various business cycles over the last 30 years. He's currently a board director of Real Matters Inc. (REAL:TSX) and leads PMV Consulting Inc. in providing a variety of consulting services to financial and technology companies. From May 2016 to October 2018, he was Senior Vice President of Teranet Inc.'s Commercial Solutions division. From June 2013 to September 2015, he served as President and Chief Executive Officer of CFF Bank (now Home Bank), a federally regulated Canadian bank. From October 1997 to May 2012, he held a number of senior executive roles with Genworth Financial Canada/GE Capital Mortgage Insurance Canada, including President and Chief Executive Officer for many of those years. He oversaw its significant growth as it became Canada's largest private mortgage insurance company and listed on the TSX. He was also a founding board member of Edgefront Realty Inc. (now Nexus REIT NXR-UN.V) a TSX venture listed real estate investment trust. Mr. Vukanovich is a Chartered Professional Accountant, holds a Bachelor of Commerce degree from the University of Toronto and has been a member of numerous not-for-profit boards and advisory committees.

Shareholdings: Nil  
Independent: Yes  
Other Public Company Boards: Real Matters Inc.

**Paul J. Perrow**

Age: 56 Director since: June 30, 2020  
Ontario, Canada

Mr. Perrow has over 30 years of experience in the asset management industry. Mr. Perrow was Senior Vice President, Director of Sales and Marketing with CI Investments Inc. until December 1996. From 1996 to 2013 he held a number of other senior industry positions including

Managing Partner of Red Sky Capital, Co-Head and Managing Director of Merrill Lynch Investment Managers Canada, Co-Founder and President of Fairway Capital and President and CEO of BluMont Capital.

Shareholdings: Nil  
Independent: Yes  
Other Public Company Boards: CI Financial Corp.

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**”).

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 Corporation 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](http://www.sedar.com). As of the date of this Circular, the Corporation 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. 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, Mr. Danziger was a director of the Corporation.

### Committees of the Board

The Audit Committee of the Board is currently composed of three directors, being Messrs. Danziger (Chair), Callow and Humphrey.

The Corporate Governance and Nominating Committee of the Board is composed of three directors, being Ms. Bellissimo (Chair), Mr. Humphrey and Mr. Moore.

The Human Resources and Compensation Committee of the Board of Directors is composed of three directors, being Mr. Callow (Chair), Mr. Danziger and Ms. Bellissimo.

### **3. Appointment of Auditors**

Shareholders of the Corporation will be asked at the Meeting to re-appoint 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. McGovern Hurley LLP, Chartered Accountants, have been the auditors of the Corporation since June 21, 2016.

The following table sets out the audit and audit-related fees billed by the Corporation’s auditors for the years ended December 31, 2019 and 2018.

<b>Service</b>	<b>2019</b>	<b>2018</b>
Audit Fees	77,625	51,000
Audit-Related Fees	Nil	Nil
Tax Fees	5,000	5,000
Other Fees	34,105	38,314
<b>Total:</b>	<b>116,730</b>	<b>94,314</b>

**Unless otherwise specified, the persons named in the enclosed Form of Proxy will vote FOR the said appointment of 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 and the TSX in 2017. On July 3, 2020, the Board amended and restated Stock Option Plan to adjust the number of Common Shares reserved under the plan from a rolling limit of 10% of the issued and outstanding Common Shares, to a fixed limit of 16,912,141 Common Shares. In accordance with TSX policy, the Corporation is required to seek shareholder approval in order to set a maximum number of Common Shares available under the Stock Option Plan.

The Corporation's annual burn rate as described in Section 613(d) of the TSX Company Manual under the Stock Option Plan was 0% in fiscal year 2017, 0% in fiscal year 2018 and 6.9% in fiscal year 2019. The burn rate is calculated by dividing the number of stock option's granted under the Stock Option Plan during the relevant fiscal year by the weighted number of Common Shares outstanding for the applicable fiscal year, as described in Section 613(p) of the TSX Company Manual.

On July 3, 2020, 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 16,912,141 options of the Corporation.
- The maximum number of shares that may be issued under the Stock Option Plan is 16,912,141, representing 10% of the number of issued and outstanding Common Shares as of the date of the Circular. Options to purchase an aggregate of 14,030,953 Common Shares are currently outstanding and unexercised, representing approximately 8.3% of the Common Shares currently issued and outstanding. Options to purchase an aggregate of 2,881,188 Common Shares remain available for grant under the Stock Option Plan, representing approximately 17% 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 amend the Stock Option Plan to change the number of Common Shares authorized be issued under the Stock Option Plan from 10% of the number of issued and outstanding Common Shares to a fixed maximum of 16,912,141 Common Shares. If approval is not obtained at the Meeting, options which have not been allocated as of July 31, 2020 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, shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the following resolution (the “**Options Resolution**”):

**“BE IT RESOLVED** that:

1. *the Stock Option Plan, as summarized in the Circular dated July 3, 2020 and in the form attached as Appendix “A” thereto, be and is approved, ratified and confirmed as the Corporation’s stock option plan and the Corporation be and is hereby authorized to reserve for issuance pursuant to the Stock Option Plan up to 16,912,141 Common Shares; and*
2. *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.**

## **5. Deferred Share Unit Plan**

Since June 13, 2016, the Corporation has adopted a deferred share unit plan (as amended to the date hereof, “**DSU Plan**”), the purpose of which is strengthen the alignment of interests between directors, officer, employees and consultants and the shareholders of the Corporation. In addition, the DSU Plan has been adopted for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of participants in the DSU Plan, it being generally recognized that deferred share unit plans aid in attracting, retaining and encouraging commitment and performance due to the opportunity offered to such persons to receive compensation in line with the value of the Common Shares.

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

On July 3, 2020, the Board amended and restated DSU Plan to provide, among other changes, that any payouts under the DSU Plan may be settled only in Common Shares of the Corporation.

A copy of the DSU Plan is attached to this Circular as Appendix “B”. The following is a summary of the principal terms of the DSU Plan, which is qualified in its entirety by the provisions of the DSU Plan:

- Eligible participants of the DSU Plan include any director, officer, employee or consultant of the Corporation;
- The Board fixes the vesting terms it deems appropriate when granting DSUs;
- The number of DSUs that may be granted under the DSU Plan may not exceed 16,912,141 DSUs.
- The maximum number of DSUs that may be issued under the DSU Plan is currently 16,912,141, representing 10% of the number of issued and outstanding Common Shares as of the date of this Circular. DSUs to purchase an aggregate of 7,036,259

Common Shares are currently outstanding and unexercised, representing approximately 4.2% of the Common Shares currently issued and outstanding. DSUs to purchase an aggregate of 9,875,882 Common Shares remain available for grant under the DSU Plan, representing approximately 58% of the current maximum;

- No DSUs shall be granted under the DSU 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 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;
- Under the DSU Plan, the DSUs are to be redeemed and paid out by the Corporation within 60 days of when a participant ceases to be a directors, officer, employee or consultant of the Corporation without further action or payment on the part of the holder of the DSU. For each DSU, the Corporation will deliver a payment of one Common Shares;
- DSUs granted under the DSU Plan may not be assigned or transferred except to certain permitted assigns; and
- Subject to any regulatory or TSX approval, the Board may from time to time amend or revise the terms and conditions of the DSU Plan.

A resolution (the “**DSU Plan Resolution**”) will be placed before the Corporation’s shareholders at the Meeting to approve and ratify the DSU Plan.

In order to be effective, the DSU Plan 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 DSU Plan Resolution. Accordingly, shareholders will be asked to consider and, if deemed advisable, to pass, with or without variation, the following resolution (the “**DSU Plan Resolution**”):

“**BE IT RESOLVED** that:

1. *the DSU Plan, as summarized in the Circular dated July 3, 2020 and in the form attached as Appendix “B” thereto, be and is approved, ratified and confirmed as the Corporation’s deferred share unit plan and the Corporation be and is hereby authorized to reserve for issuance pursuant to the DSU Plan up to 16,912,141 Common Shares;*
2. *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 DSU Plan 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 consisted of Messrs. Danziger, Callow and Ms. Bellissimo, all of which are considered independent within the meaning of NI 52-110. Mr. Callow acted 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, 2019, 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
2019	Nil
2018	Nil

### Elements of Executive Compensation

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

Element	Purpose
<b><u>Base Salaries/Fees</u></b>	<p>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:</p> <ul style="list-style-type: none"> <li>▪ the recommendations of the CEO (other than in respect of the CEO's compensation);</li> <li>▪ the particular responsibilities related to the position;</li> <li>▪ the experience, expertise and level of the executive officer; and</li> <li>▪ the executive officer's overall performance based on informal feedback.</li> </ul> <p>The emphasis placed on any of these factors is at the discretion of the Board and may vary among the executive officers.</p>
<b><u>Bonus Payments</u></b>	<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>
<b><u>Long-Term Incentives</u></b>	<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 (“<b>Options</b>”) and deferred share units (“<b>DSUs</b>”).</p> <p><b>Stock Options</b></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><b>Deferred Share Units</b></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 Common Shares 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><b><u>Benefits and Perquisites</u></b></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

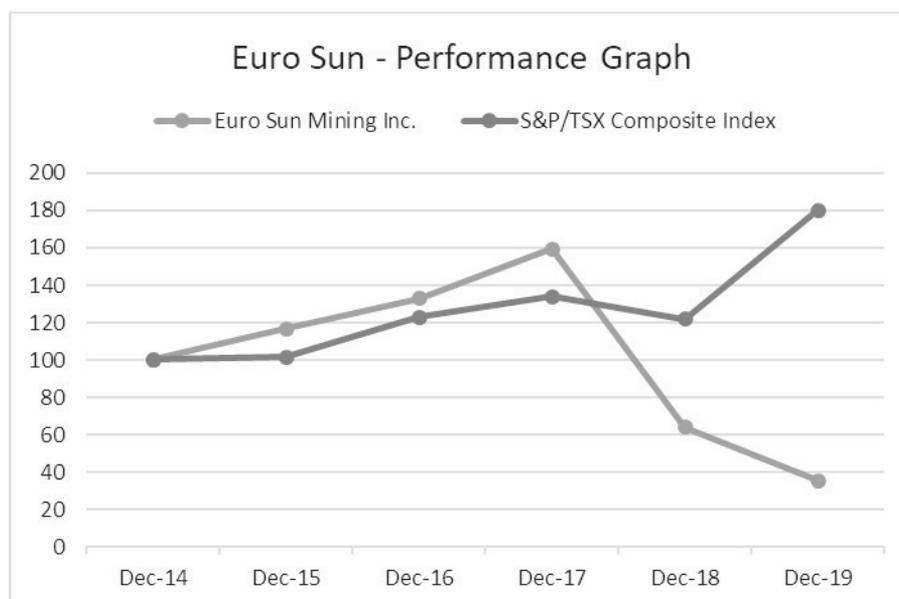
In light of the Corporation's size and the balance between long-term objectives and short-term financial goals with respect to the Corporation's executive compensation program, the Board does not deem it necessary to consider at this time the implications of the risks associated with its compensation 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, 2014 against the cumulative shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years. The numbers have been adjusted to reflect the share consolidation which occurred in September 2016:



	Dec. 2014	Dec. 2015	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019
Euro Sun Mining Inc.	100.00	116.67	133	159.6	63.84	35.25
S&P/TSX Composite Index	100.00	101.36	122.73	133.89	121.99	180.03

The share price performance trend illustrated within this chart does not necessarily reflect the trend in the Corporation's compensation to executive officers over the same time period. The share price valuation of gold producers, as well as exploration and development companies, fluctuates with changes in the underlying commodity prices, and at no time during the period was compensation intended to reflect share price performance driven by externalities. Alignment with shareholders is nonetheless achieved by awarding a significant portion of compensation in the form of long-term equity-based incentives.

### 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 four Named Executive Officers during the financial year ended December 31, 2019.

The following table provides information regarding the compensation of the Named Executive Officers of the Corporation for the financial years ended December 31, 2017, 2018 and 2019.

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.

In respect of the share-based awards disclosed below, the total value represents all DSUs issued during the year. The fair value of the DSUs was computed based on the total number of

DSUs issued during the year, whether vested or not, using the five day volume weighted average share price at December 31, 2019.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$) <sup>(6)</sup>	Option-based awards (\$) <sup>(5)</sup>	Non-equity incentive plan compensation (\$)		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual incentive plans <sup>(4)</sup> (\$)	Long-term incentive plans (\$)			
G. Scott Moore <sup>(1)</sup> CEO	2019	360,000	770,500	72,176	Nil	Nil	Nil	Nil	1,202,676
	2018	360,000	446,500	Nil	Nil	Nil	Nil	Nil	806,500
	2017	360,000	Nil	Nil	250,000	Nil	Nil	Nil	610,000
Paul Bozoki <sup>(2)</sup> CFO	2019	108,000	Nil	18,044	Nil	Nil	Nil	Nil	126,044
	2018	108,000	35,250	Nil	Nil	Nil	Nil	Nil	143,250
	2017	108,000	Nil	Nil	20,000	Nil	Nil	Nil	128,000
Randall K. Ruff <sup>(3)</sup> Executive Vice President - Exploration	2019	US\$175,000	Nil	Nil	Nil	Nil	Nil	Nil	US\$175,000
	2018	US\$175,000	Nil	Nil	Nil	Nil	Nil	Nil	US\$175,000
	2017	US\$175,000	Nil	Nil	Nil	Nil	Nil	Nil	US\$175,000
Bradley Humphrey Vice President Corporate Development	2019	180,000	50,250	Nil	Nil	Nil	Nil	Nil	230,250
	2018	180,000	117,500	Nil	Nil	Nil	Nil	Nil	297,500
	2017	180,000	Nil	Nil	50,000	Nil	Nil	Nil	230,000

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. Bozoki became the Corporation's CFO as of June 1, 2016. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".
- (3) 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".
- (4) Represents bonus amounts, payable in cash.
- (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 under the following weighted average assumptions: expected dividend yield – 0%, expected volatility - 79% , risk-free interest rate -- 1.5%; and an expected life - 5 years.
- (6) The value ascribed to the vested share based awards has been calculated using the number of DSUs multiplied by \$0.265 being the closing price of the Common Shares on December 31, 2019 which was the last trading date of the financial year.

## Incentive Plan Awards

Other than the Stock Option Plan and the DSU Plan, 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, 2019:

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 <sup>(1)</sup>	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 <sup>(2)</sup> (\$)
G. Scott Moore	708,753 400,000	1.36 0.28	June 13, 2021 Oct 15, 2024	Nil	1,083,333	281,667	264,333
Paul Bozoki	177,188 65,000 100,000	1.36 0.73 0.28	June 13, 2021 Apr 5, 2024 Oct 15, 2024	Nil	25,000	6,500	13,000
Randall K. Ruff	Nil	N/A	N/A	N/A	Nil	Nil	7,328
Bradley Humphrey	275,265	1.36	June 13, 2021	Nil	133,333	34,667	49,833

Notes:

- (1) Value of in-the-money Options at December 31, 2019, if any, is the difference between the exercise price of the Options and \$0.265, being the closing price of Common Shares on December 31, 2019 which was the last trading day of the financial year.
- (2) 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 Plan, usually at the time of departure from the Corporation. See also "Long-Term Incentives" for details of the DSU Plan.

## 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, 2019:

Name	Value of option-based awards vested during 2019 <sup>(1)</sup> (\$)	Value of share-based awards vested during 2019 (\$)	Value of non-equity incentive plan compensation earned during 2019
G.Scott Moore <sup>(1)</sup>	72,176	182,000	Nil

Name	Value of option-based awards vested during 2019 <sup>(1)</sup> (\$)	Value of share-based awards vested during 2019 (\$)	Value of non-equity incentive plan compensation earned during 2019
Paul Bozoki <sup>(2)</sup>	18,044	6,500	Nil
Randall K. Ruff	Nil	Nil	Nil
Bradley Humphrey	50,250	28,167	Nil

Notes:

- (1) 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, 2019, Mr. Moore would be entitled to \$1,480,000 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, 2019, Mr. Bozoki would be entitled to \$354,000 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.

## 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, 2019, 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.

### Bradley Humphrey

JB Mining Corporation entered into a consulting agreement with the Corporation as of September 1, 2016 (the "**Humphrey Agreement**") for the services of Mr. Humphrey as Vice-President, Corporate Development of the Corporation. Pursuant to the Humphrey Agreement, Mr. Humphrey receives a base fee of \$15,000 per month, plus applicable goods and services tax. Mr. Humphrey'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 Humphrey Agreement provides for a severance payment equal to 12 months of base fees to be paid within 30 days of termination in the event the Corporation terminates the Humphrey Agreement without cause. The Humphrey 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. Humphrey or the Corporation shall have one year from the date of such change in control to elect to have Mr. Humphrey'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. Humphrey that is equivalent to 36 months of base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Humphrey in the 36 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2019, Mr. Humphrey would be entitled to \$540,000 upon a change of control. Following a change in control, all options granted to Mr. Humphrey shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Humphrey, but not yet vested, shall vest immediately. Similarly, following a change in control, all Common Shares issuable to Mr. Humphrey under any share compensation plan, but not yet issued, shall be issued immediately.

### Definition of Change of Control

For the Moore Agreement, Bozoki Agreement and the Humphrey 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 Corporation or securities which are convertible into shares of the Corporation 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 Corporation; (B) shares or rights or options to acquire shares, or their equivalent, of any material subsidiary of the Corporation 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 Corporation, including the acquisition of more than 25% of the material assets of any material subsidiary of the Corporation; 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 Corporation or any of its Affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Corporation for election to the Corporation's board of directors do not constitute a majority of the Corporation's board of directors.

For the 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 Common 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 Common Shares of the continuing or surviving corporation.

The 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, 2019:

<b>Name</b>	<b>Fees Earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards<sup>(7)</sup> (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Pension value (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
Stan Bharti <sup>(1)</sup>	Nil	770,500	72,176	Nil	N/A	360,000 <sup>(8)</sup>	1,202,676
David C. Danziger	Nil	Nil	37,486	Nil	N/A	Nil	37,486
Justin Reid <sup>(2)</sup>	Nil	Nil	Nil	Nil	N/A	Nil	Nil
Matthew Simpson <sup>(3)</sup>	Nil	Nil	19,442	Nil	N/A	Nil	19,442
Michael Barton <sup>(4)</sup>	Nil	Nil	95,811	Nil	N/A	Nil	95,811
Daniel Callow <sup>(3)</sup>	Nil	Nil	54,182	Nil	N/A	Nil	54,182
Eva Bellissimo <sup>(5)</sup>	Nil	Nil	95,811	Nil	N/A	Nil	95,811
Tom Olesinski <sup>(6)</sup>	Nil	Nil	54,132	Nil	N/A	Nil	54,132
Bruce Humphrey <sup>(6)</sup>	Nil	Nil	66,950	Nil	N/A	Nil	66,950
Peter Tagliamonte <sup>(7)</sup>	Nil	50,250	19,411	Nil	N/A	Nil	69,661

Notes:

- (1) Mr. Bharti resigned as a director on January 31, 2020.
- (2) Mr. Reid resigned as a director on March 26, 2019.
- (3) Mr. Simpson resigned as a director on October 15, 2019 and was replaced by Mr. Callow.
- (4) Mr. Barton resigned as a director on March 26, 2020.
- (5) Ms. Bellissimo was appointed as a director on April 9, 2019.
- (6) Mr. Olesinski was elected as a director on July 17, 2019. Mr. Olesinski resigned on November 7, 2019 and was replaced by Mr. Humphrey.
- (7) Mr. Tagliamonte did not stand for re-election at the annual general meeting of shareholders held on July 17, 2019.
- (8) 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.
- (9) During 2019, the Corporation was a party to 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. Effective June 8, 2020, the agreement above has been terminated.
- (10) In respect of consulting services provided to the Corporation.

During the financial year ended December 31, 2019, 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, 2019:

Name	Option-Based Rewards				Share-Based Awards		
	Number of Securities underlying unexercised options <sup>(1)</sup> (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options <sup>(2)</sup>	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 <sup>(3)</sup>
Stan Bharti <sup>(4)</sup>	708,753 400,000	1.36 0.28	June 13, 2021 Oct 15, 2024	Nil	1,075,000	279,500	260,000
David C. Danziger	354,376 50,000 100,000	1.36 0.73 0.28	June 13, 2021 Apr 5, 2024 Oct 15, 2024	Nil	28,333	7,367	15,533
Justin Reid <sup>(5)</sup>	354,376	1.36	June 13, 2021	Nil	Nil	Nil	18,887
Matthew Simpson <sup>(6)</sup>	354,376	1.36	June 13, 2021	Nil	Nil	Nil	16,495
Michael Barton <sup>(7)</sup>	200,000 100,000	0.73 0.28	Apr 5, 2024 Oct 15, 2024	Nil	Nil	Nil	Nil
Daniel Callow <sup>(6)</sup>	300,000	0.28	Oct 15, 2024	Nil	Nil	Nil	Nil

Name	Option-Based Rewards				Share-Based Awards		
	Number of Securities underlying unexercised options <sup>(1)</sup> (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options <sup>(2)</sup>	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 <sup>(3)</sup>
Eva Bellissimo <sup>(8)</sup>	200,000 100,000	0.73 0.28	Apr 5, 2024 Oct 15, 2024	Nil	Nil	Nil	Nil
Tom Olesinski <sup>(9)</sup>	300,000	0.28	Oct 15, 2024	Nil	Nil	Nil	Nil
Bruce Humphrey <sup>(9)</sup>	300,000	0.325	Nov 7, 2024	Nil	Nil	Nil	Nil
Peter Tagliamonte <sup>(10)</sup>	50,000	0.73	Apr 5, 2024	Nil	100,000	26,000	32,500

Notes:

- (1) Represents the total number of Options granted.
- (2) Value of in-the-money Options at December 31, 2019, if any, is the difference between the exercise price of the Options and \$0.265, being the closing price of Common Shares on December 31, 2019 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 Plan, usually at the time of departure from the Corporation. See "Long-Term Incentives" for details of the DSU Plan.
- (4) Mr. Bharti resigned as a director on January 31, 2020.
- (5) Mr. Reid resigned as a director on March 26, 2019.
- (6) Mr. Simpson resigned as a director on October 15, 2019 and was replaced by Mr. Callow.
- (7) Mr. Barton resigned as a director on March 26, 2020.
- (8) Ms. Bellissimo was appointed as a director on April 9, 2019.
- (9) Mr. Olesinski was elected as a director on July 17, 2019. Mr. Olesinski resigned on November 7, 2019 and was replaced by Mr. Humphrey.
- (10) Mr. Tagliamonte did not stand for re-election at the annual general meeting of shareholders held on July 17, 2019. Mr. Tagliamonte remained as a consultant to the Corporation after his termination to provide technical consulting services.

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, 2019:

Name	Value of option-based awards vested during 2019 <sup>(8)</sup> (\$)	Value of share-based awards vested during 2019 (\$)	Value of non-equity incentive plan compensation earned during 2019 (\$)
Stan Bharti <sup>(1)</sup>	72,176	179,833	Nil
David C. Danziger	37,486	7,367	Nil

Name	Value of option-based awards vested during 2019 <sup>(8)</sup> (\$)	Value of share-based awards vested during 2019 (\$)	Value of non-equity incentive plan compensation earned during 2019 (\$)
Justin Reid <sup>(2)</sup>	Nil	7,367	Nil
Matthew Simpson <sup>(3)</sup>	19,442	7,367	Nil
Michael Barton <sup>(4)</sup>	95,811	Nil	Nil
Daniel Callow <sup>(3)</sup>	54,182	Nil	Nil
Eva Bellissimo <sup>(5)</sup>	95,811	Nil	Nil
Tom Olesinski <sup>(6)</sup>	54,132	Nil	Nil
Bruce Humphrey <sup>(6)</sup>	66,950	Nil	Nil
Peter Tagliamonte <sup>(7)</sup>	19,411	19,500	Nil

Notes:

- (1) Mr. Bharti resigned as a director on January 31, 2020.
- (2) Mr. Reid resigned as a director on March 26, 2019.
- (3) Mr. Simpson resigned as a director on October 15, 2019 and was replaced by Mr. Callow.
- (4) Mr. Barton resigned as a director on March 26, 2020.
- (5) Ms. Bellissimo was appointed as a director on April 9, 2019.
- (6) Mr. Olesinski was elected as a director on July 17, 2019. Mr. Olesinski resigned on November 7, 2019 and was replaced by Mr. Humphrey.
- (7) Mr. Tagliamonte did not stand for re-election at the annual general meeting of shareholders held on July 17, 2019.
- (8) 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. On July 3, 2020, the Board amended and restated Stock Option Plan to adjust the number of Common Shares reserved under the plan from a rolling limit of 10% of the issued and outstanding Common Shares, to a fixed limit of 16,912,141 Common Shares. The amendment to the number of Common Shares issuable under the Stock Option Plan remains subject to the shareholder approval. The Corporation's current stock option plan, as amended from time to time, has been in place since 2007. The stock option plan was last approved at the annual general and special shareholders meeting held in 2017.

The Corporation has also adopted a DSU Plan, the purpose of which is strengthen the alignment of interests between directors, officer, employees and consultants and the shareholders of the Corporation. On July 3, 2020, the Board amended and restated DSU Plan to provide, among other changes, that any payouts under the DSU Plan may be settled only in Common Shares of the Corporation. The number of Common Shares reserved under the DSU Plan is fixed limit of 16,912,141 Common Shares. The amendment to permit the issuance of Common Shares under the DSU Plan remains subject to the shareholder approval.

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, 2019:

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	14,030,953	0.73	2,881,188
Plans not approved by security holders <sup>(1)</sup>	7,036,259	-	9,875,882
<b>Total</b>	21,067,212	0.73	12,757,070

(1) The Corporation is seeking approval for its DSU Plan at the Meeting.

### AUDIT COMMITTEE

For information regarding the Audit Committee, in compliance with the disclosure requirements of National Instrument 52-110 – *Audit Committees*, refer to the section entitled “Audit Committee” in the Corporation’s Annual Information Form dated March 24, 2020, which is available on SEDAR at [sedar.com](http://sedar.com)

### 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, 2018, 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, 2019 to April 29, 2020 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 2021, that are received by the Corporation no later than January 1, 2021.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://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](http://www.sedar.com) under the Corporation's issuer profile or from the Corporation by telephone at 416 861 2262 or by e-mail at [info@eurosunmining.com](mailto:info@eurosunmining.com). This information is also available on the Corporation's web site at [www.eurosunmining.com](http://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 3<sup>rd</sup> day of July, 2020.

## **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:

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

- (k) stock option plans for the benefit of employees, Insiders or Contractors or any one of such groups;
- (l) individual stock options granted to employees, Contractors or Insiders if not granted pursuant to a plan previously approved by the Corporation’s security holders;
- (m) stock purchase plans where the Corporation provides financial assistance or where the Corporation matches the whole or a portion of the securities being purchased;
- (n) stock appreciation rights involving the issuances of securities from treasury;
- (o) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Corporation; and
- (p) 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 16,912,141 Shares. Any Options that are 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 21<sup>st</sup> day of March, 2007.

**APPENDIX “B”**  
**EURO SUN MINING INC.**  
**DEFERRED SHARE UNIT PLAN**  
**Effective July 3, 2020**

**ARTICLE 1**  
**DEFINITIONS AND INTERPRETATION**

**1.01** For purposes of this Deferred Share Unit Plan, unless such word or term is otherwise defined herein or the context in which such word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

- (a) “**Act**” means the *Canada Business Corporations Act* or its successor, as amended from time to time;
- (b) “**Board**” means the board of directors of the Corporation;
- (c) “**Change of Control**” means the occurrence of any one or more of the following events:
  - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its affiliates and another corporation or other entity, as a result of which the holders of Common Shares immediately prior to the completion of the transaction hold less than 25% of the outstanding shares of the successor corporation after completion of the transaction;
  - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Corporation and/or any of its Subsidiaries which have an aggregate book value greater than 25% of the book value of the assets, rights and properties of the Corporation and its Subsidiaries on a consolidated basis to any other person or entity, other than a disposition to a wholly-owned Subsidiary of the Corporation in the course of a reorganization of the assets of the Corporation and its Subsidiaries;
  - (iii) a resolution is adopted to wind-up, dissolve or liquidate the Corporation;
  - (iv) any person, entity or group of persons or entities acting jointly or in concert (an “**Acquiror**”) acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities of the Corporation which, when added to the Voting Securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or associates and/or affiliates of the Acquiror (as such terms are defined in the Act) to cast or to direct the casting of 20% or more of the votes attached to all of the Corporation’s outstanding Voting Securities which may be cast to elect directors of the Corporation or the successor corporation (regardless of whether a meeting has been called to elect directors);

- (v) 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 Corporation or any of its affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Corporation for election to the Board (or replacements designated by such nominees) shall not constitute a majority of the Board; or
  - (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.
- (d) “**Committee**” means the Board or if the Board so determines in accordance with Section 2.03 of the Plan, the committee of the Directors authorized to administer the Plan, which may include any compensation committee of the Board;
- (e) “**Common Shares**” means the common shares of the Corporation;
- (f) “**Consultant**” means, with respect to a corporation, a person, other than an Employee, Executive Officer, or Director of such corporation or of a Related Entity of such corporation, that:
- (i) is engaged to provide services to such corporation or a Related Entity of such corporation, other than services provided in relation to a distribution;
  - (ii) provides the services under a written contract with such corporation or a Related Entity of such corporation, and
  - (iii) spends or will spend a significant amount of time and attention on the affairs and business of such corporation or a Related Entity of such corporation;
- and includes:
- (iv) for an individual Consultant, a corporation of which the individual Consultant is an employee or shareholder, and a partnership of which the individual Consultant is an employee or partner, and
  - (v) for a Consultant that is not an individual, an Employee, Executive Officer, or Director of the Consultant, provided that the individual Employee, Executive Officer, or Director spends or will spend a significant amount of time and attention on the affairs and business of the issuing corporation or a Related Entity of such corporation;
- (g) “**Corporation**” means Carpathian Gold Inc., a corporation existing under the Act;
- (h) “**Deferred Share Unit**” or “**DSU**” means a unit credited by way of a bookkeeping entry in the books of the Corporation and administered pursuant to the Plan, representing the right to receive one Common Share;
- (i) “**Designated Affiliate**” means an affiliate of the Corporation designated by the Committee for purposes of the Plan from time to time;
- (j) “**Director**” means a member of the Board from time to time;
- (k) “**Disinterested Shareholder Approval**” means approval by a majority of the votes cast by all the Corporation’s shareholders at a duly constituted

shareholders' meeting, excluding votes attached to shares of the Corporation beneficially owned by Insiders to whom DSUs may be granted under the Plan and their associates and affiliates;

- (l) “**DSU Grant Letter**” has the meaning ascribed in Section 3.04;
- (m) “**DSU Issue Date**” means the date on which the Committee determines to grant Deferred Share Units to an Eligible Person;
- (n) “**DSU Payment**” means the issuance of Common Shares by the Corporation to a Participant equal to:
  - (i) on or following the occurrence of a Change of Control, 200% of the number of Deferred Share Units held by the Participant on the Separation Date; and
  - (ii) otherwise, the number of Deferred Share Units held by the Participant on the Separation Date;
- (o) “**DSU Trust**” has the meaning ascribed thereto in Section 8.01;
- (p) “**Eligible Person**” means a person who, at the relevant time:
  - (i) is a Director of the Corporation or of a Related Entity
  - (ii) is an Executive Officer of the Corporation or of a Related Entity
  - (iii) is an Employee of the of the Corporation or of a Related Entity; or
  - (iv) is a Consultant of the Corporation or of a Related Entity;
- (q) “**Employee**” means, with respect to a corporation:
  - (i) an individual who is considered an employee of the corporation or a Related Entity of the corporation under the *Income Tax Act*;
  - (ii) an individual who works full-time for the corporation or a Related Entity of the corporation providing services normally provided by an employee and who is subject to the same control and direction by the corporation or the Related Entity of the corporation over the details and methods of work as an employee of the corporation or the Related Entity of the corporation, but for whom income tax deductions are not made at source, or
  - (iii) an individual who works for the corporation or a Related Entity of the corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the corporation or the Related Entity of the corporation over the details and methods of work as an employee of the corporation or the Related Entity of the corporation, but for whom income tax deductions are not made at source.
- (r) “**Event of Termination**” means the termination of the employment of a Participant as an employee or the cessation of a Participant as a Director, Executive Officer, Employee or Consultant, in any of the foregoing circumstances for any reason whatsoever, but provided that the Participant does not thereafter continue in the capacity of a Director, Executive Officer, Employee or Consultant. In the case of a termination of the employment of a Participant with the

Corporation, the date of the Event of Termination shall be the date of the cessation of such Participant's employment with the Corporation regardless of whether he or she is entitled to notice of termination or payment at law or under the terms of any employment contract and regardless of whether the termination of employment was lawful or unlawful. In the case of a cessation of a Participant as a Director or Executive Officer, the date of the Event of Termination shall be the date that such Participant ceases to serve in such capacity. In the case of a cessation of a Participant as a Consultant, the date of the Event of Termination shall be the date that the Corporation's contractual arrangement for services with such Participant terminates.

- (s) “**Exchange**” means the Toronto Stock Exchange or, if the Common Shares are no longer listed for trading on the Toronto Stock Exchange, such other exchange or quotation system on which the Common Shares are listed or quoted for trading;
- (t) “**Executive Officer**” means, in respect of a corporation, an individual who is:
  - (i) a chair, vice-chair or president;
  - (ii) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or
  - (iii) performing a policy-making function in respect of the corporation;
- (u) “**Insider**” has the meaning as set out in the Toronto Stock Exchange Company Manual;
- (v) “**Investor Relations Activities**” has the meaning ascribed to such term in the Securities Act;
- (w) “**Market Value**” means the weighted average trading price of the Common Shares on the Exchange for the five consecutive trading days immediately prior to the date as of which Market Value is determined. If the Common Shares are not trading on the Exchange, then the Market Value shall be determined based on the trading price on such stock exchange or over-the-counter market on which the Common Shares are listed and posted for trading. If the Common Shares are not listed and posted for trading on any stock exchange or over-the-counter market, then Market Value shall be the fair market value of such Common Shares as determined by the Committee in its sole discretion;
- (x) “**Participant**” for the Plan means each Eligible Person to whom Deferred Share Units are issued;
- (y) “**Person**” means any individual, firm, partnership, limited partnership, limited liability company or partnership, unlimited liability company, joint stock company, association, trust, trustee, executor, administrator, legal or personal representative, government, governmental body, entity or authority, group, body corporate, corporation, unincorporated organization or association, syndicate, joint venture or any other entity, whether or not having legal personality, and any of the foregoing in any derivative, representative or fiduciary capacity and pronouns have a similar meaning;
- (z) “**Plan**” means the deferred share unit plan described in Article 3 hereof;

- (aa) “**Related Entity**” means, for a corporation, a person that controls or is controlled by the corporation or that is controlled by the same person that controls the corporation;
- (bb) “**Required Regulatory Approval**” means the approval of the Exchange and/or such other regulatory administrative or legal authorities as required for the issuance of Common Shares from treasury to satisfy the DSU Payment obligation of the Corporation under any DSUs;
- (cc) “**Required Shareholder Approval**” means the approval, if any, by the shareholders of the Corporation, as required pursuant to applicable laws and Exchange rules and policies for the issuance of Common Shares from treasury to satisfy the DSU Payment obligations of the Corporation under any DSUs;
- (dd) “**Separation Date**” means the date on which an Event of Termination occurs with respect to a Participant, or the date on which a Participant otherwise ceases to be an Eligible Person for any reason whatsoever, including the death of such Eligible Person;
- (ee) “**Security-Based Compensation Arrangement**” shall include:
  - (i) stock option plans for the benefit of employees, Insiders, service providers, or any one of such groups;
  - (ii) stock purchase plans where the Corporation provides financial assistance or where the Corporation matches the whole or a portion of the securities being purchased;
  - (iii) stock appreciation rights involving issuances of securities from treasury;
  - (iv) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Corporation;
  - (v) security purchases from treasury by an employee, Insider, or service provider which is financially assisted by the Corporation by any means whatsoever;
  - (vi) and for the avoidance of doubt, “Security-Based Compensation Arrangements” shall expressly exclude securities issued pursuant to employment inducements.
- (ff) “**Subsidiary**” means a corporation which is a subsidiary of the Corporation as defined under the Act;
- (gg) “**TSX Company Manual**” means the corporate finance manual published by the Exchange, as amended from time to time, or if the Common Shares are no longer listed for trading on the Exchange, the policies of such other exchange or quotation system on which the Common Shares are listed or quoted for trading;
- (hh) “**Voting Securities**” means Common Shares and/or any other securities (other than debt securities) of the Corporation or a successor entity that carry a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

## **1.02 Securities Definitions**

In the Plan, the term “affiliate”, shall have the meaning given to such term in the *Securities Act* (Ontario).

## **1.03 Headings**

The headings of all articles, sections and paragraphs in the Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of the Plan.

## **1.04 Context, Construction**

Whenever the singular or masculine are used in the Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.

## **1.05 References to this Plan**

The words “hereto”, “herein”, “hereby”, “hereunder”, “hereof” and similar expressions mean or refer to the Plan as a whole and not to any particular article, section, paragraph or other part hereof.

## **1.06 Canadian Funds**

Unless otherwise specifically provided, all references to dollar amounts in the Plan are references to lawful money of Canada.

# **ARTICLE 2 PURPOSE AND ADMINISTRATION OF THE DEFERRED SHARE PLAN**

## **2.01 Purpose of the Plan**

The purpose of the Plan is to strengthen the alignment of interests between Eligible Persons and the shareholders of the Corporation. In addition, the Plan has been adopted for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of Eligible Persons, it being generally recognized that deferred share unit plans aid in attracting, retaining and encouraging commitment and performance due to the opportunity offered to such Eligible Persons to receive compensation in line with the value of the Common Shares.

## **2.02 Administration of the Plan**

The Plan shall be administered by the Committee, and the Committee shall have full discretionary authority to administer the Plan including the authority to interpret and construe any provision of the Plan and to adopt, amend and rescind such rules and regulations for administering the Plan as the Committee may deem necessary in order to comply with the requirements of the Plan. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be final and binding on the Participants and the Corporation. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with the Plan, and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. The appropriate officers of the Corporation are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of the Plan and of the rules and regulations established for administering the Plan. The Plan shall remain an unfunded obligation of the Corporation and the

rights of Participants under the Plan shall be general unsecured obligations of the Corporation. All costs incurred in connection with the Plan shall be for the account of the Corporation.

### **2.03 Delegation to the Committee**

All of the powers exercisable hereunder by the Directors may, to the extent permitted by applicable law and as determined by resolution of the Directors, be exercised by a committee of the Directors comprised of not less than three Directors, including any compensation committee of the Board.

### **2.04 Record Keeping**

The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant in the Plan;
- (b) the number of Deferred Share Units granted to each Participant under the Plan; and
- (c) the date and price at which Deferred Share Units were granted.

## **ARTICLE 3 DEFERRED SHARE UNIT PLAN**

### **3.01 Establishment of Plan**

The Plan is hereby established for Eligible Persons.

### **3.02 Grants of DSUs**

The Committee may grant DSUs under this Plan at such time and in such amounts as it may determine, which DSUs shall be subject to the terms and vesting conditions, if any, set out in the resolution of the Committee approving such grant.

### **3.03 Redemption**

Each vested Deferred Share Unit held by a Participant who ceases to be an Eligible Person shall be redeemed by the Corporation on the relevant Separation Date for a DSU Payment (less any applicable taxes and other source deductions required to be withheld by the Corporation) to be made to the Participant (or after the Participant's death, a dependent, relative or legal representative of the Participant) on such date as the Corporation determines not later than 60 days after the Separation Date, without any further action on the part of the holder of the Deferred Share Unit in accordance with this Article 3. On settlement, the Corporation shall, for each such vested DSU, deliver to the Participant one Common Share. Any issuance of Common Shares under the Plan is subject to Required Regulatory Approval and Required Shareholder Approval. No amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Deferred Share Units will be granted to compensate for a downward fluctuation in the value of the Common Shares of the Corporation nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. Share certificates or other evidence of Common Shares issued pursuant to this section shall bear any legend as may be required by applicable securities laws or Exchange rules.

If a DSU is subject to vesting condition(s), the Participant holding such DSU shall not be entitled to the DSU Payment if the Participant ceases to be an eligible Participant, other than if the Participant ceases to be an eligible Participant in the event of, in connection with, or as a result of, a Change of Control, prior to the vesting condition(s) having been satisfied, and such DSU

shall then be deemed cancelled. In the event of a Change of Control, each DSU shall automatically vest and be redeemable upon the occurrence of the Separation Date in accordance with the preceding paragraph.

### **3.04 Deferred Share Unit Letter**

Each grant of Deferred Share Units under the Plan shall be evidenced by a letter of the Corporation (a “**DSU Grant Letter**”). Such Deferred Share Units shall be subject to all applicable terms and conditions of the Plan and may be subject to any other terms and conditions, including without limitation vesting conditions, which are not inconsistent with the Plan and which the Committee deems appropriate for inclusion in a DSU Grant Letter. The provisions of the various DSU Grant Letters entered into under the Plan need not be identical, and may vary from Participant to Participant or according to the date of grant.

The delivery of certificates representing the Common Shares to be issued in settlement of DSUs, as applicable, will be contingent upon the fulfillment of any requirements set out in the DSU Grant Letter or applicable provisions of laws.

### **3.05 Dividends**

In the event that a dividend (other than stock dividend) is declared and paid by the Corporation on Common Shares, a Participant will be credited with additional Deferred Share Units. The number of such additional Deferred Share Units will be calculated by dividing the total amount of the dividends that would have been paid to the Participant if the Deferred Share Units in the Participant’s account on the dividend record date had been outstanding Common Shares (and the Participant held no other Common Shares), by the closing price of a Common Share on the Exchange on the date on which the dividends were paid on the Common Shares.

### **3.06 Term of the Plan**

The Plan, as set forth herein, shall be deemed to become effective as of the date first written above. The Plan shall remain in effect until it is terminated by the Board. Upon termination of the Plan, the Corporation shall redeem all remaining Deferred Share Units under Section 3.03 above, as at the applicable Separation Date for each of the remaining Participants.

## **ARTICLE 4**

### **COMMON SHARES SUBJECT TO THE PLAN AND PARTICIPATION LIMITS**

#### **4.01 Common Shares Subject to the Plan.**

Subject to adjustment under the provisions of Article 7, the aggregate number of Common Shares to be reserved and set aside for issue upon the exercise or redemption and settlement for all DSUs granted under this Plan, together with all other established Security-Based Compensation Arrangements of the Corporation, shall be fixed at 16,912,141 Common Shares.

#### **4.02 Common Shares Available for Future Grants.**

Any Common Shares subject to DSUs which for any reason expires without having been exercised or is forfeited or terminated shall again be available for future DSU grants under the Plan.

#### **4.03 Participation Limits.**

The Plan, when combined with all of the Corporation’s other previously established Security Based Compensation Arrangements, including the limitation imposed on the maximum number

of Common Shares which may be issued pursuant to the exercise or redemption and settlement of DSUs set out in Section 4.01 above, shall not result at any time in the grant of DSUs:

- (a) to any one Person in any 12 month period which could, when exercised, result in the issuance of Common Shares exceeding 5% of the issued and outstanding Common Shares of the Corporation, calculated at the DSU Issue Date, unless the Corporation has obtained the requisite Disinterested Shareholder Approval to the grant;
- (b) to any one Consultant in any 12 month period which could, when exercised, result in the issuance of Common Shares exceeding 2% of the issued and outstanding Common Shares of the Corporation, calculated at the DSU Issue Date;
- (c) in any 12 month period, to Persons employed or engaged by the Corporation to perform Investor Relations Activities which could, when exercised, result in the issuance of Common Shares exceeding, in aggregate, 2% of the issued and outstanding Common Shares of the Corporation, calculated at the DSU Issue Date;
- (d) a number of Common Shares issuable to Insiders at any time exceeding 10% of the issued and outstanding Common Shares;
- (e) to Insiders, within a 12 month period, of a number of Common Shares issued exceeding 10% of the issued shares of the Corporation;
- (f) a number of Common Shares (i) issuable to all non-executive directors exceeding 1% of the issued and outstanding Common Shares, or (ii) issuable to any one non-executive director within a one-year period exceeding an DSU grant value of \$150,000 per such non-executive director, based on a valuation method acceptable to the Board.

Any entitlement to acquire Common Shares granted pursuant to the Plan or other Securities Based Compensation Arrangement prior to the Participant becoming an Insider shall be excluded for the purposes of the limits set out in this Section 4.03.

#### **4.04 Fractional Shares.**

No fractional Common Shares shall be issued upon the settlement of DSUs in Common Shares, and the Board may determine the manner in which fractional share value shall be treated.

### **ARTICLE 5 WITHHOLDING TAXES**

#### **5.01 Withholding Taxes**

The Corporation or any Designated Affiliate may take such steps as are considered necessary or appropriate for the withholding of any taxes or other amounts that the Corporation or any Designated Affiliate is required by any law or regulation of any governmental authority whatsoever to withhold in connection with any DSU or DSU Payment, including, without limiting the generality of the foregoing, the withholding of all or any portion of any DSU Payment or the withholding of the issue of Common Shares to be issued under the Plan (if applicable), until such time as the Participant has paid to, or made satisfactory arrangements for the payment to, the Corporation or any Designated Affiliate for any amount that the Corporation or Designated Affiliate is required by law to withhold with respect to such taxes or other amounts. Without limitation to the foregoing, the Committee may adopt administrative rules under the Plan, which

provide for the sale, on behalf of the Participant, of Common Shares (or a portion thereof) in the market upon the issuance of such shares under the Plan, to satisfy the Corporation's or Designated Affiliate's withholding obligations under the Plan.

## **ARTICLE 6 GENERAL**

### **6.01 Amendments to the Plan**

The Board may amend the Plan or DSU grants at any time without obtaining shareholder approval, provided, however, that no such amendment may materially and adversely affect any DSUs previously granted to a Participant without the consent of the Participant, except to the extent required by applicable law (including Exchange requirements). Any amendment under this Section shall be subject to all necessary regulatory approvals.

### **6.02 Amendments to the Plan Requiring Shareholder Approval**

Notwithstanding Section 6.01, no amendments to the Plan or DSU grants to:

- (a) extend the date on which a DSU will be forfeited or terminated in accordance with its terms;
- (b) increase the maximum number of Common Shares reserved for issuance under the Plan;
- (c) revise the participation limits set out in Section 4.03;
- (d) revise Section 6.03 to permit DSUs granted under the Plan to be transferable or assignable other than for estate settlement purposes;
- (e) any amendment required to be approved by shareholders under applicable law (including without limitation, pursuant to the TSX Company Manual); or
- (f) revise the amending provisions set forth in Section 6.01 or 0;

shall be made without obtaining approval of the shareholders of the Corporation or Disinterested Shareholder Approval, as applicable, in accordance with the requirements of the Exchange.

### **6.03 Non-Assignable**

Except as otherwise may be expressly provided for under this Plan or pursuant to a will or by the laws of descent and distribution, no Deferred Share Unit and no other right or interest of a Participant is assignable or transferable, and any such assignment or transfer in violation of this Plan shall be null and void.

### **6.04 Rights as a Shareholder and Director**

No holder of any Deferred Share Units shall have any rights as a shareholder of the Corporation at any time. Nothing in the Plan shall confer on any Eligible Person the right to continue as a Director of the Corporation or as a director or any affiliate or interfere with the right to remove such director.

### **6.05 No Contract of Employment**

Nothing contained in the Plan shall confer or be deemed to confer upon any Participant the right to continue in the employment of, or to provide services to, the Corporation or its affiliates nor

interfere or be deemed to interfere in any way with any right of the Corporation or its affiliates to discharge any Participant at any time for any reason whatsoever, with or without cause.

#### **6.06 Adjustment in Number of Payments Subject to the Plan**

In the event there is any change in the Common Shares, whether by reason of a stock dividend, stock split, reverse stock split, consolidation, subdivision, reclassification or otherwise, an appropriate proportionate adjustment shall be made by the Committee with respect to the number of Deferred Share Units then outstanding under the Plan as the Committee, in its sole discretion, may determine to prevent dilution or enlargement of rights. If such adjustments, as determined by the Committee, shall be conclusive, final and binding for all purposes of the Plan.

#### **6.07 No Representation or Warranty**

The Corporation makes no representation or warranty as to the future value of any rights under the Deferred Share Units issued in accordance with the provisions of the Plan. No amount will be paid to, or in respect of, an Eligible Person under this Plan or pursuant to any other arrangement, and no additional Deferred Share Units will be granted to such Eligible Person to compensate for a downward fluctuation in the price of the Common Shares, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Person for such purpose.

#### **6.08 Compliance with Applicable Law**

If any provision of the Plan or any Deferred Share Unit contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

#### **6.09 Interpretation**

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario.

#### **6.10 Unfunded Benefit**

All DSU Payments to be made constitute unfunded obligations of the Corporation payable solely from its general assets and subject to the claims of its creditors. The Corporation has not established any trust or separate fund to provide for the payment of benefits hereunder.

## **ARTICLE 7 ADJUSTMENTS**

- 7.01** The number and kind of Common Shares to which a DSU grant pertains shall be adjusted in the event of a reorganization, recapitalization, stock split or redivision, reduction, combination or consolidation, stock dividend, combination of shares, merger, consolidation, rights offering or any other change in the corporate structure or shares of the Corporation, in such manner, if any, and at such time, as the Board, in its sole discretion, may determine to be equitable in the circumstances. Failure of the Board to provide for an adjustment shall be conclusive evidence that the Board has determined that it is equitable to make no adjustment in the circumstances. If an adjustment results in a fractional share, the fraction shall be disregarded.
- 7.02** If at any time the Corporation grants to its shareholders the right to subscribe for and purchase pro rata additional securities of any other corporation or entity, there shall be no adjustments made to the Common Shares or other securities subject to a DSU grant in consequence thereof and the DSU grant shall remain unaffected.
- 7.03** The adjustments provided for in this Article 7 shall be cumulative.
- 7.04** On the happening of each and every of the foregoing events, the applicable provisions of the Plan shall be deemed to be amended accordingly and the Board shall take all necessary action so as to make all necessary adjustments in the number and kind of securities subject to any outstanding DSU grants (and the Plan).

## **ARTICLE 8 DSU TRUST**

### **8.01 Establishment and Funding of DSU Trust**

At the election of the Committee, the Corporation may settle a trust (the "DSU Trust") for the purposes of the Plan. The DSU Trust shall be funded from time to time by payments made to the DSU Trust by the Corporation for the purpose of enabling the DSU Trust to satisfy the Corporation's obligations under this Plan that, at the election of the Committee, may include purchasing Common Shares in the open market or pursuant to private transactions with third parties (other than the Corporation) sufficient Common Shares to satisfy the Corporation's obligation to make DSU Payments. All assets acquired under the Plan as a result of Corporation contributions, income and other additions to the DSU Trust shall be held in trust by the trustee in accordance with the provisions of the trust agreement and this Plan and administered, distributed and otherwise governed by the provisions of this Plan and the trust agreement as amended from time to time.

## **ARTICLE 9 MISCELLANEOUS**

### **9.01 Governing Law**

The Plan shall be construed in accordance with and be governed by the laws of British Columbia and shall be deemed to have been made therein.

### **9.02 Regulatory and Shareholder Approval**

The Plan shall be subject to the approval of any relevant regulatory authority whose approval is required. Any DSU grants granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such DSU grants may be exercised or shall vest unless such approval and acceptance is given.

The Plan shall be subject to the approval of the shareholders of the Corporation (or if required, Disinterested Shareholder Approval) to be sought at the Corporation's next duly called annual general meeting.

**9.03 Effective Date of the Plan**

The Plan is dated with effect as of the effective date, as amended on July 3, 2020.

## 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 five directors, four of whom are considered to be independent (being Ms. Bellissimo and Messrs. Danziger, Callow and Humphrey). Mr. Moore, as the current CEO, is 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 constating 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's 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
David C. Danziger	Eurotin Inc.
G. Scott Moore	Origin Gold Corporation
Eva Bellissimo	Premier Gold Mines Ltd.
Daniel Callow	QuestCap Inc.
Bruce Humphrey	Black Iron Inc.

Director	Other Reporting Issuers
Peter Vukanovich	Real Matters Inc.
Paul J. Perrow	CI Financial Corp.

### 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 including the role of the Board, its committees and its directors and the nature and operations of the Corporation's business. 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.

The Board takes steps to ensure that directors, officers and employees exercise independent judgment in considering transactions and agreements in respect of which a director, officer or employee of the Corporation has a material interest, which include ensuring that directors, officers and employees are thoroughly familiar with the Code and the rules concerning reporting conflicts of interest.

A copy of the Code is available on the website of the Corporation at [www.eurosunmining.com](http://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 Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee, which is comprised entirely of independent directors, with the exception of Scott Moore, is responsible for developing, assessing and improving a set of corporate governance principles applicable to the Corporation and for

identifying and recommending individuals to the Board for nomination as members of the Board. The Corporate Governance and Nominating Committee is responsible for reviewing with the Board, on a periodic basis, the requisite skills and characteristics of prospective Board members as well as the composition of the Board as a whole. This assessment includes a member's contribution, independence, as well as diversity, age, skills and experience in the context of the needs of the Board. The Corporate Governance and Nominating Committee and the Board also consider a candidate's experience and qualifications in areas including but not limited to, mining, financial reporting, capital markets, human resources, compensation, risk assessment, executive management, legal and corporate governance, and public company stewardship. The Board seeks members who have skills and experiences in these areas and will amend the composition of the Board from time to time as considered necessary in order to ensure experience and skills from these areas are reflected on the Board.

## **8. Compensation**

A Human Resources and Compensation Committee for the Corporation has been established and presently consists of three members of the Board (being Mr. Callow, Mr. Danziger and Ms. Bellissimo) with Mr. Callow 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, one member of the Board is a woman (14%).

#### 11. **Board and Audit Committee Meeting Attendance**

During 2019, the Board met formally a total of four times. The Board also routinely had informal discussions, including informal committee discussions where the business of the Corporation was discussed. 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, 2019:

<b>Summary of Board and Committee Meetings Held (during the Financial Year ended December 31, 2019)</b>		
Board of Directors		4
Audit Committee		4
<b>Summary of Attendance by Director (during the Financial Year ended December 31, 2019)</b>		
<b>Director</b>	<b>Board Meetings Attended</b>	<b>Audit Committee Meetings Attended</b>
Scott Moore	4 of 4	
Stan Bharti <sup>(1)</sup>	3 of 4	N/A
David C. Danziger	4 of 4	4 of 4
Justin Reid <sup>(2)</sup>	N/A	N/A
Matthew Simpson <sup>(3)</sup>	3 of 3	2 of 3
Michael Barton <sup>(4)</sup>	4 of 4	2 of 2

Daniel Callow <sup>(3)</sup>	1 of 1	N/A
Eva Bellissimo <sup>(5)</sup>	3 of 3	N/A
Tom Olesinski <sup>(6)</sup>	2 of 2	2 of 2
Bruce Humphrey <sup>(6)</sup>	N/A	N/A
Peter Tagliamonte <sup>(7)</sup>	1 of 1	N/A

Notes:

- (1) Mr. Bharti resigned as a director on January 31, 2020.
- (2) Mr. Reid resigned as a director on March 26, 2019.
- (3) Mr. Simpson resigned as a director on October 15, 2019 and was replaced by Mr. Callow.
- (4) Mr. Barton resigned as a director on March 26, 2020.
- (5) Ms. Bellissimo was appointed as a director on April 9, 2019.
- (6) Mr. Olesinski was elected as a director on July 17, 2019. Mr. Olesinski resigned on November 7, 2019 and was replaced by Mr. Humphrey.
- (7) Mr. Tagliamonte did not stand for re-election at the annual general meeting of shareholders held on July 17, 2019.

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**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

**(Expressed in United States Dollars)**

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*Audit. Tax. Advisory.*

Independent Auditor's Report

To the Shareholders of Euro Sun Mining Inc.

## **Opinion**

We have audited the consolidated financial statements of Euro Sun Mining Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Material uncertainty related to going concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2019 and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# McGovern Hurley

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

**McGovern Hurley LLP**



**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
March 24, 2020

# EURO SUN MINING INC.

## Consolidated statements of financial position (Expressed in United States dollars)

As at:	December 31, 2019	December 31, 2018
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,499,857	\$ 460,704
Restricted deposits (Note 4)	23,098	21,991
Prepaid expenses and sundry receivables	349,244	527,027
	\$ 1,872,199	\$ 1,009,722
Assets held for sale (Note 7)	261,896	-
	\$ 2,134,095	\$ 1,009,722
Non-current assets		
Property, plant and equipment (Note 5 and Note 17)	702,513	513,605
Investment in associate (Note 6)	-	772,751
Deposits (Note 17)	76,585	76,585
<b>Total assets</b>	<b>\$ 2,913,193</b>	<b>\$ 2,372,663</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables (Note 8 and Note 13)	\$ 1,996,929	\$ 501,538
Deferred share unit liability (Note 9)	1,238,427	994,703
Loans payable (Note 18)	76,994	-
Current lease liability (Note 2 and Note 17)	89,315	-
	\$ 3,401,665	\$ 1,496,241
Liabilities held for sale (Note 7)	705,809	-
<b>Total current liabilities</b>	<b>\$ 4,107,474</b>	<b>\$ 1,496,241</b>
Non-current lease liability (Note 2 and Note 17)	171,360	-
<b>Total liabilities</b>	<b>\$ 4,278,834</b>	<b>\$ 1,496,241</b>
Equity (deficiency) attributable to shareholders		
Share capital (Note 10 (b))	219,767,486	212,605,103
Contributed surplus (Note 10 (c))	4,134,234	4,421,452
Warrants (Note 10 (d))	1,093,776	2,205,265
Accumulated deficit	(225,426,797)	(217,647,546)
Accumulated other comprehensive loss	(692,465)	(707,852)
<b>Total shareholders' (deficiency) equity</b>	<b>\$ (1,123,766)</b>	<b>\$ 876,422</b>
Non-controlling interest (Note 7)	(241,875)	-
<b>Total (deficiency) equity</b>	<b>(1,365,641)</b>	<b>876,422</b>
<b>Total liabilities and shareholders' (deficiency) equity</b>	<b>\$ 2,913,193</b>	<b>\$ 2,372,663</b>

Nature of operations and going concern (Note 1)  
Commitments and contingencies (Note 11 and Note 16)  
Subsequent events (Note 20)

Approved by the Board of Directors on March 24, 2020:

"David Danziger", Director

"Bruce Humphrey", Director

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

# EURO SUN MINING INC.

Consolidated statements of loss and comprehensive loss  
(Expressed in United States dollars)

	Year ended December 31, 2019	Year ended December 31, 2018
<b>Expenses</b>		
Consulting and management fees (Note 13)	\$ 2,999,792	\$ 1,544,895
Professional fees	86,309	137,030
General office expenses	202,900	193,372
Travel expenses	234,298	420,259
Shareholder communications and filing fees	715,660	201,887
Share-based compensation (Note 9, 10 (c) and 13)	1,109,669	1,054,669
Exploration and evaluation expenditures (Note 11)	2,754,854	3,665,190
Gain on foreign exchange	(26,691)	(150,615)
Interest income	(342)	(1,755)
Interest expense	32,681	-
<b>Net loss for the year from continuing operations</b>	<b>\$ (8,109,130)</b>	<b>\$ (7,064,932)</b>
Loss from discontinued operations (Note 7)	3,104,552	150,838
<b>Net loss for the year</b>	<b>\$ (11,213,682)</b>	<b>\$ (7,215,770)</b>
<b>Other comprehensive income (loss)</b>		
Cumulative translation adjustments	15,387	(215,859)
<b>Other comprehensive income (loss) for the year</b>	<b>\$ 15,387</b>	<b>\$ (215,859)</b>
<b>Net comprehensive loss for the year</b>	<b>\$ (11,198,295)</b>	<b>\$ (7,431,629)</b>
<b>Net loss and comprehensive loss attributable to:</b>		
Shareholders of Euro Sun	\$ (11,037,121)	\$ -
Non-controlling interest	(161,174)	-
	<b>\$ (11,198,295)</b>	<b>\$ -</b>
Basic and diluted loss per share from continuing operations (Note 12)	\$ (0.11)	\$ (0.12)
Basic and diluted loss per share from discontinued operations (Note 12)	\$ (0.04)	\$ -
Basic and diluted loss per share (Note 12)	\$ (0.15)	\$ (0.12)
Weighted average number of common shares outstanding - basic and diluted	77,192,721	58,240,301

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

# EURO SUN MINING INC.

## Consolidated statements of changes in shareholders' (deficiency) equity (Expressed in United States dollars)

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Non-controlling interest	Shareholders' (deficiency) equity
Balance, December 31, 2017	\$ 210,605,103	\$ 2,650,549	\$ 4,427,777	\$ (210,883,385)	\$ (491,993)	\$ -	\$ 6,308,051
Private placement (Note 10 (b))	2,000,000	-	-	-	-	-	2,000,000
Warrant expiry (Note 10 (d))	-	(445,284)	-	445,284	-	-	-
Stock option expiry (Note 10 (c))	-	-	(6,325)	6,325	-	-	-
Net loss and comprehensive loss	-	-	-	(7,215,770)	(215,859)	-	(7,431,629)
Balance, December 31, 2018	\$ 212,605,103	\$ 2,205,265	\$ 4,421,452	\$ (217,647,546)	\$ (707,852)	\$ -	\$ 876,422
Adjustment on initial application of IFRS 16 (Note 2)	-	-	-	(22,798)	-	-	(22,798)
Adjusted balance, January 1, 2019	212,605,103	2,205,265	4,421,452	(217,670,344)	(707,852)	-	853,624
Private placement (Note 10 (b))	5,428,924	1,088,013	-	-	-	-	6,516,937
Share issuance costs (Note 10 (b))	(510,651)	-	-	-	-	-	(510,651)
Finder warrants (Note 10 (d))	-	41,069	-	-	-	-	41,069
Stock option grant (Note 10 (c))	-	-	803,573	-	-	-	803,573
Stock option expiry (Note 10 (c))	-	-	(1,090,791)	1,090,791	-	-	-
Warrant exercise (Note 10 (d))	260,445	-	-	-	-	-	260,445
Warrant exercise valuation allocation (Note 10 (d))	35,307	(35,307)	-	-	-	-	-
Warrant expiry (Note 10 (d))	-	(2,205,264)	-	2,205,264	-	-	-
Shares issued for Vilhelmina acquisition (Note 6)	1,948,358	-	-	-	-	-	1,948,358
Acquisition of Vilhelmina Minerals Inc.(Note 6)	-	-	-	-	-	(80,701)	(80,701)
Net loss and comprehensive loss	-	-	-	(11,052,508)	15,387	(161,174)	(11,198,295)
Balance, December 31, 2019	\$ 219,767,486	\$ 1,093,776	\$ 4,134,234	\$ (225,426,797)	\$ (692,465)	\$ (241,875)	\$ (1,365,641)

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, 2019	Year ended December 31, 2018
<b>Cash flows from operating activities</b>		
Loss and comprehensive loss for the year	\$ (11,198,295)	\$ (7,431,629)
Adjustment for:		
Depreciation and amortization (Note 5)	208,712	91,573
Interest income	(342)	(1,755)
Deferred share units (Note 9)	306,096	1,054,669
Stock options granted (Note 10 (c))	803,573	-
Non-cash Vilhelmina Minerals Inc. acquisition costs (Note 6)	2,576,905	-
	\$ (7,303,351)	\$ (6,287,142)
Prepaid expenses, sundry receivables and restricted deposits	177,783	(306,509)
Trade and other payables (Note 8 and Note 13)	1,433,019	(93,224)
Net cash used in operating activities from continuing operations	\$ (5,692,549)	\$ (6,686,875)
Net cash provided by operating activities from discontinued operations	527,432	150,838
Net cash used in operating activities	\$ (5,165,117)	\$ (6,536,037)
<b>Cash flows from investing activities</b>		
Interest income	342	1,755
Acquisition of property, plant and equipment (Note 5)	(65,674)	(350,293)
Investment in associate (Note 6)	-	(530,584)
Net cash used in investing activities	\$ (65,332)	\$ (879,122)
<b>Cash flows from financing activities</b>		
Proceeds from private placement (Note 10 (b))	6,516,937	2,000,000
Share issuance costs (Note 10 (b))	(469,582)	-
Warrant exercise (Note 10 (d))	260,445	-
Payment of principal portion of lease liability (Note 17)	(105,246)	-
Loans proceeds (Note 18)	267,010	-
Loans repayment (Note 18)	(190,016)	-
Net cash provided by financing activities	\$ 6,279,548	\$ 2,000,000
Effect of exchange rate changes on cash and cash equivalents	\$ (9,946)	\$ (30,252)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,039,153	(5,445,411)
CASH AND CASH EQUIVALENTS, beginning of year	\$ 460,704	\$ 5,906,115
CASH AND CASH EQUIVALENTS, end of year	\$ 1,499,857	\$ 460,704
<b>Supplemental cash flow information:</b>		
Right of use asset (Note 5)	\$ 331,946	\$ -
Finder warrants issued (Note 10 (d))	41,069	-
Issuance of non-controlling interest (Note 6)	80,701	-

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, 2019 and 2018  
(Expressed in United States Dollars)

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## 1. Nature of operations and going concern

Euro Sun Mining 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". 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 operations for the next fiscal year. For the year ended December 31, 2019, the Company incurred a net loss of \$11,213,682 and as at December 31, 2019, reported an accumulated deficit of \$225,426,797 and a negative working capital of \$1,529,466 including \$1,499,857 in cash and cash equivalents. The Company has no current source of operating cash flow, and 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. These matters represent material uncertainties that cast substantial doubt about the ability of the Company to continue as a going concern.

These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and consolidated 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.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
For the years ended December 31, 2019 and 2018  
(Expressed in United States Dollars)

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## 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 24, 2020.

### Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, unless otherwise disclosed. The consolidated financial statements have been prepared on an accrual basis except for cash flow information.

The functional currency of Euro Sun Mining Inc. is the Canadian dollar. The functional currency of Vilhelmina Minerals Inc., Vilhelmina Mineral AB and Joma Gruver AS is the Canadian dollar. The functional currency of SAMAX Romania Limited and SAMAX Romania S.R.L. is the U.S. dollar.

### 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 consolidated 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, 2019:

Name of entity	Country of incorporation	Ownership
SAMAX Romania Limited	Cyprus	100%
SAMAX Romania S.R.L.	Romania	100%
Vilhelmina Minerals Inc.	Canada	100%
Vilhelmina Mineral AB	Sweden	46.9%
Joma Gruver AS	Norway	23.5%

On October 10, 2019, the Company purchased all outstanding shares of Vilhelmina Minerals Inc., increasing its ownership of Vilhelmina Mineral Inc. from 34.1% to 100%. Vilhelmina Minerals Inc. has a 46.86% ownership in Vilhelmina Mineral AB and a 23.5% ownership in Joma Gruver AS. Mr. Scott Moore, an officer and director of the Company, is a director of Vilhelmina Mineral AB.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
For the years ended December 31, 2019 and 2018  
(Expressed in United States Dollars)

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## 2. Significant accounting policies (continued)

### Translation of foreign currency

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

Items included in the consolidated 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 consolidated 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 (loss) income as cumulative translation adjustments. There is no tax impact on this translation.

### Financial instruments

#### *Financial assets*

##### **Initial recognition and measurement**

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Sundry receivables held for collection of contractual cash flows, cash and cash equivalents and restricted deposits are measured at amortized cost.

##### **Subsequent measurement – financial assets at FVPL**

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss. The Company does not measure any financial assets at FVPL.

##### **Subsequent measurement – financial assets at amortized cost**

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the consolidated statements of loss.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
For the years ended December 31, 2019 and 2018  
(Expressed in United States Dollars)

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## 2. Significant accounting policies (continued)

### Financial instruments (continued)

#### Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss is not reclassified to profit or loss. Dividends from such investments are recognized in other income in the consolidated statements of loss when the right to receive payments is established.

The Company does not measure any financial assets at FVOCI.

#### Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

#### Impairment of financial assets

The Company's only financial assets subject to impairment are sundry receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade and other payables, loans payable and lease liability which are measured at amortized cost, and its deferred share unit liability, which is measured at FVPL. All financial liabilities are recognized initially at fair value.

#### Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

#### Subsequent measurement – financial liabilities at FVPL

Financial liabilities measured at FVPL include financial liabilities management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial liabilities measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss.

#### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
For the years ended December 31, 2019 and 2018  
(Expressed in United States Dollars)

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## 2. Significant accounting policies (continued)

### 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 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 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 (loss) income.

### 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.

### 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 consolidated 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.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
For the years ended December 31, 2019 and 2018  
(Expressed in United States Dollars)

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## 2. Significant accounting policies (continued)

### 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 are 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.

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 accessible through 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.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
For the years ended December 31, 2019 and 2018  
(Expressed in United States Dollars)

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## 2. Significant accounting policies (continued)

### 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 (loss) income 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:

Office Equipment	-	4-10 years
Computer Equipment	-	5-10 years
Machinery & Equipment	-	4-10 years
Vehicles	-	4-5 years
Leasehold Improvements	-	1-10 years
Right-of-use asset	-	3 years

### Investment in associates

An associate is an entity over which the Company has significant influence but not control. Investments in associates are based on the Company's ability to exercise significant influence over the operating and financial policies of the investee. Investments in associates are accounted for using the equity method whereby the investment is initially recorded at cost and adjusted thereafter for additional investments made, dividends received and to recognize the Company's proportionate share of the associate's post acquisition income or loss.

The Company's share of the associate's profit or loss is recognised in the consolidated statement of loss, and its share of movements in other comprehensive income is recognised in the consolidated statement of other comprehensive loss with a corresponding adjustment to the carrying amount of the investment. When the Company's share of losses in an associate equal or exceed its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

# EURO SUN MINING INC.

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## 2. Significant accounting policies (continued)

### Assets and liabilities held for sale and discontinued operations

Non-current assets are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

Non-current assets and disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held for sale and:

- the assets or disposal groups are a major line of business or geographical area of operations;
- the assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- the assets or disposal groups are a subsidiary acquired solely for the purpose of resale.

The assets or disposal groups that meet these criteria are measured at the lower of the carrying amount and fair value less cost of disposal, with impairments recognized in the consolidated statement of comprehensive loss. An impairment loss is recognized for any initial or subsequent write-down of the asset or disposal group to fair value less costs to dispose. Non-current assets and liabilities held for sale are presented separately in current assets and liabilities within the consolidated statement of financial position. Assets held for sale are not depreciated, depleted or amortized. The comparative period consolidated statement of financial position is not restated.

The results of discontinued operations are shown separately in the consolidated statements of loss and comprehensive loss and cash flows and comparative figures are restated.

# EURO SUN MINING INC.

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## 2. Significant accounting policies (continued)

### Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated 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 consolidated 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 consolidated 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, trust accounts held with Canadian lawyers, Romanian banks, Swedish and Norwegian banks, cashable within three months of the date of original issue.

# EURO SUN MINING INC.

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## 2. Significant accounting policies (continued)

### (Loss) income per share

Basic (loss) income per share is calculated by dividing net (loss) income attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted (loss) 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 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 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 includes 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 consolidated 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.

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## 2. Significant accounting policies (continued)

### Accounting changes

During the year ended December 31, 2019, the Company adopted IFRS 16, *Leases*, which resulted in changes in accounting policy as described below. In accordance with the transitional provisions in the standard, the Company adopted this standard retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2019.

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 right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. Effective January 1, 2019, the Company adopted this standard using the modified retrospective approach, under which the cumulative effect of initial application was recognized in accumulated deficit at January 1, 2019.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17 Leases (“IAS 17”) and its interpretive guidance. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset.

Upon transition to the new standard, lease liabilities were measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets and lease liabilities were recognized on the consolidated statement of financial position with the cumulative difference recognized in accumulated deficit. The Company reports its right-of-use asset as part of property, plant and equipment on the consolidated statement of financial position.

At transition, lease liabilities of \$354,744 and right-of-use assets of \$331,946 were recognized in the consolidated statement of financial position. The difference of \$22,798 was recognized as a reduction in accumulated deficit.

For contracts entered into subsequent to January 1, 2019, at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognize a provision for onerous lease contracts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

# EURO SUN MINING INC.

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## 2. Significant accounting policies (continued)

### Future accounting standards issued but not yet effective

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

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

## 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.

### 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 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.

# EURO SUN MINING INC.

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## 3. Critical accounting estimates and judgments (continued)

### Share-based payments

The Company grants stock options and DSUs to directors, officers, employees and consultants of the Company under its incentive stock option plan and DSU 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. The fair value of DSUs is estimated using the current share price and are expensed over their vesting periods. Changes in assumptions used to estimate fair value could result in materially different results.

### Investment in associate

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of loss.

### 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.

### Assets and liabilities held for sale and discontinued operations

The Company applied judgment in the application of its accounting policies in determining that the Transaction (Note 7) is probable, met the held for sale criteria as at December 31, 2019 and to estimate the closing date of the Transaction.

### Functional currency

Functional currency is the currency of the primary economic environment in which the Company and its subsidiaries operate. If indicators of the primary economic environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of underlying transactions, events and conditions.

# EURO SUN MINING INC.

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## 3. Critical accounting estimates and judgments (continued)

### Determination of purchase price paid and allocation of purchase price related to asset acquisition

Determination of whether a set of assets acquired, and liabilities assumed constitute a business requires the Company to make certain judgments, taking into account all facts and circumstances. Applying the acquisition method requires the consideration paid and each identifiable asset and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration paid over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition-date fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of net identifiable assets acquired generally require a high degree of judgment, and include estimates of future reserves and resources, sales levels and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of the consideration paid and the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

## 4. Restricted Deposits

As at December 31, 2019, restricted deposits consist of CAD\$30,000 (\$23,098) on deposit with the bank as security for the Company's corporate credit card (December 31, 2018 - CAD\$30,000 (\$21,991)).

## 5. Property, plant and equipment

	Building in Progress	Leasehold improvements	Machinery, equipment & vehicles	Right of use asset	Total
<b>Cost:</b>					
Balance, December 31, 2017	\$ -	\$ 205,988	\$ 56,592	\$ -	\$ 262,580
Additions	53,349	195,248	101,696	-	350,293
Balance, December 31, 2018	\$ 53,349	\$ 401,236	\$ 158,288	\$ -	\$ 612,873
Additions	49,081	1,097	15,496	-	65,674
Adoption of IFRS 16 (Note 2)	-	-	-	331,946	331,946
<b>Balance, December 31, 2019</b>	<b>\$ 102,430</b>	<b>\$ 402,333</b>	<b>\$ 173,784</b>	<b>\$ 331,946</b>	<b>\$ 1,010,493</b>
<b>Depreciation:</b>					
At December 31, 2017	\$ -	\$ -	\$ 7,695	\$ -	\$ 7,695
Depreciation charge for the year	-	59,348	32,225	-	91,573
Balance, December 31, 2018	\$ -	\$ 59,348	\$ 39,920	\$ -	\$ 99,268
Depreciation charge for the year	-	74,964	43,217	90,531	208,712
<b>Balance, December 31, 2019</b>	<b>\$ -</b>	<b>\$ 134,312</b>	<b>\$ 83,137</b>	<b>\$ 90,531</b>	<b>\$ 307,980</b>
<b>Net book value:</b>					
At December 31, 2018	\$ 53,349	\$ 341,888	\$ 118,368	\$ -	\$ 513,605
<b>At December 31, 2019</b>	<b>\$ 102,430</b>	<b>\$ 268,021</b>	<b>\$ 90,647</b>	<b>\$ 241,415</b>	<b>\$ 702,513</b>

As at December 31, 2019, the carrying value of property, plant and equipment is comprised of \$nil in Canada (December 31, 2018 - \$nil) and \$702,513 in Romania (December 31, 2018 - \$513,605).

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## 6. Acquisition of Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company incorporated in Canada engaged in the exploration and development of metals, for CAD\$600,000 (\$483,420). In April 2018, the Company purchased an additional 600,000 common shares of Vilhelmina Minerals Inc. for CAD\$600,000 (\$476,430), and in December 2018, the Company purchased 74,000 common shares of Vilhelmina Minerals Inc. for CAD\$74,000 (\$54,244), increasing its ownership interest in Vilhelmina Minerals Inc. to 36.3% as at December 31, 2018 (2017 - 33%). Vilhelmina Minerals Inc. issued 220,000 shares in Q1 2019, decreasing the Company's ownership interest in Vilhelmina Minerals Inc. to 34.14% at the time of the transaction. Vilhelmina Minerals Inc. currently holds a 46.9% ownership interest in Vilhelmina Mineral AB ("Vilhelmina"), a private company which owns an interest in exploration and evaluation properties in Sweden and Norway. Vilhelmina Minerals Inc. has a contractual right to appoint three of the five directors of Vilhelmina. Vilhelmina is located in Sweden, and Mr. Scott Moore, an officer and director of the Company, is a director of Vilhelmina. Vilhelmina currently holds a 50% interest in Joma Gruver AS, a private company which holds an interest in exploration and evaluation properties in Norway, with an option to increase its ownership.

On October 10, 2019, the Company acquired all of the issued and outstanding shares of Vilhelmina Minerals Inc. The Company acquired 2,457,230 common shares of Vilhelmina Minerals Inc. from other existing shareholders of Vilhelmina Minerals Inc. for a total purchase price of 9,088,235 common shares of the Company issued from treasury, making Vilhelmina Minerals Inc. a wholly owned subsidiary of the Company.

### Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as Vilhelmina Minerals Inc. does not meet the definition of a business under IFRS.

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#### Purchase price

Share consideration, based on the quoted market value of the shares issued	\$	1,948,358
Original purchase price of existing Vilhelmina Minerals Inc. shares prior to acquisition		709,248
<b>Total purchase price</b>	<b>\$</b>	<b>2,657,606</b>

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#### Fair value of assets acquired and liabilities assumed

Cash and cash equivalents	\$	118,049
Prepaid and sundry receivables		50,875
Accounts payable		(336,567)
Non controlling interest		80,701
Exploration property acquisition cost		2,744,548
<b>Total</b>	<b>\$</b>	<b>2,657,606</b>

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Prior to acquiring all issued and outstanding shares of Vilhelmina Minerals Inc., Vilhelmina Minerals Inc. had been accounted for as an investment in associate using the equity method. The Company recorded a loss from investment in associate of \$83,519 related to its investment in Vilhelmina Minerals Inc. for the period from January 1, 2019 to October 9, 2019.

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## 6. Acquisition of Vilhelmina Minerals Inc. (continued)

Changes in the investment in associate for the year ended December 31, 2018 were as follows:

Balance, December 31, 2017	\$	458,342
Acquisition of 674,000 shares at cost		530,584
Proportionate share of net loss		(150,838)
Effect of foreign exchange		(65,337)
Balance, December 31, 2018	\$	772,751

The following is a summary of the consolidated financial information for Vilhelmina Minerals Inc. on a 100% basis at and for the year ended December 31, 2018:

	December 31, 2018	
Cash	\$	414,550
Total current assets		682,689
Non-current assets		200,838
Total current liabilities		223,304

	Year ended December 31, 2018	
Loss before items noted below	\$	(954,991)
Loss on foreign exchange		21,951
Loss and comprehensive loss	\$	(933,040)

Controlling interest		(309,268)
Non-controlling interest		(623,772)

On January 1, 2020, Vilhelmina Minerals Inc. and Euro Sun were amalgamated, effectively, resulting in Vilhelmina Minerals Inc.'s investment in Vilhelmina Mineral AB being transferred to the Company. In March 2020, the Company entered into an agreement to sell its investment in Vilhelmina Mineral AB and therefore, Vilhelmina Minerals Inc. was recorded as assets and liabilities held for sale as at December 31, 2019 (see Note 7).

# EURO SUN MINING INC.

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## 7. Discontinued operations

On March 9, 2020, the Company entered into an agreement to sell its interest in Vilhelmina Mineral AB to Nickel Mountain Resources AB (“Nickel Mountain”) for share consideration of 11 shares of Nickel Mountain for each one share of Vilhelmina Mineral AB owned by the Company (the “Transaction”). As a result of management’s assessment of conditions existing at December 31, 2019, the Company’s investment in Vilhelmina Minerals Inc. has been classified as assets and liabilities held for a sale and discontinued operations on the consolidated statement of financial position and the consolidated statement of loss and comprehensive loss for the year ended December 31, 2019.

The Transaction requires the approval of an extraordinary general meeting of Nickel Mountain and has not closed as at the date of filing the financial statements. On closing of the transaction, the Company is expected to own approximately 37.6% of Nickel Mountain.

The following assets and liabilities of Vilhelmina Minerals Inc. have been included in the asset and liabilities held for sale on the consolidated statement of financial position as at December 31, 2019:

	December 31, 2019	
<b>Assets</b>		
Cash	\$	190,696
Amounts receivable		71,200
	\$	261,896
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$	705,809
	\$	705,809
<b>Non-controlling interest</b>		
Non-controlling interest	\$	161,174
	\$	161,174

The operating results related to Vilhelmina Minerals Inc. have been included in discontinued operations in the consolidated statement of loss and comprehensive loss and are comprised of the following costs for the years ended December 31, 2019 and 2018:

	For the year ended December 31, 2019	For the year ended December 31, 2018
Exploration and evaluation expenditures	\$ 308,514	\$ -
General office expenses	942	-
Acquisition of exploration property	2,744,548	-
Loss from investment in associate	83,519	150,838
Foreign exchange gain	(32,971)	-
Loss and comprehensive loss from discontinued operations	\$ 3,104,552	\$ 150,838

# EURO SUN MINING INC.

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## 8. Trade and other payables

	December 31, 2019	December 31, 2018
Trade payables	\$ 1,875,459	\$ 425,986
Accrued liabilities	121,470	75,552
	<b>\$ 1,996,929</b>	<b>\$ 501,538</b>

## 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 consolidated statement of financial position.

The following transactions occurred during the periods noted below:

Number of DSUs outstanding, December 31, 2017	<b>39,599</b>
Granted	3,855,000
Paid out	(243,340)
Forfeited	(300,000)
Number of DSUs outstanding, December 31, 2018	<b>3,351,259</b>
Granted	<b>3,870,000</b>
Paid out	<b>(123,333)</b>
Forfeited	<b>(61,667)</b>
Number of DSUs outstanding, December 31, 2019	<b>7,036,259</b>

	December 31, 2019	December 31, 2018
DSU Liability	<b>\$ 1,238,427</b>	<b>\$ 994,703</b>

In January 2018, 3,855,000 DSUs were granted with one third vesting immediately, one third vesting in one year from the grant date, and one third vesting two years from the grant date.

In April 2019, 3,870,000 DSUs were granted, with one third vesting immediately, one third vesting in one year from the grant date, and one third vesting in two years from the grant date.

As at December 31, 2019, 3,411,259 of the outstanding DSUs had vested.

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## 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, 2017	57,575,461	\$ 210,605,103
Common shares issued in private placement (i)	4,333,333	2,000,000
Balance, December 31, 2018	61,908,794	\$ 212,605,103
Common shares issued in private placement (ii)	<b>28,710,000</b>	<b>5,428,924</b>
Share issuance costs (ii)	-	<b>(510,651)</b>
Warrant exercise	<b>700,000</b>	<b>260,445</b>
Value allocation on warrant exercise	-	<b>35,307</b>
Vihelmina acquisition (Note 6)	<b>9,088,235</b>	<b>1,948,358</b>
<b>Balance, December 31, 2019</b>	<b>100,407,029</b>	<b>\$ 219,767,486</b>

(i) On November 8, 2018, the Company closed a non-brokered private placement financing of 4,333,333 common shares at a price of CAD\$0.60 per share for gross proceeds of \$2,000,000 (CAD\$2,619,200).

(ii) On March 26, 2019, the Company closed a non-brokered private placement financing of 10,000,000 units at a price of CAD\$0.30 per unit for gross proceeds of \$2,241,000 (CAD\$3,000,000). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.50 for a period of two years from the grant date. The warrants were valued at \$252,192 (CAD\$337,606). The Company paid commissions and other expenses of \$84,749 (CAD\$113,452) in relation to this private placement. Directors and officers participated and acquired a total of 550,000 units of this private placement for gross proceeds of \$123,255 (CAD\$165,000).

On July 4, 2019, the Company closed a brokered private placement financing of 8,610,000 units at a price of CAD\$0.36 per unit for gross proceeds of \$2,373,674 (CAD\$3,099,600). Each unit is comprised of one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.47 for a period of two years from the grant date. The warrants were valued at \$581,184 (CAD\$758,922). The Company also granted 602,600 finder warrants exercisable to acquire one common share at a price of CAD\$0.47 for a period of two years from the grant date. The finder warrants were valued at \$40,194 (CAD\$52,480) and were included in share issuance costs. The Company paid commissions and other expenses of \$502,523 (CAD\$380,874) in relation to this private placement.

On December 2, 2019, the Company closed its first tranche of a non-brokered private placement financing of 8,000,000 units at a price of CAD\$0.25 per unit for gross proceeds of \$1,504,000 (CAD\$2,000,000). Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The warrants were valued at CAD\$0.06. The Company also granted 14,000 finder warrants to certain finders exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The finder warrants were valued at CAD\$0.06 and were included in share issuance costs. The Company paid commissions and other expenses of \$2,632 (CAD\$3,500) in relation to this private placement. A director participated and acquired a total of 300,000 units of this private placement for proceeds of \$56,400 (CAD\$75,000).

# EURO SUN MINING INC.

Notes to consolidated financial statements  
For the years ended December 31, 2019 and 2018  
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## 10. Share capital (continued)

On December 12, 2019, the Company closed its second tranche of a non-brokered private placement financing of 2,100,000 units at a price of CAD\$0.25 per unit for gross proceeds of \$398,265 (CAD\$525,000). Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The warrants were valued at CAD\$0.06. The Company also granted 7,000 finder warrants to certain finders exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The finder warrants were valued at CAD\$0.06 and were included in share issuance costs. The Company paid commissions and other expenses of \$1,328 (CAD\$1,750) in relation to this private placement.

### (c) Stock options

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2017	4,704,969	\$ 1.36
Expired	(6,645)	1.36
Balance, December 31, 2018	4,698,324	\$ 1.36
Granted	<b>5,290,000</b>	<b>0.51</b>
Expired	<b>(1,402,995)</b>	<b>1.36</b>
<b>Balance, December 31, 2019</b>	<b>8,585,329</b>	<b>\$ 0.73</b>

As at December 31, 2019, 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
3,320,064	3,320,064	\$ 3,159,997	\$ 1.36	June 13, 2021	1.45
275,265	275,265	211,634	1.36	September 30, 2021	1.75
1,500,000	1,500,000	110,004	0.33	March 14, 2021	1.20
500,000	500,000	105,130	0.46	March 28, 2024	4.24
840,000	840,000	243,985	0.73	April 5, 2024	4.27
1,850,000	1,850,000	252,669	0.28	October 15, 2024	4.79
300,000	300,000	50,815	0.33	November 7, 2024	4.86
<b>8,585,329</b>	<b>8,585,329</b>	<b>\$ 4,134,234</b>			<b>1.49</b>

During the year ended December 31, 2019, the Company granted 5,290,000 stock options, respectively (no stock options granted for the year ended December 31, 2018) and options vested with a total value \$803,573 (\$nil for the year ended December 31, 2018).

The weighted average grant date fair value of options granted during the year ended December 31, 2019 was measured using the Black-Scholes option pricing model. The following inputs were used in the measurement of fair values at grant date: expected dividend yield of 0%, expected volatility of 79% based on the Company's historical volatility, weighted average risk-free interest rate of 1.50%, share price of CAD\$0.36 and a weighted average expected life of 5 years. The weighted average grant-date fair value of options granted during the year ended December 31, 2019 was CAD\$0.20 per option. The options granted by the Company vested immediately on the date of grant.

# 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, 2017	4,475,816	\$ 2.07
Expired	(543,391)	1.29
Balance, December 31, 2018	3,932,425	\$ 2.18
Warrants issued in private placements	18,660,000	0.46
Finder warrants	623,700	0.47
Exercised	(700,000)	0.50
Expired	(3,932,425)	0.85
<b>Balance, December 31, 2019</b>	<b>18,583,700</b>	<b>\$ 0.46</b>

At December 31, 2019, outstanding warrants to acquire common shares of the Company were as follows:

Number of warrants outstanding	Grant date fair value	Weighted average exercise price (CAD)	Expiry date
4,300,000	\$ 216,883	\$ 0.50	March 26, 2021
8,610,000	581,186	\$ 0.47	July 4, 2021
602,700	40,194	\$ 0.47	July 4, 2021
4,000,000	200,928	\$ 0.40	December 2, 2021
14,000	579	\$ 0.40	December 2, 2021
1,050,000	53,710	\$ 0.40	December 12, 2021
7,000	296	\$ 0.40	December 12, 2021
<b>18,583,700</b>	<b>\$ 1,093,776</b>	<b>\$ 0.46</b>	

On March 26, 2019, the Company issued 5,000,000 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.50 until March 26, 2021. The grant date fair value of these warrants of \$252,192 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 78% based on the Company's historical volatility, share price of CAD\$0.47 risk-free rate of 1.46%, and expected life of two years.

On July 4, 2019, the Company issued 8,610,000 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.47 until July 4, 2021. The grant date fair value of these warrants of \$581,184 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.27, risk-free rate of 1.58%, and expected life of two years.

On July 4, 2019, the Company issued 602,700 finder's warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.47 until July 4, 2021. The fair value of these warrants of \$40,196 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.27, risk-free rate of 1.58%, and expected life of two years.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
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## 10. Share capital (continued)

On December 2, 2019, the Company issued 4,000,000 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.40 until December 2, 2021. The grant date fair value of these warrants of CAD\$0.06 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.19, risk-free rate of 1.67%, and expected life of two years.

On December 2, 2019, the Company issued 14,000 finder's warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.40 until December 2, 2021. The fair value of these warrants of \$0.06 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.22, risk-free rate of 1.67%, and expected life of two years.

On December 12, 2019, the Company issued 1,050,000 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.40 until December 12, 2021. The grant date fair value of these warrants of \$0.06 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.19, risk-free rate of 1.67%, and expected life of two years.

On December 12, 2019, the Company issued 7,000 finder's warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.40 until December 12, 2021. The fair value of these warrants of \$0.06 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.22, risk-free rate of 1.67%, and expected life of two years.

# EURO SUN MINING INC.

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## 11. Exploration and evaluation expenditures

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

	Year ended December 31, 2019	Year ended December 31, 2018
Consulting and technical	\$ 1,990,828	\$ 1,914,498
Surface rights	63,130	182,609
Environmental studies	7,066	153,547
Other exploration costs	49,407	275,269
Metallurgical testing	33,990	393,909
Field office support and administration	128,327	539,164
Professional fees	13,135	-
Travel	(12,370)	206,194
Licence fees	481,341	-
	<b>\$ 2,754,854</b>	<b>\$ 3,665,190</b>

The Company owns 100% of the Rovina Valley Project in Romania; mining license number 18174/2015 which is held through its subsidiary SAMAX Romania S.R.L. The license will come into effect once it is ratified by the Romanian Government. Once ratified, the mining license is valid for 20 years, renewable for periods of five years until all the resources have been mined. 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, 2019, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

## 12. Loss per share

Basic 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, 2019 is 77,192,721 (December 31, 2018 – 58,240,301). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted loss per share. For the year ended December 31, 2019, basic and diluted loss per share was \$0.15 (December 31, 2018 – basic and diluted loss per share of \$0.12).

# EURO SUN MINING INC.

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## 13. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and also comprise the directors of the Company.

Key management personnel compensation:

	Year ended December 31, 2019	Year ended December 31, 2018
Directors and officers compensation	\$ 1,328,889	\$ 1,412,046
Share-based payments	996,050	656,201
	<b>\$ 2,324,939</b>	<b>\$ 2,068,247</b>

Included in the above amounts is \$272,727 (\$277,842 for the year ended December 31, 2018) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company of which Mr. Stan Bharti is the Executive Chairman, Mr. Matt Simpson is Chief Executive Officer and both of whom were directors of the Company during the year ended December 31, 2019.

As at December 31, 2019, the Company had \$281,112 (December 31, 2018 - \$26,542) in accounts payable owing to various officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand.

See Notes 9, 10, 16 and 18.

## 14. Financial risk factors

The Company's financial instruments comprise cash and cash equivalents, restricted deposits, sundry receivables, trade and other payables, deferred share unit liability, loans payable, and assets and liabilities held for sale.

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, 2019 and 2018 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, 2019, the Company had a cash and cash equivalents balance of \$1,499,857 (2018 - \$460,704) to settle trade and other payables of \$1,996,929 (2018 - \$501,538). Current liabilities consist of trade and other payables, loans payable, and liabilities held for sale, all generally due within one year.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
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## 14. 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, 2019 and 2018. 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, 2019 and 2018:

	2019		2018	
	Average rate	Closing rate	Average rate	Closing rate
RON	0.2360	0.2347	0.2537	0.2455
CAD	0.7576	0.7699	0.7718	0.7330

A 1% strengthening or weakening of the US dollar against the Romanian Lei at December 31, 2019 would result in an increase or decrease in operating loss of approximately \$682. A 1% strengthening or weakening of the US dollar against the Canadian dollar would result in an increase or decrease in other comprehensive income of approximately \$29,621.

#### (iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments. As the Company is not in production, its exposure to commodity price risk is reduced.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
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## 15. 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.

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, 2019 and 2018.

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:

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	<b>December 31, 2019</b>	December 31, 2018
Cash and cash equivalents	\$ 1,499,857	\$ 460,704
Restricted deposits	23,098	21,991
Share capital	219,767,486	212,605,103
Warrants	1,093,776	2,205,265
Contributed surplus	4,134,234	4,421,452
	<b>\$ 226,518,451</b>	<b>\$ 219,714,515</b>

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# EURO SUN MINING INC.

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## 16. Commitments and contingencies

### (a) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$4.6 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 \$3.4 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.

### (b) 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.

### (c) Novel Coronavirus

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

# EURO SUN MINING INC.

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## 17. Lease liability

On August 29, 2017, the Company entered into a lease agreement for office space in Bucharest, Romania. The monthly rent payable under the terms of the lease is 7,815 Euros (\$9,617) plus applicable service charges. The rent payable is subject to an annual increase based on the percentage increase in the Euro Zone Monetary Union Index of Consumer Prices over the prior year assessed annually. Amounts unpaid when due are subject to interest of 0.2% per day from the due date until the date the payment is made. The lease is for fixed term of five years commencing August 2017. As at December 31, 2019 and 2018, the Company had paid a deposit equivalent to six months rent and services charges of \$76,585. The Company used a discount rate of 8.5% in determining the present value of the lease payments.

Lease liability as at January 1, 2019 (Note 2)	\$	354,744
Interest expense		24,943
Lease payments		(105,246)
Effect of foreign exchange currency difference		(13,766)
<b>Lease liability as at December 31, 2019</b>	<b>\$</b>	<b>260,675</b>

		<b>December 31, 2019</b>
Current lease liability	\$	<b>89,315</b>
Non-current lease liability		<b>171,360</b>
	\$	<b>260,675</b>

Future undiscounted minimum lease payments for this lease agreement are as follows:

		<b>December 31, 2019</b>	December 31, 2018
Within one year	\$	<b>101,350</b>	103,215
After one year but not more than five years		<b>177,362</b>	275,240
More than five years		-	-
	\$	<b>278,712</b>	\$ 378,455

## 18. Loans payable

During the year ended December 31, 2019, an officer and director of the Company extended loans in the amount of \$50,528 to the Company. These loans were unsecured, interest free, and had no fixed terms of repayment. These loans were repaid in full in July 2019.

On June 4, 2019, Forbes & Manhattan extended a loan in the amount of CAD\$70,000 (\$53,488) to the Company. The loan was unsecured, interest free, and had no fixed terms of repayment. This loan was repaid in full in July 2019.

On June 18, 2019, the Company entered into a loan agreement with Sulliden Mining Capital Inc. ("Sulliden") in the amount of \$86,000. The loan was unsecured, had an interest rate of 12% per annum and was due to be repaid no later than August 17, 2019. This loan was repaid in full in July 2019. Stan Bharti, a director of the Company, is also a director of Sulliden.

On October 30, 2019, the Company entered into a loan agreement with Sulliden in the amount of \$76,994 (CAD\$100,000). The loan is unsecured, has an interest rate of 12% per annum and is due to be repaid no later than April 30, 2020. Stan Bharti, a director of the Company, is also a director of Sulliden. The Company repaid the loan in full in January 2020.

# EURO SUN MINING INC.

Notes to consolidated financial statements  
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## 19. 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% (2018 - 26.5%) were as follows:

	2019	2018
Loss before income taxes from continuing operations	\$ (8,109,130)	\$ (7,215,770)
Expected income tax recovery based on statutory rate	(2,149,000)	(1,912,000)
Adjustment to expected income tax benefit:		
Share-based compensation	(51,000)	254,000
Non deductible items	(1,429,000)	1,182,000
Difference in tax rates	-	25,000
Change in benefit of tax assets not recognized	3,629,000	451,000
Deferred income tax provision (recovery) from continuing operations	\$ -	\$ -

### (b) Deferred income taxes

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

	2019	2018
Non-capital loss carry-forwards (Canada)	\$ 48,644,000	\$ 39,955,000
Investment in associate (Canada)	3,604,000	241,000
Share issue costs (Canada)	575,000	276,000
Other (Canada)	5,525,000	5,261,000
Capital loss carry-forwards (Canada)	42,073,000	40,058,000
	\$ 100,421,000	\$ 85,791,000

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, 2019, the Company had estimated non-capital losses for Canadian income tax purposes of approximately \$48,644,000 (2018 - \$39,955,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2039.

As at December 31, 2019, the Company had estimated non-capital losses for Romanian income tax purposes of approximately \$nil (2018 - \$nil) available to use against future taxable income.

# EURO SUN MINING INC.

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## 20. Subsequent event

### **Amalgamation of Vilhelmina Mineral Inc. and sale of Vilhelmina Mineral AB**

On January 1, 2020, Vilhelmina Minerals Inc. amalgamated with the Company. As a result of this amalgamation, Vilhelmina Minerals Inc.'s interest in Vilhelmina Mineral AB transferred to the Company.

On March 9, 2020, the Company entered into an agreement with Nickel Mountain Resources AB ("Nickel Mountain"), an unrelated third party, to sell all of the shares in Vilhelmina Mineral AB (the "Agreement"). The Company will receive 11 shares in Nickel Mountain for each share of Vilhelmina Mineral AB. The Agreement is expected to be finalized following approval at an Extraordinary General Meeting of Nickel Mountain and is subject to various shareholder approvals by Nickel Mountain.

### **Private placement**

On January 30, 2020, the Company closed a private placement financing by issuing 11,379,000 common shares of the Company at a price of C\$0.29 per common share.

# EUROSUN MINING

## Management Discussion and Analysis

For the year ended December 31, 2019

(all amounts in U.S. dollars unless otherwise noted)

**Date: March 24, 2020**

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, 2019. 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, 2019. The audited consolidated 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.

Mr. Pierre Desautels, P. Geo., and Mr. Gordon Zurowski, P. Eng., both principal partners of AGP Mining Consultants Inc. (“AGP”), who are independent Qualified Person (as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”)) have reviewed and approved the scientific and technical information in this MD&A under the sections “Company Overview”, “Rovina Valley Project – History and Latest Developments”, “Rovina Valley Project Resource Estimate Update”, “Rovina Valley Project Preliminary Economic Assessment”, “2019 PEA Highlights”, “Third Quarter Highlights” and “Outlook”.

Management is responsible for the information disclosed in this MD&A and the accompanying 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 consolidated financial statements as at and for the year ended December 31, 2019, 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 west-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. RVP is the second largest gold deposit in Europe containing measured and indicated mineral resources of 7.1 million ounces of gold grading 0.55 g/t and 1.4 billion pounds of copper grading 0.16%.

## **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 Licence”). The Rovina License was officially ratified by the Romanian Government during Q4 2018. 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-development project in Eastern Europe and the main focus of its exploration efforts there since 2005 when it was awarded the Rovina exploration license through a public tender and bid process. Subsequent exploration by the Company defined 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 lies within the historic ‘Golden Quadrilateral’ mining district and has good road access, as well as proximity to nearby high-tension electric power and water supplies. The topography of the area is hilly with forest vegetation and interspersed grasslands with elevations of 300 to 700 metres above sea-level.

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 Romanian National Agency for Mineral Resources (“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 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 (the “MLA”) documentation including the mining study, the waste management plan, an environmental assessment, various impact studies and a closure plan. In March 2013, NAMR approved and registered the MLA resources/reserves in the National Registry. In October 2013, NAMR approved the mining waste management plan.

Initially, the MLA was to be based on a large 40,000 tonne per day operation. However, due to declining commodity prices and increases in capital cost items, the Company initiated a review of the scope of the project as a smaller and less 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 NAMR in August 2014. In October 2014, NAMR approved the mining waste management plan as one of the key steps in the Mining License approval process. There has been no previous commercial mining activity at the Rovina Valley Project and the proposed mine site footprint, as defined by its Mining License Application, does not include any known protected heritage sites or archaeological occurrences and has been specifically designed to minimize the impact on nearby communities. 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.

On May 27, 2015, NAMR approved a 20-year mining license for the Rovina Valley Project which represents the first and most important step in the licensing process. 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.

Under Romanian law, a mining licence may come into effect upon final review by several government departments and its publication in the official gazette. The Rovina Mining License was approved by the Romanian government in November 2018. Following the conversion to a mining license, approval to begin construction and mining operations will require a building authorization permit that will include land re-zoning and final environmental reviews and government approval resulting from a full Environmental Impact Assessment (“EIA”) study. Public consultation is a legal and integral part of the government environmental approval process. Surface rights are severed from mineral rights, and prior to receiving the final construction permit surface rights need to be acquired.

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 Company’s 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 the strategic environmental assessment (the “SEA”) documentation that will be required for the permitting of the project.

The Company initiated a feasibility study and metallurgical testing contract in September 2017 as well as evaluating scalability options for project development (the “Feasibility Study”). The feasibility study activity has been focused on metallurgical testing to confirm flotation gold and copper recovery characteristics. Additional testing is planned to further test the flotation tailings and concentrate as to their filtration and sedimentation characteristics. Ausenco SRK has provided guidance on field programs for developing additional geotechnical and hydrological design criteria for the Feasibility Study.

Representative geo-metallurgical samples weighing three tonnes each were collected and shipped for pilot plant scale grinding and flotation testwork for recovery of copper and gold without the use of cyanide. The final results were received in November 2018 and represent an improved metal recovery with respect to previous testwork.

In the fourth quarter 2018, the Company engaged AGP Mining Consultants Inc. and Lycopodium Engineering Inc. to complete an independent resource estimate update and to complete a Preliminary Economic Assessment (“PEA”) to disclosure standards defined in NI 43-101. The Company announced the results of the resource estimate update and PEA on February 20, 2019, and the supporting NI 43-101 Technical report is filed on SEDAR in accordance Standards of Disclosure for Mineral Projects.

## Rovina Valley Project Resource Estimate Update

On February 20<sup>th</sup>, 2019, Euro Sun announced its updated NI 43-101 mineral resource estimate ("2019 Resource Estimate") as prepared by independent consultants AGP, on its 100% owned Rovina Mining License in west-central Romania. The 2019 Resource Estimate includes the Colnic, Rovina and Ciresata gold-rich copper porphyry deposits, collectively referred to as the Rovina Valley Project. All three deposits are in close proximity and mill feed will be treated at a central facility. Colnic and Rovina are amenable to open-pit mining and Ciresata to bulk underground mining.

The 2019 Resource Estimate is an update to the 2012 Resource Estimate (completed by AGP) to primarily reflect higher operating costs, new metallurgical recoveries (see ESM Press Release dated September 19, 2018), and higher metal prices on resource constraining Lerchs-Grossman open pits using appropriate cut-off grades. The geologic model and interpolated block model from the 2012 Resource Estimate are not changed in this current estimate (see the 2019 Resource Estimate 43-101 Technical Report filed on SEDAR on April 1, 2019). Mineral resources were estimated in conformance with the 2014 CIM Mineral Resource and Mineral Reserve definitions referred to in NI 43-101 and are considered to have reasonable prospects for economic extraction.

AGP concluded that, effective February 20, 2019, and utilizing approximately 120,256 m of diamond drill hole data drilled by Euro Sun from 2006 through 2012, the Rovina Valley Project contains mineral resources of 89.8 million tonnes of Measured Resources at a grade of 0.62 g/t Au and 0.19 % Cu containing 1.78 million ounces of gold and 385 million pounds of copper, indicated resources of 306.6 million tonnes at a grade of 0.53 g/t Au and 0.15 % Cu containing 5.26 million ounces of gold and 1,006 million pounds of copper. The total Measured and Indicated resources amount to 396.5 million tonnes at a grade of 0.55 g/t Au and 0.16 g/t Cu containing 7.05 million ounces of gold and 1,391 million pounds of copper. Inferred resources added an additional 28.2 million tonnes at a grade of 0.37 g/t Au and 0.16 % Cu containing 0.33 million gold ounces and 98 million pounds of copper. The table below summarizes the result of the mineral resource estimate for all three porphyry deposits in the Rovina Valley Project.

### Rovina Valley Resource Estimate (2019)

Resource Category	Tonnage (MM t)	Au (g/t)	Cu (%)	Gold (M oz)	Copper (M lb)	AuEq* (M oz)
<b><i>Measured</i></b>						
Rovina (open-pit)	32.1	0.36	0.29	0.37	208	0.83
Colnic (open-pit)	29.2	0.65	0.12	0.61	74	0.77
Ciresata (underground)	28.5	0.88	0.16	0.81	102	1.03
<b>Total Measured</b>	<b>89.8</b>	<b>0.62</b>	<b>0.19</b>	<b>1.78</b>	<b>385</b>	<b>2.63</b>
<b><i>Indicated</i></b>						
Rovina (open-pit)	74.2	0.27	0.22	0.64	365	1.44
Colnic (open-pit)	106.5	0.47	0.10	1.62	228	2.12
Ciresata (underground)	125.9	0.74	0.15	3.01	413	3.92
<b>Total Indicated</b>	<b>306.6</b>	<b>0.53</b>	<b>0.15</b>	<b>5.26</b>	<b>1,006</b>	<b>7.47</b>
<b>Total Measured + Indicated</b>	<b>396.5</b>	<b>0.55</b>	<b>0.16</b>	<b>7.05</b>	<b>1,391</b>	<b>10.11</b>
<b><i>Inferred</i></b>						
Rovina (open-pit)	14.9	0.19	0.19	0.09	62	0.22
Colnic (open-pit)	4.7	0.34	0.10	0.05	10	0.07
Ciresata (underground)	8.6	0.70	0.14	0.19	26	0.25
<b>Total Inferred</b>	<b>28.2</b>	<b>0.37</b>	<b>0.16</b>	<b>0.33</b>	<b>98</b>	<b>0.55</b>

Notes: \*AuEq determined by using a long term gold price of US\$1,500/oz and a copper price of US\$3.30/lb. Metallurgical recoveries are not taken into account for AuEq.

Base case cut-offs used in the table are 0.35 g/t AuEq for the Colnic deposit and 0.25% CuEq for the Rovina deposit (both of which are amenable to open-pit mining), and 0.65 g/t AuEq for the Ciresata deposit, which is amenable to underground bulk mining.

For the Rovina and Colnic porphyries, the resources are pit-shell constrained using Lerchs-Grossmann algorithm pit optimizer and market metal values of \$1,500/oz Au price and \$3.30/lb Cu price, with net prices after smelter payables, concentrate transport, smelter charges, and royalty of US\$1,384/oz Au and US\$2.61/lb Cu for Colnic and US\$1,286/oz Au and US\$2.59/lb Cu for Rovina. Flotation metallurgical recoveries used are: Colnic 81.5% gold, 88.5% copper and Rovina 73.2% gold, 94.7% copper.

The quantity and grade of Inferred Resources reported above are conceptual in nature, and are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. For these reasons, an Inferred Mineral Resources has a lower level of confidence than an Indicated Mineral Resources and it is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade, and contained metal content.

At both the Rovina and Colnic deposits, there are higher-grade portions of each deposit that outcrop at surface. These areas represent higher grade porphyry core mineralization that can allow cut-off grade optimization in mining scenarios. As an example, the higher-grade mineralization at Colnic contains measured plus indicated resources at >0.70 g/t Au eq of 46 million tonnes at 0.75 g/t Au and 0.12% Cu. At the Rovina deposit, the higher-grade mineralization contains measured plus indicated resource at >0.50% Cu eq of 30 million tonnes at 0.48 g/t Au and 0.34% Cu. Ciresata has a continuous zone of high-grade gold and copper mineralization in the core of the deposit that persists at depth that is suitable for extraction with an underground bulk-mining method. At Ciresata, the measured plus indicated resource of this core at >1.0 g/t Au eq contains 58 million tonnes at 1.04 g/t Au and 0.18% Cu.

## **Rovina Valley Project Preliminary Economic Assessment**

On February 20, 2019, the Company announced the results of the Preliminary Economic Assessment (“PEA” and, together with the 2019 Resource Estimate, the “2019 Technical Report”) for the exploitation of the Colnic open pit; the initial phase of development of its Rovina Valley gold and copper project (the “Rovina Valley Project”). The Company is applying a staged, multi-phase development approach for the Rovina Valley Project. The Rovina Valley Project consists of the Colnic and Rovina gold-copper deposits amenable to open-pit development and the Ciresata gold-copper deposit suitable for underground development. The PEA considers the Colnic mineral deposit only but does include the processing facilities which will also be used in treating both Rovina and Ciresata mineral deposits. Sequencing for the Rovina open pit and Ciresata underground mine will be undertaken in a separate study at a later date.

### **2019 PEA Highlights**

- Average annual gold equivalent production of 139,000 ounces
- Colnic life of mine production of 1,675,000 Gold Equivalent ounces (1,301,000 ounces Au) over 12 years
- Avg. AISC of \$752/oz (net of copper credit)
- Processing rate of 20,000 tonnes per day incorporating flotation and dry stack tailings deposition.
- Pre-Tax NPV<sub>5%</sub> of \$218.1 million with an IRR of 15.4% and Post-Tax NPV<sub>5%</sub> of \$168.8 million with an IRR of 13.5% at \$1,325/oz gold and \$3.10/lb copper
- Initial capital costs of \$339.7 million (total CAPEX of \$352 million)
- Average metallurgical recoveries of 82% for gold and 89% copper without utilizing cyanide

The 2019 PEA highlights a positive economic project for our initial phase of development at the Rovina Valley Project. Colnic is an at surface open pit deposit containing only 28.6% of the total measured and indicated resources at the Rovina Valley Project. Colnic will form the foundation of a multi-decade operation with the expectation of bringing the Rovina pit on-line using pre-installed processing facility and infrastructure followed by the Ciresata deposit.

## Preliminary Economic Assessment Highlights

<b>Base Case Assumptions</b>	
Gold price (base case)	\$1,325/oz
Copper price (base case)	\$3.10/lb
Gold recovery	82%
Copper recovery	89%
Mine Life (Colnic Only)	12 years
Mining rate	20,000 tonnes per day
<b>Mine Parameter</b>	
Average annual gold equivalent production	139,000 ounces
Average annual gold production	108,000 ounces
Average annual copper production	13.3 million pounds
Average gold grade g/t	0.58
Average copper grade %	0.10
Colnic LOM Strip ratio (waste to ore)	1.9:1
<b>Capital Costs</b>	
Pre-strip capital	\$33.5 million
Initial capital	\$306.2 million
Total Initial Capital	\$339.7 million
Sustaining Capital	\$12.2 million
Total CAPEX	\$352 million
<b>Operating Costs</b>	
All-in sustaining costs	\$743/ ounce Au
Mining costs	\$2.25 /tonne moved
Milling costs	\$7.03 /tonne milled
G&A costs	\$0.50 /tonne milled
<b>Cash Flow</b>	
Pre-Tax NPV (5% discount rate)	\$218 million
Pre-Tax IRR	15.4%
Post-Tax NPV (5% discount rate)	\$169 million
Post-Tax IRR	13.5%

The PEA was prepared by Lycopodium Minerals Canada Limited and AGP. The PEA was filed on SEDAR (on April 1, 2019, in accordance with *National Instrument 43-101: Standards of Disclosure for Mineral Projects* (“NI 43-101”).

Further information on the Rovina Valley Project, including the 2019 Technical Report, can be found on the Company’s web site at [www.eurosunmining.com](http://www.eurosunmining.com).

All exploration or development field activities undertaken by the Company in Romania must occur on valid mining license, exploration licenses, or prospecting permits issued by 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 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.

Since SAMAX is an exploration and 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. 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.

## **Fourth Quarter Highlights**

### ***Private Placement***

On December 2, 2019, the Company issued 8,000,000 units of the Company (the "December First Tranche Units") at a price of C\$0.25 per Unit for gross proceeds of \$1,504,000 (CAD\$2,000,000) on completion of the first tranche of a non-brokered private placement offering (the "December Offering"). Each December First Tranche Unit consisted of one common share of the Company and one half of one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.40 per share until December 2, 2021. The Company paid \$2,632 (CAD\$3,500) in finder fees for this private placement and issued 14,000 finder warrants.

On December 12, 2019, the Company issued 2,100,000 units of the Company (the "December Second Tranche Units") at a price of C\$0.25 per Unit for gross proceeds of \$398,265 (CAD\$525,000) on completion of the second tranche of the December Offering. Each December Second Tranche Unit consisted of one common share of the Company and one half of one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.40 per share until December 12, 2021. The Company paid \$1,328 (CAD\$1,750) in finder fees for this private placement and issued 7,000 finder warrants.

### ***Ownership of Vilhelmina Minerals Inc.***

On October 10, 2019, the Company acquired all of the issued and outstanding shares of Vilhelmina Minerals Inc. ("Vilhelmina"). The Company acquired 2,457,230 common shares of Vilhelmina from other existing shareholders of Vilhelmina for a total purchase price of 9,088,235 common shares of the Company from treasury. As at December 31, 2019, the Company accounted for Vilhelmina Minerals Inc. as a wholly owned subsidiary of the Company.

### ***Board of Director Changes***

On October 15, 2019, the Company announced the appointment of Danny Callow as a new independent member of its Board of Directors. Mr. Callow has over 25 years of experience in building and operating large tonnage mines globally. Mr. Callow was formerly head of African Copper Operations for Glencore PLC, CEO and Executive Director of Katanga Mining Ltd. and CEO of Mopani Copper Mines PLC. Mr. Callow is a Professional Mining Engineer and holds an MBA from Henley Management College and a Bachelor (Hons) of Mining Engineering from the Camborne School of Mines. In addition, he holds a non-executive Director professional diploma from FT-London. Mr. Callow has overseen more than \$2.5 billion in mining projects from conception through to full production. Mr. Callow will replace Mr. Matt Simpson on the Board.

On November 7, 2019, the Company announced the appointment of Bruce Humphrey as a new independent member of its Board of Directors. Mr. Humphrey is a professional mining engineer with over 45 years of experience working in senior management roles with both junior and senior mining companies. As Chairman of Thompson Iron Mines Limited, he was instrumental in construction of the \$1.2 billion Bloom lake mine project. He was the CEO of Desert Sun Mining and re-developed the Jacobina mine in Brazil back into production and up until its sale to Yamana Gold in 2006. Mr. Humphrey was the Chief Operating Officer of Goldcorp Inc. from 1998 to 2004 responsible for

developing the Red Lake mine into a world class asset. Mr. Humphrey is a former director of Yamana Gold, Rio Alto, B2Gold Corp, Crocodile Gold Corp., Avion Gold and Sulliden Gold Corporation Ltd. He is a member of the Professional Engineers of Ontario. Mr. Humphrey will replace Tom Olesinski on the board.

## Subsequent Events

### *Amalgamation of Vilhelmina Mineral Inc. and sale of Vilhelmina Mineral AB*

On January 1, 2020, Vilhelmina Minerals Inc. amalgamated with the Company. As a result of this amalgamation, Vilhelmina Minerals Inc.'s interest in Vilhelmina Mineral AB transferred to the Company.

On March 9, 2020, the Company entered into an agreement with Nickel Mountain Resources AB ("Nickel Mountain") to sell all of the shares of Vilhelmina Mineral AB (the "Agreement"). The Company will receive 11 shares in Nickel Mountain for each share of Vilhelmina Mineral AB owned by the Company. The Agreement will be finalized following approval at an Extraordinary General Meeting of Nickel Mountain.

As a result of this agreement, the investment in Vilhelmina Minerals Inc. was presented as assets and liabilities held for sale and discontinued operations in the consolidated financial statements at December 31, 2019.

### *January Private Placement*

On January 30, 2020, the Company closed a private placement financing by issuing 11,379,000 common shares of the Company at a price of C\$0.29 per common share.

## Outlook

The Company's primary focus is to undertake the Environmental and Social Impact Assessment and will also continue the Feasibility Study accelerating the Rovina Valley Project towards a construction decision.

The PEA in April 2019 outlined a robust project with an average annual gold production of 139,000 ounces over 12 years with an all-in sustaining cost "AISC" of \$752/oz (net of copper credit). Production was based on a throughput rate of approximately 20,000 tonnes per day with initial capital costs of \$339.7 million. Average metallurgical recoveries of 82% for gold and 89% copper without utilizing cyanide.

## Selected Annual Information

	2019	2018	2017
Net loss for the year from continuing operations	\$ (8,124,517)	\$ (7,215,770)	\$ (6,243,881)
Net loss for the year from discontinued operations	(3,104,552)	-	-
Basic and diluted loss per share from continuing operations	(0.11)	(0.12)	(0.12)
Basic and diluted income per share from discontinued operations	(0.04)	-	-
Total assets	\$ 2,913,193	\$ 2,372,663	\$ 6,940,359
Number of weighted average shares	77,192,721	58,240,301	51,770,126

## Selected Quarterly Financial Information

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

For the quarters ended	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Net loss from continuing operations	\$ (1,805,033)	\$ (1,004,956)	\$ (3,467,456)	\$ (1,831,685)
Net loss from discontinued operations	(3,021,161)	(18,301)	(35,529)	(29,561)
Basic and diluted loss per share from continuing operations	(0.02)	(0.01)	(0.05)	(0.03)
Basic and diluted loss per share from discontinued operations	(0.04)	-	-	-
For the quarters ended	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Net loss from continuing operations	\$ (890,342)	\$ (1,290,936)	\$ (945,286)	\$ (3,938,368)
Net loss from discontinued operations	(41,676)	(29,766)	(67,369)	(12,027)
Basic and diluted loss per share from continuing operations	(0.02)	(0.02)	(0.02)	(0.06)
Basic and diluted loss per share from discontinued operations	-	-	-	-

## Results of operations for the three months and year ended December 31, 2019

### Selected financial information

	<b>Three months ended December 31, 2019</b>	Three months ended December 31, 2018	<b>Year ended December 31, 2019</b>	Year ended December 31, 2018
Loss from continuing operations	\$ (1,805,033)	\$ (890,342)	\$ (8,109,130)	\$ (7,064,932)
Loss from discontinued operations	<b>(3,104,552)</b>	(41,676)	<b>(3,104,552)</b>	(150,838)
Loss per share from continuing operations	<b>(0.02)</b>	(0.02)	<b>(0.11)</b>	(0.12)
Loss per share from discontinued operations	<b>(0.04)</b>	-	<b>(0.04)</b>	-
Expenses:				
Consulting and management fees	\$ 666,736	\$ 536,474	\$ 2,999,792	\$ 1,544,895
Professional fees	22,333	36,064	86,309	137,030
General office expenses	47,339	(13,473)	202,900	193,372
Travel expenses	36,281	135,708	234,298	420,259
Shareholder communications and filing fees	309,647	94,087	715,660	201,887
Share-based compensation	249,163	(307,100)	1,109,669	1,054,669
Other expenses	<b>(23,638)</b>	(461,692)	5,648	(152,370)
	<b>\$ 1,307,861</b>	\$ 20,068	<b>\$ 5,354,276</b>	\$ 3,399,742
Exploration and evaluation expenditures:				
Consulting and technical	\$ 505,448	\$ 404,878	\$ 1,990,828	\$ 1,914,498
Surface rights	2,353	26,657	63,130	182,609
Environmental studies	521	(1,997)	7,066	153,547
Other exploration costs	<b>(55,833)</b>	170,418	49,407	275,269
Metallurgical testing	<b>(68,499)</b>	19,830	33,990	393,909
Field office support and administration	<b>(117,729)</b>	152,534	128,327	539,164
Professional fees	7,217	-	13,135	-
Travel	669	97,954	<b>(12,370)</b>	206,194
Licence fees	223,025	-	481,341	-
	<b>\$ 497,172</b>	\$ 870,274	<b>\$ 2,754,854</b>	\$ 3,665,190

### ***Results of operations for the three months ended December 31, 2019 (“Q4 2019”)***

The net loss from continuing operations for Q4 2019 was \$1,805,033 compared to a net loss of \$890,342 for Q4 2018. The associated loss per share was \$0.02 in Q4 2019 and \$0.02 Q4 2018.

Consulting costs incurred for the three months ended December 31, 2019 were \$666,736 compared to \$536,474 in the comparative period.

Share-based compensation for Q4 2019 was \$249,163 compared to a recovery of \$307,100 in the comparative period. This difference was primarily due to the revaluation of outstanding DSUs in the quarter as a result of a decrease in the Company’s share price.

The Company has increased its exploration and evaluation expenditure during the quarter to \$497,172 from \$870,274 in the comparative period. This change is primarily due to decreased field office costs and less metallurgical testing in Q4 2019.

### ***Results of operations for the year ended December 31, 2019 (“Q4 2019 YTD”)***

The net loss from continuing operations for Q4 2019 YTD was \$8,109,130 compared to a net loss of \$7,064,932 for Q4 2018 YTD. The loss per share was \$0.11 in Q4 2019 YTD and \$0.12 in Q4 2018 YTD.

Consulting costs incurred for the year ended December 31, 2019 were \$2,999,792 compared to \$1,544,895 in the comparative period. The majority of the \$1,454,897 increase is attributed to one-off consulting expenditures for corporate communications.

Share-based compensation for Q4 2019 YTD was \$1,109,669 compared to \$1,054,669 in the comparative period. This difference was primarily due to the grant of 3,870,000 DSUs during the period, combined with subsequent revaluation of 3,135,000 DSUs granted on January 31, 2018 compared to the vesting and revaluation of the outstanding DSUs, combined with stock option granted as at and for the year ended December 31, 2019.

The Company has increased its exploration and evaluation expenditure during Q4 2019 YTD to \$2,754,854 from \$3,665,190 in the comparative period. This change is primarily due to reduced metallurgical spending, environmental study costs, and field office costs in 2019 compared to 2018.

### ***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 Valley 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 Valley Project.

As at December 31, 2019, the Company had cash and cash equivalents of \$1,499,857 (December 31, 2018 - \$460,704) and a negative working capital of \$1,529,466 (December 31, 2018 – negative \$486,519). 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 March 26, 2019, the Company closed a non-brokered private placement financing of 10,000,000 units at a price of CAD\$0.30 per unit for gross proceeds of \$2,241,000 (CAD\$3,000,000). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.50 for a period of two years from the grant date. The Company paid commissions and other expenses of \$84,769 (CAD\$113,452) in relation to this private placement.

On July 4, 2019, the Company issued 8,610,000 units of the Company (the “Units”) at a price of C\$0.36 per Unit for gross proceeds of C\$3,099,600 (\$2,373,674) on completion of a brokered private placement offering. Each Unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.47 per share until July 4, 2021. The Company paid C\$216,972 (\$166,157) in finder fees for this private placement and issued 602,700 Broker Warrants. Each Broker Warrant is exercisable to acquire one common share of the Company at a price of C\$0.47 until July 4, 2021. The Company paid other expenses of C\$277,866 (\$212,787) in relation to this private placement.

On December 2, 2019, the Company closed its first tranche of a non-brokered private placement financing of 8,000,000 units at a price of CAD\$0.25 per unit for gross proceeds of \$1,504,000 (CAD\$2,000,000). Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The warrants were valued at CAD\$0.06. The Company also granted 14,000 finder warrants to certain finders exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The finder warrants were valued at CAD\$0.06 and were included in share issuance costs. The Company paid commissions and other expenses of \$2,632 (CAD\$3,500) in relation to this private placement.

On December 12, 2019, the Company closed its second tranche of a non-brokered private placement financing of 2,100,000 units at a price of CAD\$0.25 per unit for gross proceeds of \$398,265 (CAD\$525,000). Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The warrants were valued at \$0.06. The Company also granted 7,000 finder warrants to certain finders exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The finder warrants were valued at CAD\$0.06 and were included in share issuance costs. The Company paid commissions and other expenses of \$1,328 (CAD\$1,750) in relation to this private placement.

## **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, Contingencies and Litigation**

### Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$4.6 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 \$3.4 million pursuant to the terms of these contracts.

### 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.

## Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

## **Related Party Transactions**

During the year ended December 31, 2019, the Company entered into the following transactions with related parties not disclosed elsewhere:

The Company paid or accrued \$2,324,939 (\$2,068,247 for the year ended December 31, 2018) of management compensation relating to officers and directors of the Company. Included in this amount is \$272,727 (\$277,842 for the year ended December 31, 2018) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which of Mr. Stan Bharti is the Executive Chairman and Mr. Matt Simpson is Chief Executive Officer both of whom were directors of the Company for the year ended December 31, 2019. Matt Simpson resigned from the Board on October 15, 2019

On January 31, 2018, the Company granted 2,735,000 DSUs to various current officers and directors of the Company with a vested value at December 31, 2019 of CAD\$701,224 (\$539,901).

On April 5, 2019, the Company granted 2,700,000 DSUs to various current officers and directors of the Company with a vested value at December 31, 2019 of CAD\$519,750 (\$392,471). All of the stock options vested immediately on grant date.

On April 5, 2019, the Company granted 665,000 stock options to various current officers and directors of the Company with a vested value at December 31, 2019 of CAD\$258,574 (\$193,155).

An officer of the Company extended loans in the amount of \$50,528 to the Company. These loans were unsecured, interest free, and had no fixed terms of repayment. These loans were repaid in full in July 2019.

On June 4, 2019, Forbes & Manhattan extended a loan in the amount of CAD\$70,000 (\$53,488) to the Company. The loan was unsecured, interest free, and had no fixed terms of repayment. This loan was repaid in full in July 2019.

On June 18, 2019, the Company entered into a loan agreement with Sulliden Mining Capital Inc. in the amount of \$86,000. The loan was unsecured, had an interest rate of 12% per annum and was due to be repaid no later than August 17, 2019. The loan principal of \$86,000 plus accrued interest of \$424.11 were repaid in full in July 2019.

On October 15, 2019, the Company granted 1,150,000 stock options to various current officers and directors of the Company with a vested value at December 31, 2019 of CAD\$302,237 (\$225,771). All of the stock options granted immediately on grant date.

On October 30, 2019, the Company entered into a loan agreement with Sulliden Mining Capital Inc. (“Sulliden”) in the amount of \$76,994 (CAD\$100,000). The loan is unsecured, has an interest rate of 12% per annum and is due to be repaid no later than April 30, 2020. Stan Bharti, a director of the Company, is also a director of Sulliden. The Company repaid the loan in full in January 2020.

On November 7, 2019, the Company granted 300,000 stock options to a director of the Company with a vested value at December 31, 2019 of CAD\$66,950 (\$50,011). All of the stock options granted immediately on grant date.

## Significant Accounting Policies

The consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2018 with the exception of the adoption of new accounting pronouncements on January 1, 2019 as outlined below.

The Company adopted IFRS 16, Leases on January 1, 2019. 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 right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. Effective January 1, 2019, the Company adopted this standard using the modified retrospective approach, under which the cumulative effect of initial application was recognized in accumulated deficit at January 1, 2019.

For contracts entered into before January 1, 2019, the Company determined whether the arrangement contained a lease under IAS 17 Leases ("IAS 17") and its interpretive guidance. Prior to the adoption of IFRS 16, these leases were classified as operating or finance leases based on an assessment of whether the lease transferred significantly all the risks and rewards of ownership of the underlying asset.

Upon transition to the new standard, lease liabilities were measured at the present value of the remaining lease payments discounted by the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets and lease liabilities were recognized on the statement of financial position with the cumulative difference recognized in accumulated deficit.

At transition, lease liabilities of \$354,744 and right-of-use assets of \$331,946 were recognized in the consolidated statement of financial position. The difference of \$22,798 was recognized as a reduction in accumulated deficit.

For contracts entered into subsequent to January 1, 2019 at inception of the contract, the Company assesses whether a contract is, or contains, a lease by evaluating if the contract conveys the right to control the use of an identified asset. For contracts that contain a lease, the Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted by any initial direct costs, and costs to dismantle and remove the underlying asset less any lease incentives. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. This replaced the previous requirement to recognize a provision for onerous lease contracts.

The lease liability is initially measured at the present value of lease payments to be paid subsequent to the commencement date of the lease, discounted either at the interest rate implicit in the lease or the Company's incremental borrowing rate. The lease payments measured in the initial lease liability include payments for an optional renewal period, if any, if the Company is reasonably certain that it will exercise a renewal extension option. The liability is measured at amortized cost using the effective interest method and will be remeasured when there is a change in either the future lease payments or assessment of whether an extension or other option will be exercised. The lease liability is subsequently adjusted for lease payments and interest on the obligation. Interest expense on the lease obligation is included in the consolidated statement of loss.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases with a lease term of less than 12 months and low value assets and recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term, as permitted by IFRS 16.

The Company reports its right-of-use asset as part of property, plant and equipment on the consolidated statement of financial position.

## **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, 2019 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](http://www.sedar.com).

## **Outstanding Share Data**

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

- a) 111,786,029 common shares outstanding.
- b) 18,583,700 warrants outstanding with expiry dates ranging from March 26, 2021 to December 12, 2021 with exercise prices between \$0.40 and \$0.50. If all the warrants were exercised, 18,583,700 shares would be issued for proceeds of CAD\$8,508,369.
- c) 9,585,329 stock options outstanding with expiry dates ranging from June 13, 2021 to October 15, 2024 with exercise prices from CAD\$0.28 to CAD\$1.36. If exercised, 9,585,329 shares would be issued for proceeds of CAD\$7,143,347.
- d) 7,036,259 deferred share units with no fixed expiry.

## **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 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 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.

# EUROSUN

MINING

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019**

**(Expressed in United States Dollars)**

**(UNAUDITED)**

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**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

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

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

# EURO SUN MINING INC.

Consolidated statements of financial position  
(Expressed in United States dollars)  
(unaudited)

As at:	March 31, 2020	December 31, 2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 966,039	\$ 1,499,857
Restricted deposits	21,146	23,098
Prepaid expenses and sundry receivables	120,382	349,244
	\$ 1,107,567	\$ 1,872,199
Assets held for sale (Note 5)	471,529	261,896
	\$ 1,579,096	\$ 2,134,095
Non-current assets		
Property, plant and equipment (Note 3)	677,522	702,513
Deposits (Note 11)	76,585	76,585
<b>Total assets</b>	\$ 2,333,203	\$ 2,913,193
<b>Liabilities</b>		
Current liabilities		
Trade and other payables	\$ 377,053	\$ 1,996,929
Deferred share unit liability (Note 6)	765,947	1,238,427
Loans payable (Note 12)	-	76,994
Current lease liability (Note 11)	74,512	89,315
	\$ 1,217,512	\$ 3,401,665
Liabilities held for sale (Note 5)	1,306,849	705,809
<b>Total current liabilities</b>	\$ 2,524,361	\$ 4,107,474
Non-current lease liability (Note 11)	119,720	171,360
<b>Total liabilities</b>	\$ 2,644,081	\$ 4,278,834
Equity (deficiency) attributable to shareholders		
Share capital (Note 7 (b))	222,251,979	219,767,486
Contributed surplus (Note 7 (c))	4,283,608	4,134,234
Warrants (Note 7 (d))	1,093,776	1,093,776
Accumulated deficit	(226,643,095)	(225,426,797)
Accumulated other comprehensive loss	(1,176,995)	(692,465)
<b>Total shareholders' (deficiency) equity</b>	\$ (190,727)	\$ (1,123,766)
Non-controlling interest (Note 5)	(120,151)	(241,875)
<b>Total (deficiency) equity</b>	(310,878)	(1,365,641)
<b>Total liabilities and shareholders' (deficiency) equity</b>	\$ 2,333,203	\$ 2,913,193

Nature of operations and going concern (Note 1)  
Commitments and contingencies (Note 8 and Note 10)

Approved by the Board of Directors on May 12, 2020:

"David Danziger", Director

"Bruce Humphrey", Director

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

# EURO SUN MINING INC.

Consolidated statements of loss and comprehensive loss  
(Expressed in United States dollars)  
(unaudited)

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Expenses</b>		
Consulting and management fees (Note 9)	\$ 294,146	\$ 336,933
Professional fees	27,461	38,860
General office expenses	51,613	40,083
Travel expenses	28,818	28,153
Shareholder communications and filing fees	81,611	235,905
Share-based compensation (Note 6, 7 (c) and 9)	(243,944)	304,001
Exploration and evaluation expenditures (Note 8)	986,870	832,416
Gain on foreign exchange	(305,302)	8,628
Interest income	-	(227)
Interest expense	5,842	6,933
<b>Net loss for the period from continuing operations</b>	<b>\$ (927,115)</b>	<b>\$ (1,831,685)</b>
Loss from discontinued operations (Note 5)	289,183	29,561
<b>Net loss for the period</b>	<b>\$ (1,216,298)</b>	<b>\$ (1,861,246)</b>
<b>Other comprehensive income (loss)</b>		
Cumulative translation adjustments	(484,530)	33,667
<b>Other comprehensive income (loss) for the period</b>	<b>\$ (484,530)</b>	<b>\$ 33,667</b>
<b>Net comprehensive loss for the period</b>	<b>\$ (1,700,828)</b>	<b>\$ (1,827,579)</b>
<b>Net loss and comprehensive loss attributable to:</b>		
Shareholders of Euro Sun	\$ (1,822,552)	\$ -
Non-controlling interest	121,724	-
	<b>\$ (1,700,828)</b>	<b>\$ -</b>
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)
Basic and diluted loss per share from discontinued operations	\$ -	\$ -
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	108,409,842	62,575,461

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

# EURO SUN MINING INC.

## Consolidated statements of changes in shareholders' (deficiency) equity (Expressed in United States dollars) (unaudited)

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Non-controlling interest	Shareholders' (deficiency) equity
Balance, December 31, 2018	\$ 212,605,103	\$ 2,205,265	\$ 4,421,452	\$ (217,647,546)	\$ (707,852)	\$ -	\$ 876,422
Adjustment on initial application of IFRS 16 (Note 2)	-	-	-	(22,798)	-	-	(22,798)
Adjusted balance, January 1, 2019	212,605,103	2,205,265	4,421,452	(217,670,344)	(707,852)	-	853,624
Private placement (Note 7 (b))	1,988,808	252,192	-	-	-	-	2,241,000
Share issuance costs (Note 7 (b))	(73,024)	-	-	-	-	-	(73,024)
Stock option grant (Note 7 (c))	-	-	215,134	-	-	-	215,134
Stock option expiry (Note 7 (c))	-	-	(337,291)	337,291	-	-	-
Net loss and comprehensive loss	-	-	-	(1,861,246)	33,667	-	(1,827,579)
Balance, March 31, 2019	\$ 214,520,887	\$ 2,457,457	\$ 4,299,295	\$ (219,194,299)	\$ (674,185)	\$ -	\$ 1,409,155
Balance, December 31, 2019	\$ 219,767,486	\$ 1,093,776	\$ 4,134,234	\$ (225,426,797)	\$ (692,465)	\$ (241,875)	\$ (1,365,641)
Private placement (Note 7 (b))	2,504,040	-	-	-	-	-	2,504,040
Share issuance costs (Note 7 (b))	(19,547)	-	-	-	-	-	(19,547)
Stock option grant (Note 7 (c))	-	-	149,374	-	-	-	149,374
Net loss and comprehensive loss	-	-	-	(1,216,298)	(484,530)	121,724	(1,579,104)
Balance, March 31, 2020	\$ 222,251,979	\$ 1,093,776	\$ 4,283,608	\$ (226,643,095)	\$ (1,176,995)	\$ (120,151)	\$ (310,878)

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

# EURO SUN MINING INC.

Consolidated statements of cash flows  
(Expressed in United States dollars)  
(unaudited)

	Three months ended March 31, 2020	Three months ended March 31, 2019
<b>Cash flows from operating activities</b>		
Loss and comprehensive loss for the period	\$ (1,700,828)	\$ (1,827,579)
Adjustment for:		
Depreciation and amortization (Note 3)	50,310	56,905
Interest income	-	(227)
Deferred share units (Note 6)	(393,318)	304,001
Stock options granted (Note 7 (c))	149,374	-
	\$ (1,894,462)	\$ (1,466,900)
Prepaid expenses, sundry receivables and restricted deposits	228,862	(500,904)
Trade and other payables	(1,699,038)	259,902
Net cash used in operating activities from continuing operations	\$ (3,364,638)	\$ (1,707,902)
Net cash provided by operating activities from discontinued operations	513,131	29,561
Net cash used in operating activities	\$ (2,851,507)	\$ (1,678,341)
<b>Cash flows from investing activities</b>		
Interest income	-	227
Acquisition of property, plant and equipment (Note 3)	(25,319)	(29,530)
Investment in associate (Note 6)	-	-
Net cash used in investing activities	\$ (25,319)	\$ (29,303)
<b>Cash flows from financing activities</b>		
Proceeds from private placement (Note 7 (b))	2,504,040	2,241,000
Share issuance costs (Note 7 (b))	(19,547)	(73,024)
Warrant exercise (Note 7 (d))	-	-
Payment of principal portion of lease liability (Note 11)	(21,808)	(20,253)
Loans proceeds (Note 12)	-	-
Loans repayment	(76,994)	-
Net cash provided by financing activities	\$ 2,385,691	\$ 2,147,723
Effect of exchange rate changes on cash and cash equivalents	\$ (42,683)	\$ (16,741)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(533,818)	423,338
CASH AND CASH EQUIVALENTS, beginning of period	\$ 1,499,857	\$ 460,704
CASH AND CASH EQUIVALENTS, end of period	\$ 966,039	\$ 884,042
<b>Supplemental cash flow information:</b>		
Right of use asset (Note 3)	\$ -	\$ 334,946

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

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in United States Dollars)

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## 1. Nature of operations and going concern

Euro Sun Mining 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". The address of its registered office is 65 Queen Street West, Suite 805, Toronto, Ontario, M5H 2M5.

These unaudited condensed consolidated interim 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 operations for the next fiscal year. For the three months ended March 31, 2020, the Company incurred a net loss of \$1,216,298 and as at March 31, 2020, reported an accumulated deficit of \$226,643,095 and a negative working capital of \$109,945 including \$966,039 in cash and cash equivalents. The Company has no current source of operating cash flow, and 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. These matters represent material uncertainties that cast substantial doubt about the ability of the Company to continue as a going concern.

These condensed consolidated interim financial statements do not reflect adjustments to the carrying value of assets and liabilities or reported expenses and consolidated 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.

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in United States Dollars)

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## 2. Basis of presentation

The Company prepares its unaudited condensed consolidated interim financial statements in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These statements are condensed and do not include all the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2019.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 12, 2020.

### Basis of measurement

The condensed consolidated interim financial statements have been prepared under the historical cost convention, unless otherwise disclosed. The condensed consolidated interim financial statements have been prepared on an accrual basis except for cash flow information.

The functional currency of Euro Sun Mining Inc. is the Canadian dollar. The functional currency of Vilhelmina Minerals Inc., Vilhelmina Mineral AB and Joma Gruver AS is the Canadian dollar. The functional currency of SAMAX Romania Limited and SAMAX Romania S.R.L. is the U.S. dollar.

### Basis of presentation

The condensed consolidated interim 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 condensed consolidated interim 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 March 31, 2020:

Name of entity	Country of incorporation	Ownership
SAMAX Romania Limited	Cyprus	100%
SAMAX Romania S.R.L.	Romania	100%
Vilhelmina Mineral AB	Sweden	46.9%
Joma Gruver AS	Norway	23.5%

On October 10, 2019, the Company purchased all outstanding shares of Vilhelmina Minerals Inc., increasing its ownership of Vilhelmina Mineral Inc. from 34.1% to 100%. Vilhelmina Minerals Inc. has a 46.86% ownership in Vilhelmina Mineral AB and a 23.5% ownership in Joma Gruver AS. Mr. Scott Moore, an officer and director of the Company, is a director of Vilhelmina Mineral AB.

In January 2020, the Company amalgamated Vilhelmina Minerals Inc. with the Company.

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three months ended March 31, 2020 and 2019  
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## 2. Basis of presentation (continued)

### Significant accounting policies

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following new standards and interpretations issued by the IASB that were effective as of January 1, 2020.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. These amendments did not have a significant impact on the condensed consolidated interim financial statements.

## 3. Property, plant and equipment

	Building in Progress	Leasehold improvements	Machinery, equipment & vehicles	Right of use asset	Total
<b>Cost:</b>					
Balance, December 31, 2018	\$ 53,349	\$ 401,236	\$ 158,288	\$ -	\$ 612,873
Additions	49,081	1,097	15,496	-	65,674
Adoption of IFRS 16 (Note 2)	-	-	-	331,946	331,946
Balance, December 31, 2019	\$ 102,430	\$ 402,333	\$ 173,784	\$ 331,946	\$ 1,010,493
Additions	-	462	24,857	-	25,319
<b>Balance, March 31, 2020</b>	<b>\$ 102,430</b>	<b>\$ 402,795</b>	<b>\$ 198,641</b>	<b>\$ 331,946</b>	<b>\$ 1,035,812</b>
<b>Depreciation:</b>					
At December 31, 2018	\$ -	\$ 59,348	\$ 39,920	\$ -	\$ 99,268
Depreciation charge for the year	-	74,964	43,217	90,531	208,712
Balance, December 31, 2019	\$ -	\$ 134,312	\$ 83,137	\$ 90,531	\$ 307,980
Depreciation charge for the period	-	18,603	9,074	22,633	50,310
<b>Balance, March 31, 2020</b>	<b>\$ -</b>	<b>\$ 152,915</b>	<b>\$ 92,211</b>	<b>\$ 113,164</b>	<b>\$ 358,290</b>
<b>Net book value:</b>					
At December 31, 2019	\$ 102,430	\$ 268,021	\$ 90,647	\$ 241,415	\$ 702,513
<b>At March 31, 2020</b>	<b>\$ 102,430</b>	<b>\$ 249,880</b>	<b>\$ 106,430</b>	<b>\$ 218,782</b>	<b>\$ 677,522</b>

As at March 31, 2020, the carrying value of property, plant and equipment is comprised of \$nil in Canada (December 31, 2019 – \$nil) and \$677,522 in Romania (December 31, 2019 - \$702,513).

# EURO SUN MINING INC.

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## 4. Acquisition of Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company incorporated in Canada engaged in the exploration and development of metals, for CAD\$600,000 (\$483,420). In April 2018, the Company purchased an additional 600,000 common shares of Vilhelmina Minerals Inc. for CAD\$600,000 (\$476,430), and in December 2018, the Company purchased 74,000 common shares of Vilhelmina Minerals Inc. for CAD\$74,000 (\$54,244), increasing its ownership interest in Vilhelmina Minerals Inc. to 36.3% as at December 31, 2018 (2017 - 33%). Vilhelmina Minerals Inc. issued 220,000 shares in Q1 2019, decreasing the Company's ownership interest in Vilhelmina Minerals Inc. to 34.14% at the time of the transaction. Vilhelmina Minerals Inc. currently holds a 46.9% ownership interest in Vilhelmina Mineral AB ("Vilhelmina"), a private company which owns an interest in exploration and evaluation properties in Sweden and Norway. Vilhelmina Minerals Inc. has a contractual right to appoint three of the five directors of Vilhelmina. Vilhelmina is located in Sweden, and Mr. Scott Moore, an officer and director of the Company, is a director of Vilhelmina. Vilhelmina currently holds a 50% interest in Joma Gruver AS, a private company which holds an interest in exploration and evaluation properties in Norway, with an option to increase its ownership.

On October 10, 2019, the Company acquired all of the issued and outstanding shares of Vilhelmina Minerals Inc. The Company acquired 2,457,230 common shares of Vilhelmina Minerals Inc. from other existing shareholders of Vilhelmina Minerals Inc. for a total purchase price of 9,088,235 common shares of the Company issued from treasury, making Vilhelmina Minerals Inc. a wholly owned subsidiary of the Company.

### Purchase price consideration

The acquisition is being treated as an asset acquisition for accounting purposes as Vilhelmina Minerals Inc. does not meet the definition of a business under IFRS.

<b>Purchase price</b>	
Share consideration, based on the quoted market value of the shares issued	\$ 1,948,358
Original purchase price of existing Vilhelmina Minerals Inc. shares prior to acquisition	709,248
<b>Total purchase price</b>	<b>\$ 2,657,606</b>

<b>Fair value of assets acquired and liabilities assumed</b>	
Cash and cash equivalents	\$ 118,049
Prepaid and sundry receivables	50,875
Accounts payable	(336,567)
Non controlling interest	80,701
Exploration property acquisition cost	2,744,548
<b>Total</b>	<b>\$ 2,657,606</b>

Prior to acquiring all issued and outstanding shares of Vilhelmina Minerals Inc., Vilhelmina Minerals Inc. had been accounted for as an investment in associate using the equity method. The Company recorded a loss from investment in associate of \$29,561 related to its investment in Vilhelmina Minerals Inc. for the three months ended March 31, 2019.

# EURO SUN MINING INC.

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## 4. Acquisition of Vilhelmina Minerals Inc. (continued)

On January 1, 2020, Vilhelmina Minerals Inc. and Euro Sun were amalgamated, effectively, resulting in Vilhelmina Minerals Inc.'s investment in Vilhelmina Mineral AB being transferred to the Company. In March 2020, the Company entered into an agreement to sell its investment in Vilhelmina Mineral AB and therefore, Vilhelmina Mineral AB was recorded as assets and liabilities held for sale as at March 31, 2020.

## 5. Discontinued operations

On March 9, 2020, the Company entered into an agreement to sell its interest in Vilhelmina Mineral AB to Nickel Mountain Resources AB ("Nickel Mountain") for share consideration of 11 shares of Nickel Mountain for each one share of Vilhelmina Mineral AB owned by the Company (the "Transaction"). As a result of management's assessment of conditions existing at March 31, 2020, the Company's investment in Vilhelmina Minerals AB has been classified as assets and liabilities held for a sale and discontinued operations on the consolidated statement of financial position and the consolidated statement of loss and comprehensive loss for the three months ended March 31, 2020.

The Transaction requires the approval at an extraordinary general meeting of Nickel Mountain and has not closed as at the date of filing the financial statements. On closing of the transaction, the Company is expected to own approximately 37.6% of Nickel Mountain.

The following assets and liabilities of Vilhelmina Minerals AB have been included in the asset and liabilities held for sale on the consolidated statement of financial position as at March 31, 2020:

	March 31, 2020	December 31, 2019
<b>Assets</b>		
Cash	\$ 413,089	\$ 190,696
Amounts receivable	58,439	71,200
	<b>\$ 471,528</b>	<b>\$ 261,896</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 755,957	\$ 705,809
Loan payable	550,892	-
	<b>\$ 1,306,849</b>	<b>\$ 705,809</b>
<b>Non-controlling interest</b>		
Non-controlling interest	\$ (120,151)	\$ (241,875)
	<b>\$ (120,151)</b>	<b>\$ (241,875)</b>

The operating results related to Vilhelmina Minerals AB have been included in discontinued operations in the consolidated statement of loss and comprehensive loss and are comprised of the following costs for the three months ended March 31, 2020 and 2019:

	Three months ended March 31, 2020	Three months ended March 31, 2019
Exploration and evaluation expenditures	\$ 439,598	\$ -
General office expenses	1,389	-
Loss from investment in associate	-	29,561
Foreign exchange gain	(151,804)	-
Loss and comprehensive loss from discontinued operations	<b>\$ 289,183</b>	<b>\$ 29,561</b>

# EURO SUN MINING INC.

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## 6. 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 consolidated statement of financial position.

The following transactions occurred during the periods noted below:

Number of DSUs outstanding, December 31, 2018	<b>3,351,259</b>
Granted	3,870,000
Paid out	(123,333)
Forfeited	(61,667)
Number of DSUs outstanding, December 31, 2019 and March 31, 2020	<b>7,036,259</b>
Granted	
Paid out	
Forfeited	
Number of DSUs outstanding, March 31, 2020	<b>7,036,259</b>
	<b>March 31, December 31,</b>
	<b>2020 2019</b>
DSU Liability	<b>\$ 765,947 \$ 1,238,427</b>

In January 2018, 3,855,000 DSUs were granted with one third vesting immediately, one third vesting in one year from the grant date, and one third vesting two years from the grant date.

In April 2019, 3,870,000 DSUs were granted, with one third vesting immediately, one third vesting in one year from the grant date, and one third vesting in two years from the grant date.

As at March 31, 2020, 4,456,259 of the outstanding DSUs had vested.

# EURO SUN MINING INC.

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## 7. 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, 2018	61,908,794	\$ 212,605,103
Common shares issued in private placement (i)	28,710,000	5,428,924
Share issuance costs (ii)	-	(510,651)
Warrant exercise	700,000	260,445
Value allocation on warrant exercise	-	35,307
Vihelmina acquisition	9,088,235	1,948,358
Balance, December 31, 2019	100,407,029	\$ 219,767,486
Common shares issued in private placement (ii)	<b>11,379,000</b>	<b>2,504,040</b>
Share issuance costs (ii)	-	<b>(19,547)</b>
<b>Balance, March 31, 2020</b>	<b>111,786,029</b>	<b>\$ 222,251,979</b>

(i) On November 8, 2018, the Company closed a non-brokered private placement financing of 4,333,333 common shares at a price of CAD\$0.60 per share for gross proceeds of \$2,000,000 (CAD\$2,619,200).

(ii) On March 26, 2019, the Company closed a non-brokered private placement financing of 10,000,000 units at a price of CAD\$0.30 per unit for gross proceeds of \$2,241,000 (CAD\$3,000,000). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.50 for a period of two years from the grant date. The warrants were valued at \$252,192 (CAD\$337,606). The Company paid commissions and other expenses of \$84,749 (CAD\$113,452) in relation to this private placement. Directors and officers participated and acquired a total of 550,000 units of this private placement for gross proceeds of \$123,255 (CAD\$165,000).

On July 4, 2019, the Company closed a brokered private placement financing of 8,610,000 units at a price of CAD\$0.36 per unit for gross proceeds of \$2,373,674 (CAD\$3,099,600). Each unit is comprised of one common share and one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.47 for a period of two years from the grant date. The warrants were valued at \$581,184 (CAD\$758,922). The Company also granted 602,600 finder warrants exercisable to acquire one common share at a price of CAD\$0.47 for a period of two years from the grant date. The finder warrants were valued at \$40,194 (CAD\$52,480) and were included in share issuance costs. The Company paid commissions and other expenses of \$502,523 (CAD\$380,874) in relation to this private placement.

On December 2, 2019, the Company closed its first tranche of a non-brokered private placement financing of 8,000,000 units at a price of CAD\$0.25 per unit for gross proceeds of \$1,504,000 (CAD\$2,000,000). Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The warrants were valued at CAD\$0.06. The Company also granted 14,000 finder warrants to certain finders exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The finder warrants were valued at CAD\$0.06 and were included in share issuance costs. The Company paid commissions and other expenses of \$2,632 (CAD\$3,500) in relation to this private placement. A director participated and acquired a total of 300,000 units of this private placement for proceeds of \$56,400 (CAD\$75,000).

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## 7. Share capital (continued)

On December 12, 2019, the Company closed its second tranche of a non-brokered private placement financing of 2,100,000 units at a price of CAD\$0.25 per unit for gross proceeds of \$398,265 (CAD\$525,000). Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The warrants were valued at CAD\$0.06. The Company also granted 7,000 finder warrants to certain finders exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The finder warrants were valued at CAD\$0.06 and were included in share issuance costs. The Company paid commissions and other expenses of \$1,328 (CAD\$1,750) in relation to this private placement.

On January 30, 2020, the Company closed a non-brokered private placement financing of 11,379,310 shares at a price of CAD\$0.29 per share for gross proceeds of \$2,504,040 (CAD\$3,300,000). The Company paid commissions and other expenses of \$19,547 (CAD\$25,888) in relation to this private placement.

### (c) Stock options

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2018	4,698,324	\$ 1.36
Granted	5,290,000	0.51
Expired	(1,402,995)	1.36
Balance, December 31, 2019	8,585,329	\$ 0.73
Granted	<b>1,000,000</b>	<b>0.30</b>
<b>Balance, March 31, 2020</b>	<b>9,585,329</b>	<b>\$ 0.72</b>

As at March 31, 2020, 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
3,320,064	3,320,064	\$ 3,159,997	\$ 1.36	June 13, 2021	1.20
275,265	275,265	211,634	1.36	September 30, 2021	1.50
1,500,000	1,500,000	110,004	0.33	March 14, 2021	0.95
500,000	500,000	105,130	0.46	March 28, 2024	3.99
840,000	840,000	243,985	0.73	April 5, 2024	4.02
1,850,000	1,850,000	252,669	0.28	October 15, 2024	4.55
300,000	300,000	50,815	0.33	November 7, 2024	4.61
1,000,000	1,000,000	149,374	0.30	January 5, 2025	4.77
9,585,329	9,585,329	\$ 4,283,608			1.17

During the three months ended March 31, 2020, the Company granted 1,000,000 stock options, respectively (2,000,000 stock options granted for the three months ended March 31, 2019) and options vested with a total value \$149,374 (\$215,134 for the three months ended March 31, 2019).

# EURO SUN MINING INC.

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## 7. Share capital (continued)

The weighted average grant date fair value of options granted during the three months ended March 31, 2020 was measured using the Black-Scholes option pricing model. The following inputs were used in the measurement of fair values at grant date: expected dividend yield of 0%, expected volatility of 83% based on the Company's historical volatility, weighted average risk-free interest rate of 1.58%, share price of CAD\$0.30 and a weighted average expected life of 5 years. The weighted average grant-date fair value of options granted during the three months ended March 31, 2020 was CAD\$0.19 per option. The options granted by the Company vested immediately on the date of grant.

### (d) Common share purchase warrants

	Number of warrants	Weighted average exercise price (CAD)
Balance, December 31, 2018	3,932,425	\$ 2.18
Warrants issued in private placements	18,660,000	\$ 0.46
Finder warrants	623,700	\$ 0.47
Exercised	(700,000)	\$ 0.50
Expired	(3,932,425)	0.85
Balance, December 31, 2019 and March 31, 2020	18,583,700	\$ 0.46

At March 31, 2020, outstanding warrants to acquire common shares of the Company were as follows:

Number of warrants outstanding	Grant date fair value	Weighted average exercise price (CAD)	Expiry date
4,300,000	\$ 216,883	\$ 0.50	March 26, 2021
8,610,000	581,186	\$ 0.47	July 4, 2021
602,700	40,194	\$ 0.47	July 4, 2021
4,000,000	200,928	\$ 0.40	December 2, 2021
14,000	579	\$ 0.40	December 2, 2021
1,050,000	53,710	\$ 0.40	December 12, 2021
7,000	296	\$ 0.40	December 12, 2021
18,583,700	\$ 1,093,776	\$ 0.46	

On March 26, 2019, the Company issued 5,000,000 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.50 until March 26, 2021. The grant date fair value of these warrants of \$252,192 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 78% based on the Company's historical volatility, share price of CAD\$0.47 risk-free rate of 1.46%, and expected life of two years.

On July 4, 2019, the Company issued 8,610,000 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.47 until July 4, 2021. The grant date fair value of these warrants of \$581,184 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.27, risk-free rate of 1.58%, and expected life of two years.

# EURO SUN MINING INC.

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## 7. Share capital (continued)

On July 4, 2019, the Company issued 602,700 finder's warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.47 until July 4, 2021. The fair value of these warrants of \$40,196 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.27, risk-free rate of 1.58%, and expected life of two years.

On December 2, 2019, the Company issued 4,000,000 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.40 until December 2, 2021. The grant date fair value of these warrants of CAD\$0.06 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.19, risk-free rate of 1.67%, and expected life of two years.

On December 2, 2019, the Company issued 14,000 finder's warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.40 until December 2, 2021. The fair value of these warrants of \$0.06 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.22, risk-free rate of 1.67%, and expected life of two years.

On December 12, 2019, the Company issued 1,050,000 warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.40 until December 12, 2021. The grant date fair value of these warrants of \$0.06 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.19, risk-free rate of 1.67%, and expected life of two years.

On December 12, 2019, the Company issued 7,000 finder's warrants as part of a private placement which entitles the holder to purchase one common share of the Company at an exercise price of CAD\$0.40 until December 12, 2021. The fair value of these warrants of \$0.06 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 87% based on the Company's historical volatility, share price of CAD\$0.22, risk-free rate of 1.67%, and expected life of two years.

# EURO SUN MINING INC.

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## 8. Exploration and evaluation expenditures

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

	<b>Three months March 31, 2020</b>	Three months March 31, 2019
Consulting and technical	\$ 552,682	\$ 597,774
Surface rights	9,938	10,576
Environmental studies	42,160	3,045
Other exploration costs	7,376	36,335
Metallurgical testing	-	34,552
Field office support and administration	82,848	141,712
Professional fees	32,950	5,916
Travel	31,027	2,506
Licence fees	227,889	-
	<b>\$ 986,870</b>	<b>\$ 832,416</b>

The Company owns 100% of the Rovina Valley Project in Romania; mining license number 18174/2015 which is held through its subsidiary SAMAX Romania S.R.L. The license will come into effect once it is ratified by the Romanian Government. Once ratified, the mining license is valid for 20 years, renewable for periods of five years until all the resources have been mined. The project carries a 6% (gold) and 5% (copper) net smelter return "NSR" royalty payable to the Romanian state once in production. As at March 31, 2020, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

## 9. Related party transactions

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and also comprise the directors of the Company.

Key management personnel compensation:

	<b>ended March 31, 2020</b>	ended March 31, 2019
Directors and officers compensation	\$ 344,115	\$ 325,754
Share-based payments	259,259	77,829
	<b>\$ 603,374</b>	<b>\$ 403,583</b>

As at March 31, 2020, the Company had \$21,149 (December 31, 2019 - \$281,112) in accounts payable owing to various officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand.

# EURO SUN MINING INC.

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## 10. Commitments and contingencies

### (a) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$4.3 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 \$2.9 million pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these condensed consolidated interim financial statements.

### (b) 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.

### (c) Novel Coronavirus

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

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### 11. Lease liability

On August 29, 2017, the Company entered into a lease agreement for office space in Bucharest, Romania. The monthly rent payable under the terms of the lease is 7,815 Euros (\$9,617) plus applicable service charges. The rent payable is subject to an annual increase based on the percentage increase in the Euro Zone Monetary Union Index of Consumer Prices over the prior year assessed annually. Amounts unpaid when due are subject to interest of 0.2% per day from the due date until the date the payment is made. The lease is for fixed term of five years commencing August 2017. As at March 31, 2020 and December 31, 2019, the Company had paid a deposit equivalent to six months rent and services charges of \$76,585. The Company used a discount rate of 8.5% in determining the present value of the lease payments.

Lease liability as at January 1, 2019	\$	354,744
Interest expense		24,943
Lease payments		(105,246)
Effect of foreign exchange currency difference		(13,766)
<b>Lease liability as at December 31, 2019</b>	<b>\$</b>	<b>260,675</b>
Interest expense		4,216
Lease payments		(21,808)
Effect of foreign exchange currency difference		(48,851)
<b>Lease liability as at March 31, 2020</b>	<b>\$</b>	<b>194,232</b>

	March 31, 2020	December 31, 2019
Current lease liability	\$ 74,512	\$ 89,315
Non-current lease liability	119,720	171,360
	<b>\$ 194,232</b>	<b>\$ 260,675</b>

Future undiscounted minimum lease payments for this lease agreement are as follows:

	March 31, 2020	December 31, 2019
Within one year	\$ 99,138	100,972
After one year but not more than five years	148,706	176,701
More than five years	-	-
	<b>\$ 247,844</b>	<b>\$ 277,673</b>

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three months ended March 31, 2020 and 2019  
(Expressed in United States Dollars)

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## 12. Loans payable

During the three months ended March 31, 2020, an officer and director of the Company extended loans in the amount of \$50,528 to the Company. These loans were unsecured, interest free, and had no fixed terms of repayment. These loans were repaid in full in July 2019.

On June 4, 2019, Forbes & Manhattan extended a loan in the amount of CAD\$70,000 (\$53,488) to the Company. The loan was unsecured, interest free, and had no fixed terms of repayment. This loan was repaid in full in July 2019.

On June 18, 2019, the Company entered into a loan agreement with Sulliden Mining Capital Inc. ("Sulliden") in the amount of \$86,000. The loan was unsecured, had an interest rate of 12% per annum and was due to be repaid no later than August 17, 2019. This loan was repaid in full in July 2019. Stan Bharti, a director of the Company, is also a director of Sulliden.

On October 30, 2019, the Company entered into a loan agreement with Sulliden in the amount of \$76,994 (CAD\$100,000). The loan is unsecured, has an interest rate of 12% per annum and is due to be repaid no later than April 30, 2020. Stan Bharti, a director of the Company, is also a director of Sulliden. The Company repaid the loan in full in January 2020.

# EUROSUN

## MINING

### **Management Discussion and Analysis** **For the three months ended March 31, 2020**

(all amounts in U.S. dollars unless otherwise noted)

**Date: May 12, 2020**

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 three months ended March 31, 2020. This MD&A should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and related notes as at and for the three months ended March 31, 2020 and its audited consolidated financial statements as at and for the year ended December 31, 2019. The unaudited condensed consolidated interim financial statements and related notes of Euro Sun have been prepared in accordance with IAS 34, Interim Financial Reporting. 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.

Mr. Pierre Desautels, P. Geo., and Mr. Gordon Zurowski, P. Eng., both principal partners of AGP Mining Consultants Inc. (“AGP”), who are independent Qualified Person (as defined by National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“NI 43-101”)) have reviewed and approved the scientific and technical information in this MD&A under the sections “Company Overview”, “Rovina Valley Project – History and Latest Developments”, “Rovina Valley Project Resource Estimate Update”, “Rovina Valley Project Preliminary Economic Assessment”, “2019 PEA Highlights”, “Third Quarter Highlights” and “Outlook”.

Management is responsible for the information disclosed in this MD&A and the accompanying 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 consolidated financial statements as at and for the three months ended March 31, 2020, 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 west-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. RVP is the second largest gold deposit in Europe containing measured and indicated mineral resources of 7.1 million ounces of gold grading 0.55 g/t and 1.4 billion pounds of copper grading 0.16%.

## **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 Licence”). The Rovina License was officially ratified by the Romanian Government during Q4 2018. 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-development project in Eastern Europe and the main focus of its exploration efforts there since 2005 when it was awarded the Rovina exploration license through a public tender and bid process. Subsequent exploration by the Company defined 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 lies within the historic ‘Golden Quadrilateral’ mining district and has good road access, as well as proximity to nearby high-tension electric power and water supplies. The topography of the area is hilly with forest vegetation and interspersed grasslands with elevations of 300 to 700 metres above sea-level.

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 Romanian National Agency for Mineral Resources (“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 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 (the “MLA”) documentation including the mining study, the waste management plan, an environmental assessment, various impact studies and a closure plan. In March 2013, NAMR approved and registered the MLA resources/reserves in the National Registry. In October 2013, NAMR approved the mining waste management plan.

Initially, the MLA was to be based on a large 40,000 tonne per day operation. However, due to declining commodity prices and increases in capital cost items, the Company initiated a review of the scope of the project as a smaller and less 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 NAMR in August 2014. In October 2014, NAMR approved the mining waste management plan as one of the key steps in the Mining License approval process. There has been no previous commercial mining activity at the Rovina Valley Project and the proposed mine site footprint, as defined by its Mining License Application, does not include any known protected heritage sites or archaeological occurrences and has been specifically designed to minimize the impact on nearby communities. 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.

On May 27, 2015, NAMR approved a 20-year mining license for the Rovina Valley Project which represents the first and most important step in the licensing process. 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.

Under Romanian law, a mining licence may come into effect upon final review by several government departments and its publication in the official gazette. The Rovina Mining License was approved by the Romanian government in November 2018. Following the conversion to a mining license, approval to begin construction and mining operations will require a building authorization permit that will include land re-zoning and final environmental reviews and government approval resulting from a full Environmental Impact Assessment (“EIA”) study. Public consultation is a legal and integral part of the government environmental approval process. Surface rights are severed from mineral rights, and prior to receiving the final construction permit surface rights need to be acquired.

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 Company’s 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 the strategic environmental assessment (the “SEA”) documentation that will be required for the permitting of the project.

The Company initiated a feasibility study and metallurgical testing contract in September 2017 as well as evaluating scalability options for project development (the “Feasibility Study”). The feasibility study activity has been focused on metallurgical testing to confirm flotation gold and copper recovery characteristics. Additional testing is planned to further test the flotation tailings and concentrate as to their filtration and sedimentation characteristics. Ausenco SRK has provided guidance on field programs for developing additional geotechnical and hydrological design criteria for the Feasibility Study.

Representative geo-metallurgical samples weighing three tonnes each were collected and shipped for pilot plant scale flotation testwork for recovery of copper and gold without the use of cyanide. The final results were received in November 2018 and represent an improved metal recovery with respect to previous testwork.

In the fourth quarter 2018, the Company engaged AGP Mining Consultants Inc. and Lycopodium Engineering Inc. to complete an independent resource estimate update and to complete a Preliminary Economic Assessment (“PEA”) to disclosure standards defined in NI 43-101. The Company announced the results of the resource estimate update and PEA on February 20, 2019, and the supporting NI 43-101 Technical report is filed on SEDAR in accordance Standards of Disclosure for Mineral Projects.

## Rovina Valley Project Resource Estimate Update

On February 20<sup>th</sup>, 2019, Euro Sun announced its updated NI 43-101 mineral resource estimate ("2019 Resource Estimate") as prepared by independent consultants AGP, on its 100% owned Rovina Mining License in west-central Romania. The 2019 Resource Estimate includes the Colnic, Rovina and Ciresata gold-rich copper porphyry deposits, collectively referred to as the Rovina Valley Project. All three deposits are in close proximity and mill feed will be treated at a central facility. Colnic and Rovina are amenable to open-pit mining and Ciresata to bulk underground mining.

The 2019 Resource Estimate is an update to the 2012 Resource Estimate (completed by AGP) to primarily reflect higher operating costs, new metallurgical recoveries (see ESM Press Release dated September 19, 2018), and higher metal prices on resource constraining Lerchs-Grossman open pits using appropriate cut-off grades. The geologic model and interpolated block model from the 2012 Resource Estimate are not changed in this current estimate (see the 2019 Resource Estimate 43-101 Technical Report filed on SEDAR on April 1, 2019). Mineral resources were estimated in conformance with the 2014 CIM Mineral Resource and Mineral Reserve definitions referred to in NI 43-101 and are considered to have reasonable prospects for economic extraction.

AGP concluded that, effective February 20, 2019, and utilizing approximately 120,256 m of diamond drill hole data drilled by Euro Sun from 2006 through 2012, the Rovina Valley Project contains mineral resources of 89.8 million tonnes of Measured Resources at a grade of 0.62 g/t Au and 0.19 % Cu containing 1.78 million ounces of gold and 385 million pounds of copper, indicated resources of 306.6 million tonnes at a grade of 0.53 g/t Au and 0.15 % Cu containing 5.26 million ounces of gold and 1,006 million pounds of copper. The total Measured and Indicated resources amount to 396.5 million tonnes at a grade of 0.55 g/t Au and 0.16 g/t Cu containing 7.05 million ounces of gold and 1,391 million pounds of copper. Inferred resources added an additional 28.2 million tonnes at a grade of 0.37 g/t Au and 0.16 % Cu containing 0.33 million gold ounces and 98 million pounds of copper. The table below summarizes the result of the mineral resource estimate for all three porphyry deposits in the Rovina Valley Project.

### Rovina Valley Resource Estimate (2019)

Resource Category	Tonnage (MM t)	Au (g/t)	Cu (%)	Gold (M oz)	Copper (M lb)	AuEq* (M oz)
<b><i>Measured</i></b>						
Rovina (open-pit)	32.1	0.36	0.29	0.37	208	0.83
Colnic (open-pit)	29.2	0.65	0.12	0.61	74	0.77
Ciresata (underground)	28.5	0.88	0.16	0.81	102	1.03
<b>Total Measured</b>	<b>89.8</b>	<b>0.62</b>	<b>0.19</b>	<b>1.78</b>	<b>385</b>	<b>2.63</b>
<b><i>Indicated</i></b>						
Rovina (open-pit)	74.2	0.27	0.22	0.64	365	1.44
Colnic (open-pit)	106.5	0.47	0.10	1.62	228	2.12
Ciresata (underground)	125.9	0.74	0.15	3.01	413	3.92
<b>Total Indicated</b>	<b>306.6</b>	<b>0.53</b>	<b>0.15</b>	<b>5.26</b>	<b>1,006</b>	<b>7.47</b>
<b>Total Measured + Indicated</b>	<b>396.5</b>	<b>0.55</b>	<b>0.16</b>	<b>7.05</b>	<b>1,391</b>	<b>10.11</b>
<b><i>Inferred</i></b>						
Rovina (open-pit)	14.9	0.19	0.19	0.09	62	0.22
Colnic (open-pit)	4.7	0.34	0.10	0.05	10	0.07
Ciresata (underground)	8.6	0.70	0.14	0.19	26	0.25
<b>Total Inferred</b>	<b>28.2</b>	<b>0.37</b>	<b>0.16</b>	<b>0.33</b>	<b>98</b>	<b>0.55</b>

Notes: \*AuEq determined by using a long term gold price of US\$1,500/oz and a copper price of US\$3.30/lb. Metallurgical recoveries are not taken into account for AuEq.

Base case cut-offs used in the table are 0.35 g/t AuEq for the Colnic deposit and 0.25% CuEq for the Rovina deposit (both of which are amenable to open-pit mining), and 0.65 g/t AuEq for the Ciresata deposit, which is amenable to underground bulk mining.

For the Rovina and Colnic porphyries, the resources are pit-shell constrained using Lerchs-Grossmann algorithm pit optimizer and market metal values of \$1,500/oz Au price and \$3.30/lb Cu price, with net prices after smelter payables, concentrate transport, smelter charges, and royalty of US\$1,384/oz Au and US\$2.61/lb Cu for Colnic and US\$1,286/oz Au and US\$2.59/lb Cu for Rovina. Flotation metallurgical recoveries used are: Colnic 81.5% gold, 88.5% copper and Rovina 73.2% gold, 94.7% copper.

The quantity and grade of Inferred Resources reported above are conceptual in nature, and are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. For these reasons, an Inferred Mineral Resources has a lower level of confidence than an Indicated Mineral Resources and it is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade, and contained metal content.

At both the Rovina and Colnic deposits, there are higher-grade portions of each deposit that outcrop at surface. These areas represent higher grade porphyry core mineralization that can allow cut-off grade optimization in mining scenarios. As an example, the higher-grade mineralization at Colnic contains measured plus indicated resources at >0.70 g/t Au eq of 46 million tonnes at 0.75 g/t Au and 0.12% Cu. At the Rovina deposit, the higher-grade mineralization contains measured plus indicated resource at >0.50% Cu eq of 30 million tonnes at 0.48 g/t Au and 0.34% Cu. Ciresata has a continuous zone of high-grade gold and copper mineralization in the core of the deposit that persists at depth that is suitable for extraction with an underground bulk-mining method. At Ciresata, the measured plus indicated resource of this core at >1.0 g/t Au eq contains 58 million tonnes at 1.04 g/t Au and 0.18% Cu.

## **Rovina Valley Project Preliminary Economic Assessment**

On February 20, 2019, the Company announced the results of the Preliminary Economic Assessment (“PEA” and, together with the 2019 Resource Estimate, the “2019 Technical Report”) for the exploitation of the Colnic open pit; the initial phase of development of its Rovina Valley gold and copper project (the “Rovina Valley Project”). The Company is applying a staged, multi-phase development approach for the Rovina Valley Project. The Rovina Valley Project consists of the Colnic and Rovina gold-copper deposits amenable to open-pit development and the Ciresata gold-copper deposit suitable for underground development. The PEA considers the Colnic mineral deposit only but does include the processing facilities which will also be used in treating both Rovina and Ciresata mineral deposits. Sequencing for the Rovina open pit and Ciresata underground mine will be undertaken in a separate study at a later date.

### **2019 PEA Highlights**

- Average annual gold equivalent production of 139,000 ounces
- Colnic life of mine production of 1,675,000 Gold Equivalent ounces (1,301,000 ounces Au) over 12 years
- Avg. AISC of \$752/oz (net of copper credit)
- Processing rate of 20,000 tonnes per day incorporating flotation and dry stack tailings deposition.
- Pre-Tax NPV<sub>5%</sub> of \$218.1 million with an IRR of 15.4% and Post-Tax NPV<sub>5%</sub> of \$168.8 million with an IRR of 13.5% at \$1,325/oz gold and \$3.10/lb copper
- Initial capital costs of \$339.7 million (total CAPEX of \$352 million)
- Average metallurgical recoveries of 82% for gold and 89% copper without utilizing cyanide

The 2019 PEA highlights a positive economic project for our initial phase of development at the Rovina Valley Project. Colnic is an at surface open pit deposit containing only 28.6% of the total measured and indicated resources at the Rovina Valley Project. Colnic will form the foundation of a multi-decade operation with the expectation of bringing the Rovina pit on-line using pre-installed processing facility and infrastructure followed by the Ciresata deposit.

## Preliminary Economic Assessment Highlights

<b>Base Case Assumptions</b>	
Gold price (base case)	\$1,325/oz
Copper price (base case)	\$3.10/lb
Gold recovery	82%
Copper recovery	89%
Mine Life (Colnic Only)	12 years
Mining rate	20,000 tonnes per day
<b>Mine Parameter</b>	
Average annual gold equivalent production	139,000 ounces
Average annual gold production	108,000 ounces
Average annual copper production	13.3 million pounds
Average gold grade g/t	0.58
Average copper grade %	0.10
Colnic LOM Strip ratio (waste to ore)	1.9:1
<b>Capital Costs</b>	
Pre-strip capital	\$33.5 million
Initial capital	\$306.2 million
Total Initial Capital	\$339.7 million
Sustaining Capital	\$12.2 million
Total CAPEX	\$352 million
<b>Operating Costs</b>	
All-in sustaining costs	\$743/ ounce Au
Mining costs	\$2.25 /tonne moved
Milling costs	\$7.03 /tonne milled
G&A costs	\$0.50 /tonne milled
<b>Cash Flow</b>	
Pre-Tax NPV (5% discount rate)	\$218 million
Pre-Tax IRR	15.4%
Post-Tax NPV (5% discount rate)	\$169 million
Post-Tax IRR	13.5%

The PEA was prepared by Lycopodium Minerals Canada Limited and AGP. The PEA was filed on SEDAR (on April 1, 2019, in accordance with *National Instrument 43-101: Standards of Disclosure for Mineral Projects* (“NI 43-101”).

Further information on the Rovina Valley Project, including the 2019 Technical Report, can be found on the Company’s web site at [www.eurosunmining.com](http://www.eurosunmining.com).

All exploration or development field activities undertaken by the Company in Romania must occur on valid mining license, exploration licenses, or prospecting permits issued by 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 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.

Since SAMAX is an exploration and 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. 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.

## **First Quarter Highlights**

### ***Private Placement***

On January 30, 2020, the Company closed a private placement financing by issuing 11,379,000 common shares of the Company at a price of C\$0.29 per common share for proceeds of \$2,504,040 (CAD\$3,300,000).

### ***Amalgamation of Vilhelmina Mineral Inc. and sale of Vilhelmina Mineral AB***

On January 1, 2020, Vilhelmina Minerals Inc. amalgamated with the Company. As a result of this amalgamation, Vilhelmina Minerals Inc.'s interest in Vilhelmina Mineral AB transferred to the Company.

On March 9, 2020, the Company entered into an agreement with Nickel Mountain Resources AB ("Nickel Mountain") to sell all of the shares of Vilhelmina Mineral AB (the "Agreement"). The Company will receive 11 shares in Nickel Mountain for each share of Vilhelmina Mineral AB owned by the Company. The Agreement will be finalized following approval at an Extraordinary General Meeting of Nickel Mountain.

As a result of this agreement, the investment in Vilhelmina Minerals Inc. was presented as assets and liabilities held for sale and discontinued operations in the consolidated financial statements at March 31, 2020.

### ***Appointment of new Chief Operating Officer for Rovina Valley***

In January 2020, the Company appointed Samuel Rasmussen as Chief Operating Officer for Rovina Valley. Since graduating the Colorado School of Mines, Mr. Rasmussen has accumulated over 25 years of experience building and operating large tonnage mines for international miners such as Glencore, Lundin Mining, Freeport McMoRan and Anglo American.

## **Outlook**

The Company's primary focus is to undertake the Environmental and Social Impact Assessment and will also continue the Feasibility Study accelerating the Rovina Valley Project towards a construction decision.

The PEA in April 2019 outlined a robust project with an average annual gold production of 139,000 ounces over 12 years with an all-in sustaining cost "AISC" of \$752/oz (net of copper credit). Production was based on a throughput rate of approximately 20,000 tonnes per day with initial capital costs of \$339.7 million. Average metallurgical recoveries of 82% for gold and 89% copper without utilizing cyanide.

## Selected Annual Information

	2019	2018	2017
Net loss for the year from continuing operations	\$ (8,124,517)	\$ (7,215,770)	\$ (6,243,881)
Net loss for the year from discontinued operations	(3,104,552)	-	-
Basic and diluted loss per share from continuing operations	(0.11)	(0.12)	(0.12)
Basic and diluted income per share from discontinued operations	(0.04)	-	-
Total assets	\$ 2,913,193	\$ 2,372,663	\$ 6,940,359
Number of weighted average shares	77,192,721	58,240,301	51,770,126

## Selected Quarterly Financial Information

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

For the quarters ended	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Net loss from continuing operations	\$ (927,115)	\$ (1,805,033)	\$ (1,004,956)	\$ (3,467,456)
Net loss from discontinued operations	(289,183)	(3,021,161)	(18,301)	(35,529)
Basic and diluted loss per share from continuing operations	(0.01)	(0.02)	(0.01)	(0.05)
Basic and diluted loss per share from discontinued operations	-	(0.04)	-	-

For the quarters ended	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Net loss from continuing operations	\$ (1,831,685)	\$ (890,342)	\$ (1,290,936)	\$ (945,286)
Net loss from discontinued operations	(29,561)	(41,676)	(29,766)	(67,369)
Basic and diluted loss per share from continuing operations	(0.03)	(0.02)	(0.02)	(0.02)
Basic and diluted loss per share from discontinued operations	-	-	-	-

## Results of operations for the three months ended March 31, 2020

### *Selected financial information*

	<b>Three months ended March 31, 2020</b>	Three months ended March 31, 2019
Loss from continuing operations	\$ (927,115)	\$ (1,831,685)
Loss from discontinued operations	(289,183)	(29,561)
Loss per share from continuing operations	(0.01)	(0.03)
Loss per share from discontinued operations	-	-
Expenses:		
Consulting and management fees	\$ 294,146	\$ 336,933
Professional fees	27,461	38,860
General office expenses	51,613	40,083
Travel expenses	28,818	28,153
Shareholder communications and filing fees	81,611	235,905
Share-based compensation	(243,944)	304,001
Other expenses	(299,460)	15,334
	<b>\$ (59,755)</b>	<b>\$ 999,269</b>
Exploration and evaluation expenditures:		
Consulting and technical	\$ 552,682	\$ 597,774
Surface rights	9,938	10,576
Environmental studies	42,160	3,045
Other exploration costs	7,376	36,335
Metallurgical testing	-	34,552
Field office support and administration	82,848	141,712
Professional fees	32,950	5,916
Travel	31,027	2,506
Licence fees	227,889	-
	<b>\$ 986,870</b>	<b>\$ 832,416</b>

### ***Results of operations for the three months ended March 31, 2020 (“Q1 2020”)***

The net loss from continuing operations for Q1 2020 was \$927,115 compared to a net loss of \$1,831,685 for Q1 2019. The associated loss per share was \$0.01 in Q1 2020 and \$0.03 Q1 2019.

Consulting costs incurred for the three months ended December 31, 2019 were \$294,146 compared to \$336,933 in the comparative period.

Shareholders communications and filing fees were \$81,611 for the three months ended March 31, 2020, compared to 235,905 in Q1 2019. This decrease is primarily due to one time marketing costs incurred in 2019 that did not recur in 2020.

Share-based compensation for Q1 2020 was a recovery of \$243,944 compared to an expense of \$304,001 in the comparative period. This difference was primarily due to the revaluation of outstanding DSUs in the quarter as a result of a decrease in the Company’s share price and change in foreign exchange rate between the Canadian and US dollar.

The Company has increased its exploration and evaluation expenditure during the quarter to \$986,870 from \$832,416 in the comparative period. This change is primarily due to increased environmental study costs and licensing fees in Q1 2020 compared to Q1 2019.

### ***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 Valley 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 Valley Project.

As at March 31, 2020, the Company had cash and cash equivalents of \$966,039 (December 31, 2019 - \$1,499,857) and a negative working capital of \$109,945 (December 31, 2019 – negative \$1,973,379). 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 March 26, 2019, the Company closed a non-brokered private placement financing of 10,000,000 units at a price of CAD\$0.30 per unit for gross proceeds of \$2,241,000 (CAD\$3,000,000). Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.50 for a period of two years from the grant date. The Company paid commissions and other expenses of \$84,769 (CAD\$113,452) in relation to this private placement.

On July 4, 2019, the Company issued 8,610,000 units of the Company (the “Units”) at a price of C\$0.36 per Unit for gross proceeds of C\$3,099,600 (\$2,373,674) on completion of a brokered private placement offering. Each Unit consisted of one common share of the Company and one common share purchase warrant. Each warrant is exercisable to acquire one common share at a price of C\$0.47 per share until July 4, 2021. The Company paid C\$216,972 (\$166,157) in finder fees for this private placement and issued 602,700 Broker Warrants. Each Broker Warrant is exercisable to acquire one common share of the Company at a price of C\$0.47 until July 4, 2021. The Company paid other expenses of C\$277,866 (\$212,787) in relation to this private placement.

On December 2, 2019, the Company closed its first tranche of a non-brokered private placement financing of 8,000,000 units at a price of CAD\$0.25 per unit for gross proceeds of \$1,504,000 (CAD\$2,000,000). Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The warrants were valued at CAD\$0.06. The Company also granted 14,000 finder warrants to certain finders exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The finder warrants were valued at CAD\$0.06 and were included in share issuance costs. The Company paid commissions and other expenses of \$2,632 (CAD\$3,500) in relation to this private placement.

On December 12, 2019, the Company closed its second tranche of a non-brokered private placement financing of 2,100,000 units at a price of CAD\$0.25 per unit for gross proceeds of \$398,265 (CAD\$525,000). Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant is exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The warrants were valued at \$0.06. The Company also granted 7,000 finder warrants to certain finders exercisable to acquire one common share at a price of CAD\$0.40 for a period of two years from the grant date. The finder warrants were valued at CAD\$0.06 and were included in share issuance costs. The Company paid commissions and other expenses of \$1,328 (CAD\$1,750) in relation to this private placement.

On January 30, 2020, the Company closed a non-brokered private placement financing of 11,379,310 shares at a price of CAD\$0.29 per share for gross proceeds of \$2,504,040 (CAD\$3,300,000). The Company paid commissions and other expenses of \$19,547 (CAD\$25,888) in relation to this private placement.

## **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, Contingencies and Litigation**

### Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$4.3 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 \$2.9 million pursuant to the terms of these contracts.

### 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.

## Novel Coronavirus (“COVID-19”)

The Company’s operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company’s operations and ability to finance its operations.

## **Related Party Transactions**

During the three months ended March 31, 2020, the Company entered into the following transactions with related parties not disclosed elsewhere:

On January 31, 2018, the Company granted 2,735,000 DSUs to various current officers and directors of the Company with a vested value at March 31, 2020 of CAD\$464,950 (\$327,730).

On April 5, 2019, the Company granted 2,700,000 DSUs to various current officers and directors of the Company with a vested value at March 31, 2020 of CAD\$382,500 (\$269,613).

On April 5, 2019, the Company granted 665,000 stock options to various current officers and directors of the Company with a vested value at March 31, 2020 of CAD\$258,574 (\$193,155). All the stock options vested immediately on grant date.

An officer of the Company extended loans in the amount of \$50,528 to the Company. These loans were unsecured, interest free, and had no fixed terms of repayment. These loans were repaid in full in July 2019.

On June 4, 2019, Forbes & Manhattan extended a loan in the amount of CAD\$70,000 (\$53,488) to the Company. The loan was unsecured, interest free, and had no fixed terms of repayment. This loan was repaid in full in July 2019.

On June 18, 2019, the Company entered into a loan agreement with Sulliden Mining Capital Inc. in the amount of \$86,000. The loan was unsecured, had an interest rate of 12% per annum and was due to be repaid no later than August 17, 2019. The loan principal of \$86,000 plus accrued interest of \$424.11 were repaid in full in July 2019.

On October 15, 2019, the Company granted 1,150,000 stock options to various current officers and directors of the Company with a vested value at March 31, 2020 of CAD\$302,237 (\$225,771). All of the stock options granted immediately on grant date.

On October 30, 2019, the Company entered into a loan agreement with Sulliden Mining Capital Inc. (“Sulliden”) in the amount of \$76,994 (CAD\$100,000). The loan is unsecured, has an interest rate of 12% per annum and is due to be repaid no later than April 30, 2020. Stan Bharti, a director of the Company, is also a director of Sulliden. The Company repaid the loan in full in January 2020.

On November 7, 2019, the Company granted 300,000 stock options to a director of the Company with a vested value at March 31, 2020 of CAD\$66,950 (\$50,011). All of the stock options granted immediately on grant date.

## **Significant Accounting Policies**

The condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2019 with the exception of the adoption of new accounting pronouncements on January 1, 2020 as outlined below.

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. These amendments did not have a significant impact on the condensed consolidated interim financial statements.

## **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, 2019 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](http://www.sedar.com).

## **Outstanding Share Data**

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

- a) 111,786,029 common shares outstanding.
- b) 18,583,700 warrants outstanding with expiry dates ranging from March 26, 2021 to December 12, 2021 with exercise prices between \$0.40 and \$0.50. If all the warrants were exercised, 18,583,700 shares would be issued for proceeds of CAD\$8,508,369.
- c) 9,585,329 stock options outstanding with expiry dates ranging from June 13, 2021 to January 6, 2025 with exercise prices from CAD\$0.28 to CAD\$1.36. If exercised, 9,585,329 shares would be issued for proceeds of CAD\$7,143,347.
- d) 7,036,259 deferred share units with no fixed expiry.

## **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 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 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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