EUROSUN MINING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(Expressed in United States Dollars)

UHY McGovern Hurley LLP
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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, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity 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, 2018 and 2017, 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 of $7,215,770 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its current assets by $486,519. 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, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.
- 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.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 29, 2019

EURO SUN MINING INC.

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

As at:		**December 31, 2018**		December 31, 2017
Assets				
Current assets				
Cash and cash equivalents	**$**	**460,704**	$	5,906,115
Restricted deposits (Note 4)		**21,991**		23,914
Prepaid expenses and sundry receivables		**527,027**		220,518
Total current assets	**$**	**1,009,722**	$	6,150,547
Non-current assets				
Property, plant and equipment (Note 5)		**513,605**		254,885
Investment in associate (Note 6)		**772,751**		458,342
Deposits		**76,585**		76,585
Total assets	**$**	**2,372,663**	$	6,940,359
Liabilities				
Current liabilities				
Trade and other payables (Note 7 and Note 12)	**$**	**501,538**	$	594,762
Deferred share unit liability (Note 8)		**994,703**		37,546
Total current liabilities	**$**	**1,496,241**	$	632,308
Equity attributable to shareholders				
Share capital (Note 9)		**212,605,103**		210,605,103
Warrants (Note 9 (d))		**2,205,265**		2,650,549
Contributed surplus (Note 9 (c))		**4,421,452**		4,427,777
Accumulated deficit		**(217,647,546)**		(210,883,385)
Accumulated other comprehensive loss		**(707,852)**		(491,993)
Total shareholders' equity	**$**	**876,422**	$	6,308,051
Total liabilities and shareholders' equity	**$**	**2,372,663**	$	6,940,359

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 10 and Note 15)

Approved by the Board of Directors on March 29, 2019:

"David Danziger", Director   "*Stan Bharti*", 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, 2018	Year ended December 31, 2017
Expenses			
Consulting and management fees (Note 12)	$	**1,544,895**	$ 2,420,837
Professional fees		**137,030**	95,165
General office expenses		**193,372**	210,744
Travel expenses		**420,259**	399,311
Shareholder communications and filing fees		**201,887**	608,084
Loss from investment in associate (Note 6)		**150,838**	19,270
Share-based compensation (Note 8 and 12)		**1,054,669**	15,328
Exploration and evaluation expenditures (Note 10)		**3,665,190**	2,754,590
Gain on foreign exchange		**(150,615)**	(682,507)
Interest income		**(1,755)**	(22,085)
Legal settlements		**-**	425,144
Net loss for the year	$	**(7,215,770)**	$ (6,243,881)
Other comprehensive income (loss)			
Cumulative translation adjustments		**(215,859)**	(640,333)
Other comprehensive income (loss) for the year	$	**(215,859)**	$ (640,333)
Net comprehensive loss for the year	$	**(7,431,629)**	$ (6,884,214)
Basic and diluted loss per share (Note 11)	$	**(0.12)**	$ (0.12)
Weighted average number of common shares outstanding - basic and diluted		**58,240,301**	51,770,126

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

EURO SUN MINING INC.

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

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Shareholders' equity
Balance, December 31, 2016	$ 202,320,836	$ 2,627,351	$ 4,679,005	$ (204,890,732)	$ 148,340	$ 4,884,800
Stock option expiry (Note 9 (c))	-	-	(251,228)	251,228	-	-
Private placement (Note 9 (b))	8,456,207	-	-	-	-	8,456,207
Transaction costs (Note 9 (b))	(148,742)	-	-	-	-	(148,742)
Warrant grant (Note 9 (d))	(23,198)	23,198	-	-	-	-
Net loss and comprehensive loss	-	-	-	(6,243,881)	(640,333)	(6,884,214)
Balance, December 31, 2017	$ 210,605,103	$ 2,650,549	$ 4,427,777	$ (210,883,385)	$ (491,993)	$ 6,308,051
Warrant expiry (Note 9 (d))	-	(445,284)	-	445,284	-	-
Private placement (Note 9 (b))	2,000,000	-	-	-	-	2,000,000
Stock option forfeiture (Note 9 (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

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, 2018		Year ended December 31, 2017
Cash flows from operating activities				
Loss and comprehensive loss for the year	$	**(7,431,629)**	$	(6,884,214)
Adjustment for:				
Depreciation and amortization (Note 5)		**91,573**		7,695
Interest income		**(1,755)**		(22,085)
Loss from investment in associate (Note 6)		**150,838**		19,270
Deferred share units (Note 8)		**1,054,669**		15,328
	$	**(6,136,304)**	$	(6,864,006)
Prepaid expenses, sundry receivables and restricted deposits		**(306,509)**		(127,181)
Trade and other payables		**(93,224)**		(234,024)
Net cash used in operating activities	$	**(6,536,037)**	$	(7,225,211)
Cash flows from investing activities				
Interest income		**1,755**		22,085
Acquisition of property, plant and equipment (Note 5)		**(350,293)**		(230,144)
Investment in associate (Note 6)		**(530,584)**		(483,420)
Net cash used in investing activities	$	**(879,122)**	$	(691,479)
Cash flows from financing activities				
Proceeds from private placement (Note 9)		**2,000,000**		8,456,207
Share issuance costs (Note 9)		**-**		(148,742)
Net cash provided by financing activities	$	**2,000,000**	$	8,307,465
Effect of exchange rate changes on cash and cash equivalents	$	**(30,252)**	$	4,238
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(5,445,411)**		395,013
CASH AND CASH EQUIVALENTS, beginning of year	$	**5,906,115**	$	5,511,102
CASH AND CASH EQUIVALENTS, end of year	$	**460,704**	$	5,906,115

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

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, 2018, the Company incurred a net loss of $7,215,770 and as at December 31, 2018, reported an accumulated deficit of $217,647,546 and negative working capital of $486,519, including $460,704 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. Management believes its working capital will be sufficient to support activities for the next twelve months and expects to raise additional funds when required and available. There can be no assurance that funds will be available to the Company with acceptable terms or at all. These matters constitute material uncertainties that cast significant 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.

(Expressed in United States Dollars)

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 29, 2019.

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.

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, 2018:

Name of entity	Country of incorporation	Ownership
SAMAX Romania Limited	Cyprus	100%
SAMAX Romania S.R.L.	Romania	100%

On April 19, 2017, Ore-Leave Capital (Barbados) Limited was continued into the British Virgin Islands from Barbados and was named Ore-Leave Capital Limited. On June 7, 2017, Ore-Leave Capital Limited and Samax Romania Limited merged, the surviving company is Samax Romania Limited and was continued into Cyprus from the British Virgin Islands on December 29, 2017.

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

Accounting policy under IFRS 9 applicable from January 1, 2018

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.

2. Significant accounting policies (continued)

Financial instruments (continued)

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 earnings (loss).

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. The Company does not measure any financial 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 remains in accumulated other comprehensive income or loss and 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.

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 other accounts receivable, 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, 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 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.

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.

2. Significant accounting policies (continued)

Accounting policy under IAS 39 applicable prior to January 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, excluding derivative instruments related to hedging activities, was similar to the accounting policy adopted in 2018, with the following exceptions:

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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.

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 is considered to assess when an "other than de minimis" level of mineral is produced. Some of the criteria considered would include, but not limited to, the following:

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

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

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

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

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

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.

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 and Romanian banks, cashable within three months of the date of original issue.

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 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.

(Expressed in United States Dollars)

2. Significant accounting policies (continued)

Accounting changes

During the year ended December 31, 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS 2, IFRS 9, IFRS 15, and IFRIC 22. These new standards and changes did not have any material impact on the Company's financial statements.

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers,* which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018. There were no effects on opening balances at January 1, 2018 with respect to the adoption of these policies.

IFRS 9, *Financial Instruments*

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing
held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Sundry receivables	Loans and receivables	Amortized cost
Restricted deposits	Loans and receivables	Amortized cost
Financial liabilities		
Trade and accrued liabilities	Other financial liabilities	Amortized cost
Deferred share unit liability	Fair value through profit or loss	FVPL

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39. Significant accounting policies which outline the current and previous accounting policies pertaining to financial instruments.

2. Significant accounting policies (continued)

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces IAS 11, Construction contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and Standard Interpretations Committee interpretation 31, Revenue – Barter Transactions Involving Advertising Services.

Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable.

The adoption of IFRS 15 did not have a material impact on the Company’s financial statements.

The Company adopted IFRS 15 retrospectively without restating comparatives and therefore the comparative information in respect of revenue for the year ended December 31, 2017 was accounted for in accordance with the Company’s previous accounting policy under IAS 18. There are no differences in the current and previous accounting policies pertaining to revenue recognition.

Future accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

2. Significant accounting policies (continued)

Future accounting standards issued but not yet effective (continued)

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

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.

3. Critical accounting estimates and judgments (continued)

Share-based payments

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

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.

4. Restricted Deposits

As at December 31, 2018, restricted deposits consists of CAD$30,000 ($21,991) on deposit with the bank as security for the Company’s corporate credit card (December 31, 2017 - CAD$30,000 ($23,914)).

(Expressed in United States Dollars)

5. Property, plant and equipment

	Building in Progress	Leasehold improvements	Machinery, equipment & vehicles	Total
Cost:				
Balance, December 31, 2016	$ -	$ -	$ 32,436	$ 32,436
Additions	-	205,988	24,156	230,144
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**
Depreciation:				
At December 31, 2016	$ -	$ -	$ -	$ -
Depreciation charge for the year	-	-	7,695	7,695
Balance, 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**
Net book value:				
At December 31, 2017	$ -	$ 205,988	$ 48,897	$ 254,885
At December 31, 2018	**$ 53,349**	**$ 341,888**	**$ 118,368**	**$ 513,605**

As at December 31, 2018, the carrying value of property, plant and equipment is comprised of $nil in corporate and other (December 31, 2017 – $nil) and $513,605 in Romania (December 31, 2017 - $254,885).

(Expressed in United States Dollars)

6. Investment in 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% (2017 - 33%). Vilhelmina Minerals Inc. currently holds a 44.5% ownership interest in Vilhelmina Mineral AB ("Vilhelmina"), a private company which owns an interest in an exploration and evaluation property. Vilhelmina Mineral AB is located in Sweden, and Mr. Scott Moore, an officer and director of the Company, is a director of Vilhelmina.

Management has determined the Company has significant influence over Vilhelmina Minerals Inc. The investment is considered an associate and is accounted for using the equity method.

Changes in the investment in associate for the year ended December 31, 2018 and the year ended December 31, 2017 were as follows:

Balance, December 31, 2016	$	-
Acquisition of 600,000 shares at cost		483,420
Proportionate share of net loss		(19,270)
Effect of foreign exchange		(5,808)
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 as at and for the periods ended December 31, 2018 and December 31, 2017.

		December 31, 2018		December 31, 2017
Cash	**$**	**414,550**	$	6,694
Total current assets		**682,689**		17,062
Non-current assets		**200,838**		872,772
Total current liabilities		**223,304**		6,377

		Year ended December 31, 2018		Period of incorporation (July 13, 2017) to December 31, 2017
Loss before items noted below	**$**	**(1,298,270)**	$	(13,442)
Loss from investment in associate		**-**		(56,450)
Loss on foreign exchange		**11,464**		(763)
Loss and comprehensive loss	**$**	**(1,286,806)**	$	(70,655)
Controlling interest	**$**	**(439,780)**		(9,275)
Non-controlling interest	**$**	**(847,026)**		(25,077)

(Expressed in United States Dollars)

7. Trade and other payables

	December 31, 2018	December 31, 2017
Trade payables	$ 425,986	$ 113,846
Accrued liabilities	75,552	480,916
	$ 501,538	$ 594,762

8. Deferred share unit liability

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 previous five-day weighted average trading price of a common share on the termination date multiplied by the number of DSUs held by them. The DSU liability is based on the five-day weighted average trading price of the Company's shares prior to the date of the consolidated statement of financial position.

The following transactions occurred during the periods noted below:

	December 31, 2018	December 31, 2017
Number of DSUs outstanding, beginning of year	39,599	39,599
Granted	3,855,000	-
Exercised	(243,340)	
Forfeited	(300,000)	
Number of DSUs outstanding, end of year	3,351,259	39,599
DSU liability, end of year	$ 994,703	$ 37,546

The DSU expense for the year ended December 31, 2018 was $1,054,669 ($15,328 for the year ended December 31, 2017).

During the year ended December 31, 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 in two years from the grant date.

(Expressed in United States Dollars)

9. 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, 2016	50,001,170	$	202,320,836
Common shares issued in private placements (i)(ii)	7,574,291		8,456,207
Valuation of broker warrants (ii)	-		(23,198)
Transaction costs incurred in private placement (ii)	-		(148,742)
Balance, December 31, 2017	57,575,461	$	210,605,103
Common shares issued in private placements (iii)	**4,333,333**		**2,000,000**
Balance, December 31, 2018	**61,908,794**	**$**	**212,605,103**

(i) On October 6, 2017, the Company closed a non-brokered private placement financing of 6,144,291 common shares at a price of CAD$1.40 per share for gross proceeds of $6,854,735 (CAD$8,602,007).

(ii) On October 10, 2017, the Company closed a brokered private placement financing of 1,430,000 common shares at a price of CAD$1.40 per share for gross proceeds of $1,601,472 (CAD$2,002,000). In connection with the financing, the Company paid cash commissions and other expenses of $148,742 (CAD$187,363) and issued 71,500 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at a price of CAD$1.43 for a period of one year from the date of issue. The value of the broker warrants was determined to be $23,198 using Black-Scholes valuation model with the following assumptions: exercise price of CAD$1.43, risk-free rate of 1.54%, expected volatility of 75% based on historic volatility, expected life of one year and expected dividend yield of 0%.

(iii) 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).

(Expressed in United States Dollars)

9. Share capital (continued)

(c) Stock Options

The following table shows the continuity of stock options for the years ended December 31, 2018 and December 31, 2017:

	Number of options	Weighted average exercise price (CAD$)
Balance, December 31, 2016	4,853,615	1.54
Expired	(148,646)	7.27
Balance, December 31, 2017	4,704,969	1.36
Forfeiture	(6,645)	1.36
Balance, December 31, 2018	**4,698,324**	**1.36**

As at December 31, 2018, 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
4,423,059	4,423,059	4,209,818	1.36	June 13, 2021	2.45
275,265	275,265	211,634	1.36	September 30, 2021	2.75
4,698,324	4,698,324	4,421,452			2.47

(d) Common share purchase warrants

	Number of warrants	Weighted average exercise price (CAD$)
Balance, December 31, 2016	4,404,316	$ 2.08
Broker warrants	71,500	1.43
Balance, December 31, 2017	4,475,816	$ 2.07
Expired	(543,391)	1.29
Balance, December 31, 2018	**3,932,425**	**$ 2.18**

At December 31, 2018, warrants outstanding are as follows:

Number of warrants outstanding	Grant date fair value ($)	Weighted average exercise price (CAD$)	Expiry date
3,932,425	2,205,265	2.18	May 19, 2019

(Expressed in United States Dollars)

10. Exploration and evaluation expenditures

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

	Year ended December 31, 2018	Year ended December 31, 2017
Consulting and technical	**$ 1,914,498**	$ 1,465,578
Surface rights	**182,609**	199,773
Environmental studies	**153,547**	150,405
Other exploration costs	**275,269**	105,548
Metallurgical testing	**393,909**	279,507
Field office support and administration	**539,164**	325,633
Travel	**206,194**	228,146
	$ 3,665,190	$ 2,754,590

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, 2018, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

11. 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, 2018 is 58,240,301 (2017 – 51,770,126). 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, 2018 basic and diluted loss per share was $0.12 (December 31, 2017 – basic and diluted loss per share of $0.12).

(Expressed in United States Dollars)

12. Related party transactions

Key management personnel compensation:

		Year ended December 31, 2018		Year ended December 31, 2017
Directors and officers compensation	$	1,412,046	$	2,262,120
Share-based payments		656,201		-
	$	2,068,247	$	2,262,120

Included in the above amounts is $277,842 for the year ended December 31, 2018 ($469,990 for the year ended December 31, 2017) 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 are directors of the Company. During the year ended December 31, 2017, the Company paid fees of $57,786 to Iron Strike Inc., a company controlled by Mr. Matt Simpson and paid fees of $134,833 to Gedwal Management Inc., a company controlled by Mr. Guy Charette, a director of the Company during that period.

On January 31, 2018, the Company granted 2,905,000 DSUs to various officers and directors of the Company with a vested value at December 31, 2018 of CAD$1,080,902 ($792,334).

As at December 31, 2018, the Company had $26,542 (December 31, 2017 - $34,376) accounts payable owing to related parties. These amounts are unsecured, non-interest bearing and due on demand.

See Note 6.

13. Financial risk factors

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

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, 2018 and 2017 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, 2018, the Company had a cash and cash equivalents balance of $460,704 (2017 - $5,906,115) to settle trade and other payables of $501,538 (2017 - $594,762). Current liabilities consist of trade and other payables generally due within one year.

(Expressed in United States Dollars)

13. 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, including the investment in associate.

(i) Interest rate risk

The Company has cash and cash equivalent balances as at December 31, 2018 and 2017. 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, 2018 and 2017:

	2018		2017	
	Average rate	**Closing rate**	Average rate	Closing rate
RON	**0.2537**	**0.2455**	0.2468	0.2567
CAD	**0.7718**	**0.7330**	0.7705	0.7971

A 1% strengthening or weakening of the US dollar against the Romanian Lei at December 31, 2018 would result in an increase or decrease in operating loss of approximately $1,006. A 1% strengthening or weakening of the US dollar against the Canadian would result in an increase or decrease in other comprehensive income of approximately $8,840.

(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.

(Expressed in United States Dollars)

14. 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, 2018 and 2017.

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

The Company's capital items are the following:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	**$ 460,704**	$ 5,906,115
Restricted deposits	**21,991**	23,914
Share capital	**212,605,103**	210,605,103
Warrants	**2,205,265**	2,650,549
Contributed surplus	**4,421,452**	4,427,777
	$ 219,714,515	$ 223,613,458

(Expressed in United States Dollars)

15. Commitments and contingencies

(a) Lease Commitment (Romania)

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 February 2018. As at December 31, 2018 and December 31, 2017, the Company had paid a deposit equivalent to six months rent and services charges of $76,585.

		December 31, 2018	December 31, 2017
Within one year	**$**	**103,215**	101,025
After one year but not more than five years		**275,240**	440,838
More than five years		**-**	9,184
	$	**378,455**	551,047

(b) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $3.9 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 $2.6 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.

(c) 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.

16. Financial instruments

The fair value of the Company's short-term financial instruments, including cash and cash equivalents, restricted deposits, amounts receivable, trade and other payables, approximate their carrying values due to the short period of time to maturity. The fair value of the Company's DSUs are recorded at FVPL, based on the Company's share price at the end of each reporting period with the changes in fair value recognized in share-based compensation in the consolidated statements of loss.

(Expressed in United States Dollars)

17. 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% (2017 - 26.5%) were as follows:

		2018		2017
Loss before income taxes	$	(7,215,770)	$	(6,243,881)
Expected income tax recovery based on statutory rate		(1,912,000)		(1,655,000)
Adjustment to expected income tax benefit:				
Share-based compensation		254,000		-
Non deductible items		1,182,000		(811,000)
Difference in tax rates		25,000		413,000
Change in benefit of tax assets not recognized		451,000		2,053,000
Deferred income tax provision (recovery)	$	-	$	-

(b) Deferred income taxes

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

		2018		2017
Non-capital loss carry-forwards (Canada)	$	39,955,000	$	35,977,000
Investment in associate (Canada)		241,000		-
Share issue costs (Canada)		276,000		435,000
Other (Canada)		5,261,000		5,717,000
Capital loss carry-forwards (Canada)		40,058,000		43,531,000
Non-capital loss carry-forwards (Romania)		-		-
	$	85,791,000	$	85,660,000

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, 2018, the Company had estimated non-capital losses for Canadian income tax purposes of approximately $39,955,000 (2017 - $35,977,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2038.

The Company's subsidiary, SAMAX Romania SRL ("SAMAX"), was registered as a micro-company with the Romanian tax authorities until the third quarter of fiscal 2017, which effectively eliminates the corporate income tax on profits from certain mining activities. For SAMAX, this will reduce the corporate tax rate to 0% up until the time in which SAMAX can no longer qualify as a micro-company due to increased business activities. During the fourth quarter of fiscal 2017, SAMAX no longer qualified as a micro-company and has become a taxable company as at December 31, 2017. This status has remained unchanged as at December 31, 2018. The Company had estimated non-capital losses for Romanian income tax purposes of approximately $nil (2017 - $nil) available to use against future taxable income.

18. Subsequent event

Private placement

On March 26, 2019, the Company announced that it has closed its previously announced non-brokered private placement financing by issuing 10 million units at price of C$0.30 per unit for gross proceeds of C$3 million. Each unit consists of one common share of the Company and one half of a common share purchase warrant (each whole common share purchase warrant, a "warrant"). Each warrant entitles the holder to acquire on additional common share of the Company at an exercise price of C$0.50 for a period of 24 months from issuance. If at any time after four months and one day from the closing of the Offering, the common shares of the Company trade at C$0.75 per common share or higher (on a volume weighted adjusted basis) for a period of 20 consecutive days, the Company will have the right to accelerate the expiry date of the Warrants to the date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right. All securities issued in connection with the Offering will be subject to a statutory hold period of four months and one day.