



**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

**(Expressed in United States Dollars)**

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Euro Sun Mining Inc.

We have audited the accompanying consolidated financial statements of Euro Sun Mining Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Euro Sun Mining Inc. and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
March 23, 2018

# EURO SUN MINING INC.

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

As at:	December 31, 2017	December 31, 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 5,906,115	\$ 5,511,102
Restricted deposits (Note 5)	23,914	22,343
Prepaid expenses and sundry receivables	220,518	169,922
<b>Total current assets</b>	<b>\$ 6,150,547</b>	<b>\$ 5,703,367</b>
Non-current assets		
Deposits (Note 17)	76,585	-
Property, plant and equipment (Note 6)	254,885	32,436
Investment in associate (Note 7)	458,342	-
<b>Total assets</b>	<b>\$ 6,940,359</b>	<b>\$ 5,735,803</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables (Note 8 and 14)	\$ 632,308	\$ 851,003
<b>Total current liabilities</b>	<b>\$ 632,308</b>	<b>\$ 851,003</b>
Equity attributable to shareholders		
Share capital (Note 10)	210,605,103	202,320,836
Warrants (Note 10)	2,650,549	2,627,351
Contributed surplus (Note 10)	4,427,777	4,679,005
Accumulated deficit	(210,883,385)	(204,890,732)
Accumulated other comprehensive (loss) income	(491,993)	148,340
<b>Total equity</b>	<b>\$ 6,308,051</b>	<b>\$ 4,884,800</b>
<b>Total liabilities and equity</b>	<b>\$ 6,940,359</b>	<b>\$ 5,735,803</b>

Nature of operations and going concern (Note 1)  
 Commitments and contingencies (Note 17)  
 Subsequent events (Note 19)

Approved by the Board of Directors on March 23, 2018:

"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) Income and Comprehensive (Loss) Income (Expressed in United States Dollars)

	Year ended December 31, 2017	Year ended December 31, 2016
<b>Expenses</b>		
General and administrative (Note 11)	\$ 1,313,304	\$ 2,037,877
Consulting and management expense (Note 11 and 14)	2,436,165	5,777,721
Exploration and evaluation expense (Note 12)	2,746,895	1,473,999
Legal settlements (Note 17)	425,144	1,249,119
Depreciation and amortization (Note 6)	7,695	44,048
Impairment (Note 6)	-	70,013
Other income (Note 11)	(704,592)	(6,353)
Loss from investment in associate (Note 7)	19,270	-
Net (loss) from continuing operations for the year	(6,243,881)	(10,646,424)
Net income from discontinued operations for the year (Note 4)	-	230,531,490
<b>Net (loss) income for the year</b>	<b>\$ (6,243,881)</b>	<b>\$ 219,885,066</b>
<b>Other comprehensive (loss) income</b>		
Items that may be reclassified subsequently to profit or loss:		
Cumulative translation adjustments	(640,333)	148,340
<b>Other comprehensive (loss) income for the year from continuing operations</b>	<b>\$ (640,333)</b>	<b>\$ 148,340</b>
<b>Total comprehensive (loss) for the year from continuing operations</b>	<b>\$ (6,884,214)</b>	<b>\$ (10,498,084)</b>
Cumulative translation adjustments from discontinued operations	-	21,495,740
<b>Other comprehensive income for the year from discontinued operations</b>	<b>\$ -</b>	<b>\$ 21,495,740</b>
<b>Total comprehensive income for the year from discontinued operations</b>	<b>\$ -</b>	<b>\$ 252,027,230</b>
<b>Total comprehensive (loss) income for the year</b>	<b>\$ (6,884,214)</b>	<b>\$ 241,529,146</b>
Basic and diluted (loss) per share		
- continuing operations (Note 13)	\$ (0.12)	\$ (0.23)
Basic and diluted income per share		
- discontinued operations (Note 13)	\$ -	\$ 5.05
Total basic and diluted (loss) income per share	\$ (0.12)	\$ 4.82
Weighted average number of common shares outstanding - basic and diluted	51,770,126	45,683,315

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

# EURO SUN MINING INC.

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

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Shareholders' equity (deficiency)
Balance, December 31, 2015	\$ 196,773,069	\$ 3,256,109	\$ 2,201,847	\$ (429,967,103)	\$ (21,495,740)	\$ (249,231,818)
Shares issued in private placements (Note 10(b))	8,630,675	-	-	-	-	8,630,675
Valuation of warrants (Note 10(b))	(2,507,222)	2,507,222	-	-	-	-
Valuation of broker warrants (Note 10(b))	(283,401)	283,401	-	-	-	-
Transaction costs incurred (Note 10(b))	(333,657)	(163,272)	-	-	-	(496,929)
Option exercise (Note 10(c))	41,372	-	(16,797)	-	-	24,575
Share-based payments (Note 10(c))	-	-	4,429,151	-	-	4,429,151
Expiry of stock options (Note 10(c))	-	-	(1,935,196)	1,935,196	-	-
Expiry of warrants (Note 10(d))	-	(3,256,109)	-	3,256,109	-	-
Net income and comprehensive income	-	-	-	219,885,066	21,644,080	241,529,146
Balance, December 31, 2016	\$ 202,320,836	\$ 2,627,351	\$ 4,679,005	\$ (204,890,732)	\$ 148,340	\$ 4,884,800
Shares issued in private placements (Note 10(b))	8,456,207	-	-	-	-	8,456,207
Valuation of broker warrants (Note 10(b))	(23,198)	23,198	-	-	-	-
Transaction costs incurred (Note 10(b))	(148,742)	-	-	-	-	(148,742)
Expiry of stock options (Note 10(c))	-	-	(251,228)	251,228	-	-
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

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, 2017	Year ended December 31, 2016
<b>Cash flows from operating activities</b>		
(Loss) income for the period	\$ (6,243,881)	\$ 219,885,066
Adjustment for:		
Depreciation and amortization (Note 6)	7,695	44,048
Accretion	-	87,740
Gain on disposition of MRDM (Note 4)	-	(230,628,958)
Share-based payments	-	4,429,151
Impairment	-	1,202,571
Interest income (Note 11)	(22,085)	(27,292)
Deferred share units (Note 9)	15,328	21,089
Loss from investment in associate (Note 7)	19,270	-
	\$ (6,223,673)	\$ (4,986,585)
Trade receivables	-	307,504
Prepaid expenses, sundry receivables and deposits	(127,181)	(1,484,528)
Inventories	-	(1,796,598)
Trade and other payables	(234,024)	4,144,580
Net cash used in operating activities	\$ (6,584,878)	\$ (3,815,627)
<b>Cash flows from investing activities</b>		
Restricted deposits (Note 5)	-	(9,797)
Interest income (Note 11)	22,085	27,292
Acquisition of property, plant and equipment (Note 6)	(230,144)	(1,465,052)
Investment in associate (Note 7)	(483,420)	-
Mine development assets	-	(909,416)
Cash disposed of in MRDM	-	(250,961)
Net cash used in investing activities	\$ (691,479)	\$ (2,607,934)
<b>Cash flows from financing activities</b>		
Proceeds from project loan facility	-	2,686,260
Proceeds from private placement (Note 10)	8,456,207	8,630,675
Share issuance costs (Note 10)	(148,742)	(496,929)
Proceeds from option exercise	-	24,575
Net cash from financing activities	\$ 8,307,465	\$ 10,844,581
Effect of exchange rate changes on cash and cash equivalents	\$ (636,095)	\$ 468,671
NET CHANGE IN CASH AND CASH EQUIVALENTS	395,013	4,889,691
CASH AND CASH EQUIVALENTS, beginning of year	\$ 5,511,102	\$ 621,411
CASH AND CASH EQUIVALENTS, end of year	\$ 5,906,115	\$ 5,511,102

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, 2017 and 2016  
(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, 2017, the Company incurred a net loss of \$6,243,881 and as at December 31, 2017, reported an accumulated deficit of \$210,883,385 and working capital of \$5,518,239 including \$5,906,115 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.

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, 2017 and 2016 (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 23, 2018.

#### 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, 2017:

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

On April 29, 2016, the Company closed a transaction to dispose of certain of its subsidiaries (see Note 4). On October 31, 2016, Carpat Gold S.R.L., one of the Company's subsidiaries, was dissolved. On January 30, 2017, two of the Company's subsidiaries, Carpathian Gold Limited and Samax Romania Limited, merged. The surviving company was named Samax Romania Limited. 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.

# EURO SUN MINING INC.

## Notes to Consolidated Financial Statements For the years ended December 31, 2017 and 2016 (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*

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.

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

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

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive (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:

# EURO SUN MINING INC.

## Notes to Consolidated Financial Statements For the years ended December 31, 2017 and 2016 (Expressed in United States Dollars)

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### 2. Significant accounting policies (continued)

*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.

### Revenue recognition

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

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

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

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

### Inventories

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

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

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

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

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

# EURO SUN MINING INC.

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

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## 2. Significant accounting policies (continued)

### Non-current assets held for sale and discontinued operations

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

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

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

### Software licensing costs

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

### Borrowing costs

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

### Share-based payments

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

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

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

Any consideration paid 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.

# EURO SUN MINING INC.

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and 2016  
(Expressed in United States Dollars)

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## 2. Significant accounting policies (continued)

### Deferred share unit plan

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

### 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.

# EURO SUN MINING INC.

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

### 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.

# EURO SUN MINING INC.

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and 2016  
(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

### 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 equals or exceeds 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.

## Notes to Consolidated Financial Statements For the years ended December 31, 2017 and 2016 (Expressed in United States Dollars)

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

#### Derivatives

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

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

# EURO SUN MINING INC.

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

### (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 include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

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

The periodic unwinding of the discount is recognized in the 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.

# EURO SUN MINING INC.

## Notes to Consolidated Financial Statements For the years ended December 31, 2017 and 2016 (Expressed in United States Dollars)

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### 2. Significant accounting policies (continued)

#### Accounting changes

The Company adopted the following new standards and interpretation issued by the IASB or International Financial Reporting Interpretation Committee ("IFRIC") as of January 1, 2017.

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. There was no impact on the Company's consolidated financial statements upon adoption of IAS 7 on January 1, 2017.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. There was no impact on the Company's consolidated financial statements upon adoption of IAS 12 on January 1, 2017.

#### 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, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

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

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

# EURO SUN MINING INC.

## Notes to Consolidated Financial Statements For the years ended December 31, 2017 and 2016 (Expressed in United States Dollars)

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### 2. Significant accounting policies (continued)

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

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.

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:

# EURO SUN MINING INC.

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

### 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 the each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

### Share-based payments

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

### 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 and comprehensive loss.

### Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. See Note 17.

# EURO SUN MINING INC.

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

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

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

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

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

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

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

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

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

As at December 31, 2016, the Restructuring has been completed and all the assets, liabilities and obligations related to the RDM Project have been disposed of. The income from discontinued operations for 2016 of \$230,531,490 includes the revenues and expenses of the RDM Project up to the date of disposition of April 29, 2016, along with the gain on disposition of \$230,628,958.

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

	Year ended December 31, 2016
<b>Revenue</b>	<b>\$ 20,275,211</b>
<b>Expenses</b>	
Costs and expenses of mining operations	
Operating costs and mine site administrative expenses	16,181,804
General and administrative	2,283,993
Employee compensation expense	714,122
Gain on disposition of MDRM	(230,628,958)
Impairment	1,132,558
Finance costs	
Accretion	87,740
Other (income)	(27,538)
<b>Income from discontinued operations</b>	<b>\$ 230,531,490</b>

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

Year ended December 31,	2016
Cash flows from operating activities of discontinued operations	\$ 1,867,340
Cash flows from investing activities of discontinued operations	(5,017,459)
Cash flows from financing activities of discontinued operations	2,686,260
Effect of exchange rates on cash and cash equivalents	391,524
<b>Decrease in cash and cash equivalents</b>	<b>(72,335)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>72,335</b>
<b>Cash and cash equivalents at end of the year</b>	<b>\$ -</b>

## 5. Restricted Deposits

As at December 31, 2017, restricted cash consists of CAD\$30,000 (\$23,914) on deposit with the bank as security for the Company's corporate credit card (December 31, 2016 - CAD\$30,000 (\$22,343)).

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## 6. Property, plant and equipment

	Leasehold improvements	Computers & office equipment	Machinery, equipment & vehicles	Total
<b>Cost:</b>				
At December 31, 2016	\$ -	\$ -	\$ 32,436	\$ 32,436
Additions	205,988	-	24,156	230,144
<b>At December 31, 2017</b>	<b>\$ 205,988</b>	<b>\$ -</b>	<b>\$ 56,592</b>	<b>\$ 262,580</b>
<b>Depreciation:</b>				
At December 31, 2016	\$ -	\$ -	\$ -	\$ -
Depreciation charge for the year	-	-	7,695	7,695
<b>At December 31, 2017</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,695</b>	<b>\$ 7,695</b>
<b>Net book value:</b>				
<b>At December 31, 2017</b>	<b>\$ 205,988</b>	<b>\$ -</b>	<b>\$ 48,897</b>	<b>\$ 254,885</b>
At December 31, 2016	\$ -	\$ -	\$ 32,436	\$ 32,436
<b>Cost:</b>				
At December 31, 2015	\$ 177,839	\$ 83,840	\$ 15,770	\$ 277,449
Effect of foreign exchange	11,046	9,807	1,163	22,016
Additions	-	-	32,436	32,436
Impairment	(188,885)	(93,647)	(16,933)	(299,465)
<b>At December 31, 2016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,436</b>	<b>\$ 32,436</b>
<b>Depreciation:</b>				
At December 31, 2015	\$ 123,811	\$ 54,045	\$ 14,773	\$ 192,629
Effect of foreign exchange	9,515	7,736	1,117	18,368
Depreciation charge for the year	13,187	4,225	1,043	18,455
Impairment	(146,513)	(66,006)	(16,933)	(229,452)
<b>At December 31, 2016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net book value:</b>				
<b>At December 31, 2016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,436</b>	<b>\$ 32,436</b>
At December 31, 2015	\$ 54,028	\$ 29,795	\$ 997	\$ 84,820

As at December 31, 2017, the carrying value of property, plant and equipment is comprised of \$nil in corporate and other (December 31, 2016 - nil), and \$254,885 in Romania (December 31, 2016 - \$32,436).

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## 7. Investment in Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company engaged in the exploration and development of metals, for CAD\$600,000 (\$483,420). On the date of acquisition and as at December 31, 2017, the Company held a 27% ownership interest in Vilhelmina Minerals Inc. On September 28, 2017, Vilhelmina Minerals Inc. acquired a 33% ownership interest in Vilhelmina Mineral AB ("Vilhelmina"), a private company located in Sweden, and Mr. Scott Moore, an officer and director of the Company, became 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, 2017 were as follows:

December 31, 2016	\$	-
Acquisition of 600,000 shares at cost		483,420
Proportionate share of net loss from the date of acquisition		(19,270)
Effect of foreign exchange		(5,808)
December 31, 2017	\$	458,342

The following is a summary of the consolidated financial information for Vilhelmina Minerals Inc. on a 100% basis as at and for the period of incorporation (July 13, 2017) to December 31, 2017.

<b>As at December 31, 2017</b>		
Cash	\$	6,694
Total current assets		17,062
Non-current assets		872,772
Total current liabilities		6,377
<b>For the year ended December 31, 2017</b>		
Loss before items noted below	\$	(13,442)
Loss from investment in associate		(56,450)
Loss on foreign exchange		(763)
Loss and comprehensive loss		(70,655)

## 8. Trade and other payables

	December 31, 2017	December 31, 2016
Trade payables	\$ 113,846	\$ 82,668
Accrued liabilities	480,916	748,068
Accrual of DSU (Note 9)	37,546	20,267
	\$ 632,308	\$ 851,003

# EURO SUN MINING INC.

## Notes to Consolidated Financial Statements For the years ended December 31, 2017 and 2016 (Expressed in United States Dollars)

### 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:

	December 31, 2017	December 31, 2016
Number of DSUs outstanding, beginning of year	39,599	52,228
Redeemed	-	(12,629)
Number of DSUs outstanding, end of year	39,599	39,599
Liability, end of year, included in trade and other payables (Note 8)	\$ 37,546	\$ 20,267
Expense for the year	\$ 15,328	\$ 21,089

### 10. Share capital

#### (a) Authorized

Unlimited number of common shares, without par value.

Unlimited number of preference shares, without par value.

#### (b) Issued common shares

	Number of common shares	Stated value
Balance, December 31, 2015 (i)	38,216,784	\$ 196,773,069
Common shares issued in private placements (ii)(iii)	11,729,332	8,630,675
Valuation of warrants (iii)	-	(2,507,222)
Valuation of broker warrants (iii)	-	(283,401)
Transaction costs incurred in private placement (iii)	-	(333,657)
Option exercise	55,054	24,575
Option exercise - option valuation	-	16,797
Balance, December 31, 2016	50,001,170	\$ 202,320,836
Common shares issued in private placements (iv)(v)	7,574,291	8,456,207
Valuation of broker warrants (v)	-	(23,198)
Transaction costs incurred in private placement (v)	-	(148,742)
Balance, December 31, 2017	57,575,461	\$ 210,605,103

# EURO SUN MINING INC.

## Notes to Consolidated Financial Statements For the years ended December 31, 2017 and 2016 (Expressed in United States Dollars)

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### 10. Share capital (continued)

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

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

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

(iv) 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).

(v) 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 74.9% based on the historic volatility of the Company, an expected life of one year and an expected dividend yield of 0%.

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## 10. Share capital (continued)

### (c) Stock options

The following table shows the continuity of stock options for the years ended December 31, 2017 and 2016:

	Number of options	Weighted average exercise price (CAD\$)
Balance, December 31, 2015	564,908	8.17
Exercised	(55,054)	0.59
Expired	(361,208)	8.77
Granted	4,704,969	1.36
Balance, December 31, 2016	4,853,615	1.54
Expired	(148,646)	7.27
<b>Balance, December 31, 2017</b>	<b>4,704,969</b>	<b>1.36</b>

As at December 31, 2017, 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
4,429,704	4,429,704	4,216,143	1.36	June 13, 2021	3.45
275,265	275,265	211,634	1.36	September 30, 2021	3.75
4,704,969	4,704,969	4,427,777			3.47

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

No options were granted or exercised for the year ended December 31, 2017. During the year ended December 31, 2017, 148,646 options expired unexercised with a weighted average exercise price of CAD\$7.27.

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## 10. Share capital (continued)

(d) Common share purchase warrants

	Number of warrants	Weighted average exercise price (CAD\$)
Balance, December 31, 2015	1,101,079	\$ 7.27
Expired	(1,101,079)	7.27
Issued in private placement (Note 10(b)(iii))	3,932,425	2.18
Broker warrants (Note 10(b)(iii))	471,891	1.27
Balance, December 31, 2016	4,404,316	\$ 2.08
Broker warrants (Note 10(b)(v))	<b>71,500</b>	<b>1.43</b>
<b>Balance, December 31, 2017</b>	<b>4,475,816</b>	<b>\$ 2.07</b>

As at December 31, 2017, warrants outstanding are as follows:

Number of warrants outstanding	Grant date fair value	Weighted average exercise price (CAD)	Expiry date
3,932,425	\$ 2,205,265	\$ 2.18	May 19, 2018
471,891	422,086	1.27	May 19, 2018
71,500	23,198	1.43	October 10, 2018
<b>4,475,816</b>	<b>\$ 2,650,549</b>	<b>\$ 2.07</b>	

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## 11. Expense breakdown

### (a) General and administrative expenses

	Year ended December 31,	
	2017	2016
Professional fees	\$ 95,165	\$ 1,430,767
Investor relations and advertising	608,084	186,594
Travel, business and development	399,311	254,916
Office and general	210,744	165,600
	\$ 1,313,304	\$ 2,037,877

### (b) Consulting and management expenses

	Year ended December 31,	
	2017	2016
Salaries, consulting and benefits	\$ 2,420,837	\$ 1,327,481
Share-based payments	-	4,429,151
Deferred share unit costs (Note 9)	15,328	21,089
	\$ 2,436,165	\$ 5,777,721

### (c) Other income

	Year ended December 31,	
	2017	2016
Foreign exchange (gain) loss	\$ (682,507)	\$ 20,939
Interest income	(22,085)	(27,292)
	\$ (704,592)	\$ (6,353)

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## 12. Exploration and evaluation expenditures

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

	Year ended December 31,	
	2017	2016
Consulting and labour	\$ 1,465,578	\$ 1,019,891
Surface rights	199,773	-
Environmental studies	150,405	-
Other exploration costs	105,548	122,424
Metallurgical testing	279,507	-
Field office and administration	317,938	267,100
Travel costs	228,146	64,584
	\$ 2,746,895	\$ 1,473,999

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, 2017, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

## 13. (Loss) income per share

Basic (loss) income 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, 2017 is 51,770,126 (2016 – 45,683,315). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted (loss) income per share. For the year ended December 31, 2017 basic and diluted loss per share was \$0.12 (December 31, 2016 – loss from continuing operations of \$0.23 and income from discontinued operations of \$5.05).

## 14. Related party transactions

Key management personnel compensation:

	Year ended December 31, 2017	Year ended December 31, 2016
Directors and officers compensation	\$ 2,262,120	\$ 1,318,469
Share-based payments	-	3,753,193
	\$ 2,262,120	\$ 5,071,662

Included in the above amounts is \$469,990 (2016 - \$158,419) 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. The Company paid consulting fees of \$57,786 (2016: \$nil) to Iron Strike Inc., a company controlled by Mr. Matt Simpson. The Company paid fees of \$134,833 (2016 - \$169,734) to Gedwal Management Inc., a company controlled by Mr. Guy Charette, a director of the Company. In addition, officers and directors had nil (2016 – 3,996,216) options vest with a value of \$nil (2016 - \$3,753,193) (Note 10).

As at December 31, 2017, the Company had \$34,376 in accounts payable owing to related parties.

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## 15. Financial risk factors

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

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

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on income or loss and shareholders' equity, where applicable. The sensitivity has been prepared for the years ended December 31, 2017 and 2016 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, 2017, the Company had a cash and cash equivalents balance of \$5,906,115 (2016 - \$5,511,102) to settle current liabilities of \$632,308 (2016 - \$851,003). Current liabilities consist of trade and other payables generally due within one year.

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## 15. Financial risk factors (continued)

### (c) Market Risk

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

#### (i) Interest rate risk

The Company has cash and cash equivalent balances as at December 31, 2017 and 2016. 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 U.S. dollar and Romanian Lei. Consequently, fluctuations in the U.S. dollar currency against the Romanian Lei 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, 2017 and 2016:

	2017		2016	
	Average rate	Closing rate	Average rate	Closing rate
RON-USD	0.2468	0.2566	0.2464	0.2313
CAD-USD	0.7705	0.7971	0.7544	0.7448

A 1% strengthening or weakening of the US dollar against the Romanian Lei at December 31, 2017 would result in an increase or decrease in operating loss of approximately \$1,430. 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 \$56,941.

#### (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.

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## 16. Capital disclosures

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

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, 2017 and 2016.

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, 2017	December 31, 2016
Cash and cash equivalents	\$ 5,906,115	\$ 5,511,102
Restricted deposits	23,914	22,343
Share capital	210,605,103	202,320,836
Warrants	2,650,549	2,627,351
Contributed surplus	4,427,777	4,679,005
	<b>\$ 223,613,458</b>	<b>\$ 215,160,637</b>

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## Notes to Consolidated Financial Statements For the years ended December 31, 2017 and 2016 (Expressed in United States Dollars)

### 17. Commitments and contingencies

#### (a) Lease Commitment (Canada)

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

#### (b) 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 (\$9,184) 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, 2017, the Company had paid a deposit equivalent to six months rent and services charges of \$76,585.

	December 31, 2017	December 31, 2016
Within one year	\$ 101,025	-
After one year but not more than five years	440,838	-
More than five years	9,184	-
	\$ 551,047	-

#### (c) Lawsuits

During the year ended December 31, 2016, the Company settled three lawsuits with former officers of the Company for an aggregate of \$1,321,963 (CAD\$1,775,000). As at December 31, 2017, the Company owed \$79,713 (CAD\$100,000) payable in installments with the final installment due on March 1, 2018. The \$77,795 discounted value of the outstanding settlement amount, calculated using a discount rate of 15%, has been accrued in the consolidated financial statements.

#### (d) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$4.5 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$3.0 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.

#### (e) 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.

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## 18. Income taxes

(a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2016 - 26.5%) were as follows:

	2017	2016
(Loss) income before income taxes	\$ (6,243,881)	\$ 219,885,065
Expected income tax recovery based on statutory rate	(1,655,000)	(21,357,000)
Adjustment to expected income tax benefit:		
Share-based compensation	-	-
Non deductible items	(811,000)	3,985,000
Difference in tax rates	413,000	(7,238,000)
Change in benefit of tax assets not recognized	2,053,000	24,610,000
Deferred income tax provision (recovery)	\$ -	\$ -

(b) Deferred income taxes

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

	2017	2016
Non-capital loss carry-forwards	35,977,000	29,974,000
Share issue costs	435,000	595,000
Other	5,717,000	5,345,000
Capital loss carry-forwards	43,531,000	40,466,000
Total	\$ 85,660,000	\$ 76,380,000

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, 2017, the Company had estimated non-capital losses for Canadian income tax purposes of approximately \$35,977,000 (2016 - \$29,974,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2037.

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. As a result, any tax attributes accumulated prior to registration have effectively expired.

# EURO SUN MINING INC.

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## 19. Subsequent events

### Deferred share unit grant

On January 31, 2018, the Company granted 3,855,000 deferred share units to various officers and directors of the Company, vesting over a period of two years with one-third vesting immediately, one-third vesting on the first anniversary date and one-third vesting on the second anniversary date.