EUROSUN MINING

# CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

**(Expressed in United States Dollars)**

McGovern Hurley

Audit. Tax. Advisory.

**Independent Auditor's Report**

To the Shareholders of Euro Sun Mining Inc.

**Opinion**

We have audited the consolidated financial statements of Euro Sun Mining Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

**Basis for opinion**

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

**Material uncertainty related to going concern**

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2020 and, as of that date, the Company had an accumulated deficit balance. 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.

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**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no key audit matters to communicate in our report.

**Other information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

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

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

**Auditor’s responsibilities for the audit of the consolidated financial statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

**McGovern Hurley LLP**

McGovern Hurley LLP

**Chartered Professional Accountants**
**Licensed Public Accountants**

Toronto, Ontario
March 25, 2021

# EURO SUN MINING INC.

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

| As at: | | **December 31, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | **$** | **7,825,681** | $ | 1,499,857 |
| Restricted deposits (Note 4) | | **23,559** | | 23,098 |
| Prepaid expenses and sundry receivables | | **799,011** | | 349,244 |
| Investments (Note 7 and 19) | | **869,546** | | - |
| | **$** | **9,517,797** | $ | 1,872,199 |
| Assets held for sale (Note 7) | | **-** | | 261,896 |
| **Total current assets** | **$** | **9,517,797** | $ | 2,134,095 |
| Non-current assets | | | | |
| Property, plant and equipment (Note 5) | | **636,893** | | 702,513 |
| Deposits (Note 17) | | **76,585** | | 76,585 |
| **Total assets** | **$** | **10,231,275** | $ | 2,913,193 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Trade and other payables (Note 8 and Note 13) | **$** | **1,577,096** | $ | 1,996,929 |
| Deferred share unit liability (Note 9) | | **1,339,766** | | 1,238,427 |
| Loans payable (Note 18) | | **-** | | 76,994 |
| Current lease liability (Note 17) | | **108,513** | | 89,315 |
| | **$** | **3,025,375** | $ | 3,401,665 |
| Liabilities held for sale (Note 7) | | **-** | | 705,809 |
| **Total current liabilities** | **$** | **3,025,375** | $ | 4,107,474 |
| Non-current lease liability (Note 17) | | **79,056** | | 171,360 |
| **Total liabilities** | **$** | **3,104,431** | $ | 4,278,834 |
| Equity (deficiency) attributable to shareholders | | | | |
| Share capital (Note 10 (b)) | | **234,456,221** | | 219,767,486 |
| Contributed surplus (Note 10 (c)) | | **3,577,679** | | 4,134,234 |
| Warrants (Note 10 (d)) | | **4,342,585** | | 1,093,776 |
| Accumulated deficit | | **(235,066,995)** | | (225,426,797) |
| Accumulated other comprehensive loss | | **(182,646)** | | (692,465) |
| **Total shareholders' equity (deficiency)** | **$** | **7,126,844** | $ | (1,123,766) |
| Non-controlling interest (Note 7) | | **-** | | (241,875) |
| **Total shareholders' equity (deficiency)** | | **7,126,844** | | (1,365,641) |
| **Total liabilities and shareholders' equity (deficiency)** | **$** | **10,231,275** | $ | 2,913,193 |

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

Approved by the Board of Directors on March 25, 2021:

*"David Danziger"*, Director *"Bruce Humphrey"*, Director

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

# EURO SUN MINING INC.

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

| | Year ended December 31, 2020 | Year ended December 31, 2019 |
|---|---|---|
| **Expenses** | | |
| Consulting and management fees (Note 13) | $ 2,616,992 | $ 2,999,792 |
| Professional fees | 193,517 | 86,309 |
| General office expenses | 178,661 | 202,900 |
| Travel expenses | 63,282 | 234,298 |
| Shareholder communications and filing fees | 691,101 | 715,660 |
| Share-based compensation (Note 9, 10 (c) and 13) | 1,368,838 | 1,109,669 |
| Exploration and evaluation expenditures (Note 11) | 6,434,217 | 2,754,854 |
| Change in fair value of investments (Note 19) | 325,749 | - |
| Loss (gain) on foreign exchange | 47,925 | (26,691) |
| Interest income | (748) | (342) |
| Interest expense | 19,087 | 32,681 |
| **Net loss for the year from continuing operations** | $ (11,938,621) | $ (8,109,130) |
| Loss from discontinued operations (Note 7) | (994,274) | (3,104,552) |
| **Net loss for the year** | $ (12,932,895) | $ (11,213,682) |
| **Other comprehensive income (loss)** | | |
| Items that will subsequently be reclassified to operations: | | |
| Reversal of currency translation differences on disposal of subsidiary (Note 7) | $ (75,250) | $ - |
| Cumulative exchange translation adjustments | 585,069 | 15,387 |
| **Other comprehensive income for the year** | $ 509,819 | $ 15,387 |
| **Net comprehensive loss for the year** | $ (12,423,076) | $ (11,198,295) |
| Basic and diluted loss per share from continuing operations (Note 12) | $ (0.08) | $ (0.11) |
| Basic and diluted loss per share from discontinued operations (Note 12) | $ (0.01) | $ (0.04) |
| Basic and diluted loss per share (Note 12) | $ (0.09) | $ (0.15) |
| Weighted average number of common shares outstanding - basic and diluted | 144,082,453 | 77,192,721 |

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 loss | Non-controlling interest | Shareholders' equity (deficiency) |
|---|---|---|---|---|---|---|---|
| Balance, December 31, 2018 | $ 212,605,103 | $ 2,205,265 | $ 4,421,452 | $ (217,647,546) | $ (707,852) | $ - | $ 876,422 |
| Adjustment on initial application of IFRS 16 | - | - | - | (22,798) | - | - | (22,798) |
| Adjusted balance, January 1, 2019 | 212,605,103 | 2,205,265 | 4,421,452 | (217,670,344) | (707,852) | - | 853,624 |
| Private placement (Note 10 (b)) | 5,428,924 | 1,088,013 | - | - | - | - | 6,516,937 |
| Share issuance costs (Note 10 (b)) | (510,651) | - | - | - | - | - | (510,651) |
| Finder warrants (Note 10 (d)) | - | 41,069 | - | - | - | - | 41,069 |
| Stock option grant (Note 10 (c)) | - | - | 803,573 | - | - | - | 803,573 |
| Stock option expiry (Note 10 (c)) | - | - | (1,090,791) | 1,090,791 | - | - | - |
| Warrant exercise (Note 10 (d)) | 260,445 | - | - | - | - | - | 260,445 |
| Warrant exercise value allocation (Note 10 (d)) | 35,307 | (35,307) | - | - | - | - | - |
| Warrant expiry (Note 10 (d)) | - | (2,205,264) | - | 2,205,264 | - | - | - |
| Shares issued for Vilhelmina acquisition (Note 6) | 1,948,358 | - | - | - | - | - | 1,948,358 |
| Acquisition of Vilhelmina Minerals Inc. (Note 6) | - | - | - | - | - | (80,701) | (80,701) |
| Net loss and comprehensive loss | - | - | - | (11,052,508) | 15,387 | (161,174) | (11,198,295) |
| Balance, December 31, 2019 | $ 219,767,486 | $ 1,093,776 | $ 4,134,234 | $ (225,426,797) | $ (692,465) | $ (241,875) | $ (1,365,641) |
| Private placement (Note 10 (b)) | 2,504,040 | - | - | - | - | - | 2,504,040 |
| Share issuance costs (Note 10 (b)) | (1,812,274) | - | - | - | - | - | (1,812,274) |
| Finder warrants (Note 10 (d)) | - | 335,957 | - | - | - | - | 335,957 |
| Stock option grant (Note 10 (c)) | - | - | 825,536 | - | - | - | 825,536 |
| Stock option expiry (Note 10 (c)) | - | - | (1,354,776) | 1,354,776 | - | - | - |
| Stock option exercise (Note 10 (c)) | 41,070 | - | - | - | - | - | 41,070 |
| Stock option exercise value allocation (Note 10 (c)) | 27,315 | - | (27,315) | - | - | - | - |
| Warrant exercise (Note 10 (d)) | 218,392 | - | - | - | - | - | 218,392 |
| Warrant exercise value allocation (Note 10 (d)) | 53,983 | (53,983) | - | - | - | - | - |
| Bought deal (Note 10 (b),(d)) | 13,656,209 | 2,966,835 | - | | - | - | 16,623,044 |
| Issuance of non-controlling interest (Note 7) | - | - | - | 943,647 | - | 1,236,149 | 2,179,796 |
| Net loss and comprehensive loss | - | - | - | (11,938,621) | 509,819 | (994,274) | (12,423,076) |
| Balance, December 31, 2020 | $ 234,456,221 | $ 4,342,585 | $ 3,577,679 | $ (235,066,995) | $ (182,646) | $ - | $ 7,126,844 |

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, 2020 | | Year ended December 31, 2019 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Loss and comprehensive loss for the year | **$** | **(12,423,076)** | $ | (11,198,295) |
| Adjustment for: | | | | |
| Depreciation (Note 5) | | **212,968** | | 208,712 |
| Change in fair value of investments (Note 19) | | **325,749** | | - |
| Interest income | | **(748)** | | (342) |
| Deferred share units (Note 9) | | **543,302** | | 306,096 |
| Stock options granted (Note 10 (c)) | | **825,536** | | 803,573 |
| Non-cash Vilhelmina Minerals Inc. acquisition costs | | **-** | | 2,576,905 |
| | **$** | **(10,516,269)** | $ | (7,303,351) |
| Prepaid expenses, sundry receivables and restricted deposits | | **(449,767)** | | 177,783 |
| Trade and other payables (Note 8 and Note 13) | | **(861,796)** | | 1,433,019 |
| Net cash used in operating activities from continuing operations | **$** | **(11,827,832)** | $ | (5,692,549) |
| Net cash (used in) provided by operating activities from discontinued operations | | **(15,436)** | | 527,432 |
| Net cash used in operating activities | **$** | **(11,843,268)** | $ | (5,165,117) |
| **Cash flows from investing activities** | | | | |
| Interest income | | **748** | | 342 |
| Acquisition of property, plant and equipment (Note 5) | | **(147,348)** | | (65,674) |
| Deconsolidation of Vilhelmina Mineral AB cash (Note 7) | | **(1,565,014)** | | - |
| Net cash used in investing activities | **$** | **(1,711,614)** | $ | (65,332) |
| **Cash flows from financing activities** | | | | |
| Proceeds from private placement (Note 10 (b)) | | **2,504,040** | | 6,516,937 |
| Proceeds from bought deal (Note 10 (b)) | | **16,623,044** | | - |
| Share issuance costs (Note 10 (b)) | | **(1,476,317)** | | (469,582) |
| Warrant exercise (Note 10 (d)) | | **218,392** | | 260,445 |
| Option exercise (Note 10 (c)) | | **41,070** | | - |
| Payment of principal portion of lease liability (Note 17) | | **(117,505)** | | (105,246) |
| Loans proceeds (Note 18) | | **-** | | 267,010 |
| Loans repayment (Note 18) | | **(76,994)** | | (190,016) |
| Net cash provided by financing activities from continuing operations | **$** | **17,715,730** | $ | 6,279,548 |
| Net cash provided by financing activities from discontinued operations | | **2,179,796** | | - |
| Net cash provided by financing activities | **$** | **19,895,526** | $ | 6,279,548 |
| Effect of exchange rate changes on cash and cash equivalents | **$** | **(14,820)** | $ | (9,946) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | | **6,325,824** | | 1,039,153 |
| CASH AND CASH EQUIVALENTS, beginning of year | **$** | **1,499,857** | $ | 460,704 |
| CASH AND CASH EQUIVALENTS, end of year | **$** | **7,825,681** | $ | 1,499,857 |
| **Supplemental cash flow information:** | | | | |
| Right of use asset (Note 5) | **$** | **-** | $ | 331,946 |
| Shares received on sale of subsidiary (Note 7) | | **1,136,537** | | - |
| Broker warrants issued (Note 10 (d)) | | **335,957** | | 41,096 |
| Issuance of non-controlling interest (Note 6) | | **-** | | 80,701 |
| **Cash and cash equivalents are comprised of:** | | | | |
| Cash in bank | | 3,898,568 | | 1,499,857 |
| Short-term money market instruments | | 3,927,113 | | - |
| | | 7,825,681 | | 1,499,857 |

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 66 Wellington Street, West, Suite 5300, Toronto, Ontario, M5K 1E6.

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, 2020, the Company incurred a net loss of $12,932,895 and as at December 31, 2020, reported an accumulated deficit of $235,066,995 and working capital of $6,492,422 including $7,825,681 in cash and cash equivalents. The Company has no current source of operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt. These matters represent material uncertainties that cast 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 (see Note 11). 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 25, 2021.

### Basis of measurement

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

The functional currency of Euro Sun Mining Inc. is the Canadian dollar. The functional currency of SAMAX Romania Limited and SAMAX Romania S.R.L. is the U.S. dollar. The functional currency of Vilhelmina Mineral AB and Joma Gruver AB was the Canadian dollar prior to disposition of the subsidiaries (Note 7).

### 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, 2020 and 2019:

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

On October 10, 2019, the Company purchased all outstanding shares of Vilhelmina Minerals Inc., increasing its ownership of Vilhelmina Mineral Inc. from 34.1% to 100%. Vilhelmina Minerals Inc. had a 46.9% ownership in Vilhelmina Mineral AB and a 23.5% ownership in Joma Gruver AS on October 10, 2019. Mr. Scott Moore, an officer and director of the Company, is a director of Vilhelmina Mineral AB.

In January 2020, the Company amalgamated Vilhelmina Minerals Inc. with the Company. In June 2020, its ownership of Vilhelmina Mineral AB was diluted to 31.2% and deconsolidation took place. During the period ended June 30, 2020, Vilhelmina Mineral AB's interest in Joma Gruver AS was increased to 75%.

In July 2020, the Company sold its ownership interest in Vilhelmina Mineral AB.

## 2. Basis of presentation (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 at December 31, 2020.

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

### Financial instruments

#### *Financial assets*

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

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

**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 measures its cash and cash equivalants, and its investments at FVPL.

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

## 2. Significant accounting policies (continued)

### Financial instruments (continued)

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

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

The Company does not measure any financial assets at FVOCI.

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

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

### Financial liabilities

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

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

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

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

**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 weighed average quoted market price of the Company’s common shares over the five trading days immediately preceding each reporting date with a corresponding change recorded in the consolidated statement of loss.

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

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

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

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

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

**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 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:

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

**Investment in associates**

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

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

**2. Significant accounting policies (continued)**

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

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

Non-current assets and disposal groups are classified and presented as discontinued operations if the assets or disposal groups are disposed of or classified as held for sale and:
• the assets or disposal groups are a major line of business or geographical area of operations;
• the assets or disposal groups are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
• the assets or disposal groups are a subsidiary acquired solely for the purpose of resale.

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

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

**Investments**

Securities, including shares, options, and warrants which are traded on a recognized securities exchange and for which no sales restrictions apply and for which an active market exists, are recorded at fair values based on quoted closing prices at the consolidated statement of financial position date or the closing price on the last day the security traded if there were no trades at the statement of financial position date. These are included in Level 1 as disclosed in Note 19.

The amounts at which the Company's publicly-traded investments could be disposed of may differ from carrying values based on market quotes, as the value at which significant ownership positions are sold is often different than the quoted market price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity. Such differences could be material.

## 2. Significant accounting policies (continued)

### Income taxes

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

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

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

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

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

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

### Cash and cash equivalents

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

## 2. Significant accounting policies (continued)

### Loss per share

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

## 2. Significant accounting policies (continued)

### Accounting changes

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

### Future accounting standards 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, 2021. 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.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

## 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:

## 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.

### 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.

### Share-based payments

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

### Investment in associate

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

### Mineral reserve estimates

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

### Contingencies

See Notes 11 and 16.

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

### Income, value added, withholding and other taxes

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

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

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

### Functional currency

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

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

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

## 4. Restricted deposits

As at December 31, 2020, restricted deposits consist of CAD$30,000 ($23,559) on deposit with the bank as security for the Company's corporate credit card (December 31, 2019 - CAD$30,000 ($23,098)).

**(Expressed in United States Dollars)**

## 5. Property, plant and equipment

| | Building in Progress | Leasehold improvements | Machinery, equipment & vehicles | Right of use asset | Total |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Balance, December 31, 2018 | $ 53,349 | $ 401,236 | $ 158,288 | $ - | $ 612,873 |
| Additions | 49,081 | 1,097 | 15,496 | - | 65,674 |
| Adoption of IFRS 16 | - | - | - | 331,946 | 331,946 |
| Balance, December 31, 2019 | $ 102,430 | $ 402,333 | $ 173,784 | $ 331,946 | $ 1,010,493 |
| Additions | **-** | **71,205** | **76,143** | **-** | **147,348** |
| **Balance, December 31, 2020** | **$ 102,430** | **$ 473,538** | **$ 249,927** | **$ 331,946** | **$ 1,157,841** |
| **Depreciation:** | | | | | |
| At December 31, 2018 | $ - | $ 59,348 | $ 39,920 | $ - | $ 99,268 |
| Depreciation charge for the year | - | 74,964 | 43,217 | 90,531 | 208,712 |
| Balance, December 31, 2019 | $ - | $ 134,312 | $ 83,137 | $ 90,531 | $ 307,980 |
| Depreciation charge for the year | **-** | **77,352** | **45,085** | **90,531** | **212,968** |
| **Balance, December 31, 2020** | **$ -** | **$ 211,664** | **$ 128,222** | **$ 181,062** | **$ 520,948** |
| **Net book value:** | | | | | |
| At December 31, 2019 | $ 102,430 | $ 268,021 | $ 90,647 | $ 241,415 | $ 702,513 |
| **At December 31, 2020** | **$ 102,430** | **$ 261,874** | **$ 121,705** | **$ 150,884** | **$ 636,893** |

As at December 31, 2020, the carrying value of property, plant and equipment is comprised of $nil in Canada (December 31, 2019 – $nil) and $636,893 in Romania (December 31, 2019 - $702,513).

## 6. Acquisition of Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company incorporated in Canada engaged in the exploration and development of metals, for CAD$600,000 ($483,420). In April 2018, the Company purchased an additional 600,000 common shares of Vilhelmina Minerals Inc. for CAD$600,000 ($476,430), and in December 2018, the Company purchased 74,000 common shares of Vilhelmina Minerals Inc. for CAD$74,000 ($54,244), increasing its ownership interest in Vilhelmina Minerals Inc. to 36.3% as at December 31, 2018 (2017 - 33%). Vilhelmina Minerals Inc. issued 220,000 shares in Q1 2019, decreasing the Company's ownership interest in Vilhelmina Minerals Inc. to 34.14% at the time of the transaction. At the time of the transaction, the Company also held a 46.9% ownership interest in Vilhelmina Mineral AB ("Vilhelmina"), a private company which owns an interest in exploration and evaluation properties in Sweden and Norway. Vilhelmina Minerals Inc. has a contractual right to appoint three of the five directors of Vilhelmina. Vilhelmina is located in Sweden, and Mr. Scott Moore, an officer and director of the Company, is a director of Vilhelmina. Vilhelmina holds a 75% interest in Joma Gruver AS, a private company which holds an interest in exploration and evaluation properties in Norway, with an option to increase its ownership.

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

**(Expressed in United States Dollars)**

**Purchase price consideration**

The Acquisition was treated as an asset acquisition for accounting purposes, as Vilhelmina Minerals Inc. did not meet the definition of a business under IFRS.

| **Purchase price** | | |
|---|---|---|
| Share consideration, based on the quoted market value of the shares issued | $ | 1,948,358 |
| Original purchase price of existing Vilhelmina Minerals Inc. shares prior to Acquisition | | 709,248 |
| Total purchase price | $ | 2,657,606 |

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

Prior to acquiring all issued and outstanding shares of Vilhelmina Minerals Inc., Vilhelmina Minerals Inc. had been accounted for as an investment in associate using the equity method.

On January 1, 2020, Vilhelmina Minerals Inc. and Euro Sun were amalgamated, effectively, resulting in Vilhelmina Minerals Inc.'s investment in Vilhelmina being transferred to the Company. In March 2020, the Company entered into an agreement to sell its investment in Vilhelmina and therefore, Vilhelmina was recorded as assets and liabilities held for sale as at June 30, 2020. During the three months ended June 30, 2020, Vilhelmina issued 11,504,496 new shares, resulting in the Company diluting its ownership percentage of Vilhelmina to 31.2%. Following this ownership dilution, the Company retained the right to appoint three of the five directors of Vilhelmina. In addition, Vilhelmina increased its ownership in Joma Gruver AS to 75% in May 2020.

**(Expressed in United States Dollars)**

## 7. Discontinued operations and sale of Vilhelmina Mineral AB

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

On July 2, 2020, the Transaction closed and Vilhelmina was sold to Nickel Mountain. The Company received 96,211,544 shares of Nickel Mountain valued at $1,136,537 (SEK10,583,270) as consideration for the sale of Vilhelmina. On closing of the Transaction, the Company owned approximately 11.8% of Nickel Mountain. As management determined the Company had no significant influence over Nickel Mountain, the investment in Nickel Mountain is recorded at its estimated fair value (Note 19). On December 17, 2020, Nickel Mountain changed its name to Bluelake Mineral AB ("Bluelake Mineral").

The following assets and liabilities of Vilhelmina have been included in the asset and liabilities held for sale on the consolidated statement of financial position:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| **Assets** | | |
| Cash | $ - | $ 190,696 |
| Amounts receivable | - | 71,200 |
| | $ - | $ 261,896 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ - | $ 705,809 |
| | $ - | $ 705,809 |
| **Non-controlling interest** | | |
| Non-controlling interest | $ - | $ (241,875) |
| | $ - | $ (241,875) |

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

| | Year ended December 31, 2019 |
|---|---|
| Exploration and evaluation expenditures | $ 308,514 |
| General office expenses | 942 |
| Loss from investment in associate | 83,519 |
| Foreign exchange gain | (32,971) |
| Acquisition of exploration property | 2,744,548 |
| Loss from discontinued operations | $ 3,104,552 |

**(Expressed in United States Dollars)**

### 7. Discontinued operations and sale of Vilhelmina Mineral AB (continued)

Carrying amounts of net assets over which control was lost on the sale of Vilhelmina as at the date of disposal were as follows:

| | | |
|---|---|---|
| **Assets** | | |
| Cash | $ | 1,565,014 |
| Amounts receivable | | 104,147 |
| | $ | 1,669,161 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ | 268,976 |
| Loan payable | | 354,021 |
| | $ | 622,997 |
| **Non-controlling interest** | | |
| Non-controlling interest | $ | 729,140 |
| | $ | 729,140 |

The Company recorded a loss on the sale of Vilhelmina. Details of the loss from discontinued operations is as follows:

| **Loss on sale of Vilhelmina** | | |
|---|---|---|
| Net assets derecognized | $ | (317,024) |
| Disposal of subsidiary | | (1,738,537) |
| Currency translation differences reversed on disposal of subsidiary | | (75,250) |
| Fair value of consideration received | | 1,136,537 |
| | $ | (994,274) |

(Expressed in United States Dollars)

## 8. Trade and other payables

| | | **December 31, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| Trade payables | **$** | **1,361,481** | $ | 1,875,459 |
| Accrued liabilities | | **215,615** | | 121,470 |
| | **$** | **1,577,096** | $ | 1,996,929 |

## 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 weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of the consolidated statement of financial position.

The following transactions occurred during the periods noted below:

| | |
|---|---|
| Number of DSUs outstanding, December 31, 2018 | **3,351,259** |
| Granted | 3,870,000 |
| Paid out | (123,333) |
| Forfeited | (61,667) |
| Number of DSUs outstanding, December 31, 2019 | **7,036,259** |
| Paid out | **(1,563,333)** |
| Forfeited | **(31,667)** |
| Number of DSUs outstanding, December 31, 2020 | **5,441,259** |

| | | **December 31, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| DSU Liability | **$** | **1,339,766** | $ | 1,238,427 |

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

As at December 31, 2020, 5,441,259 of the outstanding DSUs had vested.

**(Expressed in United States Dollars)**

## 10. Share capital

(a) Authorized
Unlimited number of common shares, without par value.
Unlimited number of preference shares, without par value.

(b) Issued common shares

| | Number of common shares | | Stated value |
|---|---|---|---|
| Balance, December 31, 2018 | 61,908,794 | $ | 212,605,103 |
| Common shares issued in private placement (i) | 28,710,000 | | 5,428,924 |
| Share issuance costs (i) | - | | (510,651) |
| Warrant exercise | 700,000 | | 260,445 |
| Value allocation on warrant exercise | - | | 35,307 |
| Vihelmina acquisition | 9,088,233 | | 1,948,358 |
| Balance, December 31, 2019 | 100,407,027 | $ | 219,767,486 |
| Common shares issued in private placement (ii) | **11,379,000** | | **2,504,040** |
| Common shares issued in bought deal (iii) | **57,235,384** | | **13,656,209** |
| Share issuance costs (ii), (iii) | **-** | | **(1,812,274)** |
| Option exercise | **200,000** | | **41,070** |
| Value allocation on option exercise | **-** | | **27,315** |
| Warrant exercise | **529,103** | | **218,392** |
| Value allocation on warrant exercise | **-** | | **53,983** |
| **Balance, December 31, 2020** | **169,750,514** | **$** | **234,456,221** |

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

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

**(Expressed in United States Dollars)**

**10. Share capital (continued)**

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

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

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

(iii) On June 5, 2020, the Company closed a bought deal prospectus offering of 57,235,384 units at a price of CAD$0.39 per unit for gross proceeds of $16,623,044 (CAD$22,321,780). Each unit was comprised of one common share and one half of one common share purchase warrant. The warrants were valued at $2,966,835 (CAD$3,983,933). Each whole warrant is exercisable to acquire one common share at a price of CAD$0.55 for a period of three years from the grant date. The Company granted 4,006,477 broker warrants to the underwriters of the offering. The broker warrants have an exercise price of CAD$0.39 and are exercisable for a period of two years from the grant date. The Company paid cash commissions and other expenses of $1,456,770 (CAD$1,958,208) in relation to this offering.

(c) Stock options

| | **Number of options** | | **Weighted average exercise price (CAD)** |
|---|---|---|---|
| Balance, December 31, 2018 | 4,698,324 | $ | 1.36 |
| Granted | 5,290,000 | | 0.51 |
| Expired | (1,402,995) | | 1.36 |
| Balance, December 31, 2019 | 8,585,329 | $ | 0.73 |
| Granted | **5,950,000** | | **0.37** |
| Exercised | **(200,000)** | | **0.28** |
| Expired | **(1,707,904)** | | **1.22** |
| **Balance, December 31, 2020** | **12,627,425** | **$** | **0.55** |

**(Expressed in United States Dollars)**

## 10. Share capital (continued)

As at December 31, 2020, stock options held by directors, officers, employees and consultants are as follows:

| Options outstanding | Options exercisable | Grant date fair value vested | Exercise price (CAD) | Date of expiry | Remaining contractual life in years |
|---|---|---|---|---|---|
| 2,022,160 | 2,022,160 | $ 1,924,668 | $ 1.36 | June 13, 2021 | 0.45 |
| 275,265 | 275,265 | 211,634 | 1.36 | September 30, 2021 | 0.75 |
| 1,500,000 | 1,500,000 | 110,004 | 0.33 | March 14, 2021 | 0.20 |
| 500,000 | 500,000 | 105,130 | 0.46 | March 28, 2024 | 3.24 |
| 430,000 | 430,000 | 124,540 | 0.73 | April 5, 2024 | 3.26 |
| 1,650,000 | 1,650,000 | 225,352 | 0.28 | October 15, 2024 | 3.79 |
| 300,000 | 300,000 | 50,815 | 0.33 | November 7, 2024 | 3.85 |
| 1,000,000 | 1,000,000 | 149,374 | 0.30 | January 6, 2025 | 4.02 |
| 4,950,000 | 2,475,000 | 676,162 | 0.39 | June 30, 2025 | 4.50 |
| 12,627,425 | 10,152,425 | $ 3,577,679 | | | 3.02 |

During the year ended December 31, 2020, the Company granted 5,950,000 stock options (5,290,000 stock options granted for the year ended December 31, 2019) and options vested with a total value $825,536 ($803,573 for the year ended December 31, 2019).

The grant-date fair value of options granted on January 6, 2020 was measured using the Black-Scholes option pricing model. The following inputs were used in the measurement of fair values at grant date: expected dividend yield of 0%, expected volatility of 83% based on the Company's historical volatility, weighted average risk - free interest rate of 1.58%, share price of CAD$0.30 and a weighted average expected life of 5 years. The grant-date fair value of the January 6, 2020 options was CAD$0.19 per option. These options vested immediately on the date of grant.

The grant-date fair value of options granted on June 30, 2020 was measured using the Black-Scholes option pricing model. The following inputs were used in the measurement of fair values at grant date: expected dividend yield of 0%, expected volatility of 83% based on the Company's historical volatility, weighted average risk - free interest rate of 0.36%, share price of CAD$0.30 and a weighted average expected life of 5 years. The grant-date fair value of the January 6, 2020 options was CAD$0.18 per option. Half of these options vested immediately on the date of grant, with the second half vesting on January 1, 2021.

Subsequent to December 31, 2020, 1,500,000 of the outstanding stock options were exercised for proceeds of CAD$495,000 ($393,047).

**(Expressed in United States Dollars)**

## 10. Share capital (continued)

(d) Common share purchase warrants

| | Number of warrants | | Weighted average exercise price (CAD) |
|---|---|---|---|
| Balance, December 31, 2018 | 3,932,425 | $ | 2.18 |
| Warrants issued in private placements | 18,660,000 | | 0.46 |
| Finder warrants | 623,700 | | 0.47 |
| Exercised | (700,000) | | 0.50 |
| Expired | (3,932,425) | | 0.85 |
| Balance, December 31, 2019 | 18,583,700 | $ | 0.46 |
| Warrants issued in bought deal | 28,617,692 | | 0.55 |
| Broker warrants | 4,006,477 | | 0.39 |
| Exercised | (529,103) | | 0.55 |
| **Balance, December 31, 2020** | **50,678,766** | **$** | **0.50** |

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

| Number of warrants outstanding | | Grant date fair value | | Weighted average exercise price (CAD) | Expiry date |
|---|---|---|---|---|---|
| 4,300,000 | $ | 216,883 | $ | 0.50 | March 26, 2021 |
| 8,610,000 | | 581,186 | $ | 0.47 | July 4, 2021 |
| 590,947 | | 39,416 | $ | 0.47 | July 4, 2021 |
| 4,000,000 | | 200,928 | $ | 0.40 | December 2, 2021 |
| 14,000 | | 579 | $ | 0.40 | December 2, 2021 |
| 1,050,000 | | 53,710 | $ | 0.40 | December 12, 2021 |
| 28,107,342 | | 2,913,926 | $ | 0.55 | June 5, 2023 |
| 4,006,477 | | 335,957 | $ | 0.39 | June 5, 2022 |
| 50,678,766 | $ | 4,342,585 | $ | 0.50 | |

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

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

**10. Share capital (continued)**

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

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

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

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

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

On June 5, 2020, the Company issued 28,617,692 warrants as part of a bought deal offering which entitles the holder to purchase one common share of the Company at an exercise price of CAD$0.55 until June 5, 2023. The fair value of these warrants of $0.14 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 88% based on the Company's historical volatility, share price of CAD$0.32, risk-free rate of 0.34%, and expected life of three years.

On June 5, 2020, the Company issued 4,006,477 broker warrants as part of a bought deal offering which entitles the holder to purchase one common share of the Company at an exercise price of CAD$0.39 until June 5, 2022. The fair value of these warrants of $0.11 was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%, expected volatility of 92% based on the Company's historical volatility, share price of CAD$0.32, risk-free rate of 0.34%, and expected life of two years.

**(Expressed in United States Dollars)**

## 11. Exploration and evaluation expenditures

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

| | **Year ended December 31, 2020** | Year ended December 31, 2019 |
|---|---|---|
| Consulting and technical | **$ 2,514,652** | $ 1,990,828 |
| Feasibility study | **1,933,096** | - |
| Surface rights | **111,165** | 63,130 |
| Environmental studies | **413,241** | 7,066 |
| Other exploration costs | **425,630** | 49,407 |
| Metallurgical testing | **210,332** | 33,990 |
| Field office support and administration | **235,015** | 128,327 |
| Professional fees | **43,061** | 13,135 |
| Travel | **79,521** | (12,370) |
| Licence fees | **468,504** | 481,341 |
| | **$ 6,434,217** | $ 2,754,854 |

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 was ratified by the Romanian Government on November 16, 2018 and is valid for 20 years, with the right of extension for successive periods of 5 years each. 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, 2020, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

## 12. Loss per share

Basic loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. Basic and diluted weighted average shares for the year ended December 31, 2020 is 144,082,453 (December 31, 2019 – 77,192,721). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted loss per share.

For the years ended December 31, 2020 and 2019, the loss per share was as follows:

| | **Year ended December 31, 2020** | Year ended December 31, 2019 |
|---|---|---|
| Basic and diluted loss per share from continuing operations | **$ (0.08)** | $ (0.11) |
| Basic and diluted loss per share from discontinued operations | **$ (0.01)** | $ (0.04) |
| Basic and diluted loss per share | **$ (0.09)** | $ (0.15) |

**(Expressed in United States Dollars)**

## 13. Related party transactions

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

Key management personnel compensation:

| | **Year ended December 31, 2020** | Year ended December 31, 2019 |
|---|---|---|
| Directors and officers compensation | **$ 2,653,346** | $ 1,328,889 |
| Share-based payments | **911,757** | 996,050 |
| | **$ 3,565,103** | $ 2,324,939 |

As at December 31, 2020, the Company had $77,417 (December 31, 2019 - $272,727) in accounts payable owing to various officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand.

See Notes 9, 10, 16 and 18.

## 14. Financial risk factors

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

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

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on income or loss and shareholders' equity, where applicable. The sensitivity has been prepared for the years ended December 31, 2020 and 2019 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, 2020, the Company had a cash and cash equivalents balance of $7,825,681 (2019 - $1,499,857) to settle trade and other payables of $1,577,096 (2019 - $1,996,929). Current liabilities consist of trade and other payables, lease liability and loans payable, all generally due within one year.

**(Expressed in United States Dollars)**

**14. Financial risk factors (continued)**

(c) Market Risk

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

(i) Interest rate risk

The Company has cash and cash equivalent balances as at December 31, 2020 and 2019. 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, 2020 and 2019:

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **Average rate** | **Closing rate** | Average rate | Closing rate |
| RON | 0.2356 | 0.2521 | 0.2360 | 0.2347 |
| CAD | 0.7454 | 0.7854 | 0.7576 | 0.7699 |

A 1% strengthening or weakening of the US dollar against the Romanian Lei at December 31, 2020 would result in an increase or decrease in operating loss of approximately $3,206. A 1% strengthening or weakening of the US dollar against the Canadian dollar would result in an increase or decrease in other comprehensive income of approximately $210.

(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.

(iv) Equity price risk

The Company is exposed to equity price risk through its investment in Bluelake Mineral. Fluctuations in the quoted price of Bluelake Mineral affect the Company's earnings. The Company closely monitors the share price to determine the appropriate course of action to be taken with regard to this investment.

**(Expressed in United States Dollars)**

## 15. Capital disclosures

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

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

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2020 and 2019.

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, 2020** | December 31, 2019 |
|---|---|---|
| Cash and cash equivalents | **$ 7,825,681** | $ 1,499,857 |
| Restricted deposits | **23,559** | 23,098 |
| Share capital | **234,456,221** | 219,767,486 |
| Warrants | **4,342,585** | 1,093,776 |
| Contributed surplus | **3,577,679** | 4,134,234 |
| | **$ 250,225,725** | $ 226,518,451 |

## 16. Commitments and contingencies

(a) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $3.3 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately $2.2 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. The Company has committed to pay a director a bonus of $250,000 on completion of the feasibility study. This bonus has not been accrued as at December 31, 2020 as the triggering event has not yet taken place.

(b) Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

(c) Novel Coronavirus

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. To date, the pandemic has not had a significant impact on the Company's operations or ability to finance its operations. The Company has undertaken work to complete a definitive feasibility study and this work has continued throughout 2020 without issue or impact from the pandemic.

(Expressed in United States Dollars)

## 17. Lease liability

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

| | | |
|---|---|---|
| Lease liability as at January 1, 2019 | $ | 354,744 |
| Interest expense | | 24,943 |
| Lease payments | | (105,246) |
| Effect of foreign exchange currency difference | | (13,766) |
| **Lease liability as at December 31, 2019** | **$** | **260,675** |
| Interest expense | | 19,743 |
| Lease payments | | (117,505) |
| Effect of foreign exchange currency difference | | 24,656 |
| **Lease liability as at December 31, 2020** | **$** | **187,569** |

| | | **December 31, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| Current lease liability | **$** | **108,513** | $ | 89,315 |
| Non-current lease liability | | **79,056** | | 171,360 |
| | **$** | **187,569** | $ | 260,675 |

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

| | | **December 31, 2020** | | December 31, 2019 |
|---|---|---|---|---|
| Within one year | **$** | **110,728** | $ | 101,350 |
| After one year but not more than five years | | **83,046** | | 177,362 |
| More than five years | | **-** | | - |
| | **$** | **193,774** | $ | 278,712 |

**(Expressed in United States Dollars)**

## 18. Loans payable

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

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

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

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

## 19. Investments

On July 2, 2020, the Company received 96,211,544 shares of Bluelake Mineral (previously Nickel Mountain) valued at $1,136,537 (SEK10,583,270) as consideration for the sale of Vilhelmina Mineral AB (see Note 7). At December 31, 2020, the Company owned approximately 11.8% of Bluelake Mineral.

Changes in the investment in Bluelake Mineral during the period were as follows:

| | Common shares | |
|---|---|---|
| | # | $ |
| Balance, December 31, 2018 and December 31, 2019 | - | - |
| **Shares received on sale of Vilhelmina Mineral AB (Note 7)** | **96,211,544** | **1,136,537** |
| **Mark-to-market loss on value of shares recorded in the statement of loss** | **-** | **(325,749)** |
| **Effect of foreign exchange currency difference** | | **58,758** |
| **Balance, December 31, 2020** | **96,211,544** | **869,546** |

The Bluelake Mineral shares are valued using quoted prices for identical assets and therefore, has been recorded at Level 1 within the fair value hierarchy.

On January 11, 2021, Bluelake Mineral completed a reverse stock split merging 20 existing shares into one new share. Following this reverse stock split, the Company holds 4,810,577 shares of Bluelake Mineral.

**(Expressed in United States Dollars)**

## 20. 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% (2019 - 26.5%) were as follows:

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Loss before income taxes from continuing operations | $ | (11,938,621) | $ | (8,109,130) |
| Expected income tax recovery based on statutory rate | | (3,164,000) | | (2,149,000) |
| Adjustment to expected income tax benefit: | | | | |
| Share-based compensation | | (363,000) | | (51,000) |
| Non deductible items | | (162,000) | | (1,429,000) |
| Change in benefit of tax assets not recognized | | 3,689,000 | | 3,629,000 |
| Deferred income tax provision (recovery) from continuing operations | $ | - | $ | - |

(b) Deferred income taxes

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

| | | 2020 | | 2019 |
|---|---|---|---|---|
| Non-capital loss carry-forwards (Canada) | $ | 57,256,000 | $ | 48,644,000 |
| Investment in associate (Canada) | | 2,735,000 | | 3,604,000 |
| Share issue costs (Canada) | | 1,878,000 | | 575,000 |
| Other (Canada) | | 6,977,000 | | 5,525,000 |
| Capital loss carry-forwards (Canada) | | 42,921,000 | | 42,073,000 |
| | $ | 111,767,000 | $ | 100,421,000 |

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, 2020, the Company had estimated non-capital losses for Canadian income tax purposes of approximately $57,256,000 (2019 - $48,644,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2040.

As at December 31, 2020, the Company had estimated non-capital losses for Romanian income tax purposes of approximately $nil (2019 - $nil) available to use against future taxable income.