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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2016**

**(Expressed in United States Dollars)**

**(UNAUDITED)**

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**Notice to Reader**

The accompanying unaudited condensed interim consolidated financial statements of Euro Sun Mining Inc. (formerly Carpathian Gold Inc.) (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2016 have not been reviewed by the Company's auditors.

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

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

	June 30, 2016	December 31, 2015
		(Note 3)
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 8,842,375	\$ 549,076
Restricted deposits (Note 4)	-	903,951
Prepaid expenses and sundry receivables	259,534	464,433
<b>Total current assets</b>	9,101,909	1,917,460
<b>Non-current assets</b>		
Assets classified as held for sale (Note 4)	-	62,412,194
Property, plant and equipment (Note 5)	-	84,820
Software license costs	-	24,536
<b>Total Assets</b>	\$ 9,101,909	\$ 64,439,010
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables (Note 6 and 7)	\$ 374,229	\$ 703,369
<b>Non-current liabilities</b>		
Liabilities classified as held for sale (Note 4)	-	312,967,459
<b>Total Liabilities</b>	374,229	313,670,828
<b>Equity (Deficiency) attributable to Shareholders</b>		
Share capital (Note 8(b))	202,279,464	196,773,069
Warrants (Note 8(d) and (e))	2,627,351	3,256,109
Contributed surplus (Note 8(c))	6,375,653	2,201,847
Accumulated deficit	(202,554,788)	(429,967,103)
Accumulated other comprehensive loss	-	(21,495,740)
<b>Total Equity (Deficiency)</b>	8,727,680	(249,231,818)
<b>Total Liabilities and Equity</b>	\$ 9,101,909	\$ 64,439,010

Nature of operations and going concern (Note 1)  
Commitments and contingencies (Note 12)  
Subsequent events (Note 13)

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

# EURO SUN MINING INC.

## (FORMERLY CARPATHIAN GOLD INC.)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Expenses</b>				
General and administrative (Note 9(a))	\$ 380,841	\$ 1,589,599	\$ 1,581,687	\$ 2,897,116
Employee compensation expense (Note 9(b))	4,411,844	238,704	4,625,522	483,597
Exploration and evaluation expenditures (Note 10)	227,558	198,688	442,462	428,788
Depreciation and amortization	22,036	24,818	44,048	49,465
Impairment (Note 5)	70,013	-	70,013	-
Other income (Note 9(c))	(4,900,509)	1,716,803	(344,737)	(4,581,911)
Net (loss) income from continuing operations for the period	(211,783)	(3,768,612)	(6,418,995)	722,945
Net income (loss) from discontinued operations for the period (Note 4)	230,624,463	766,480	230,531,490	(24,621,627)
<b>Net income (loss) for the period</b>	<b>230,412,680</b>	<b>(3,002,132)</b>	<b>224,112,495</b>	<b>(23,898,682)</b>
<b>Other comprehensive income (loss)</b>				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustments	(4,700,929)	1,691,138	-	(4,621,455)
<b>Other comprehensive income (loss) for the period from continuing operations</b>	<b>(4,700,929)</b>	<b>1,691,138</b>	<b>-</b>	<b>(4,621,455)</b>
<b>Total comprehensive income (loss) for the period from continuing operations</b>	<b>(4,912,712)</b>	<b>(2,077,474)</b>	<b>(6,418,995)</b>	<b>(3,898,510)</b>
<b>Total comprehensive (loss) income for the period from discontinued operations</b>	<b>230,624,463</b>	<b>766,480</b>	<b>230,531,490</b>	<b>(24,621,627)</b>
<b>Total comprehensive income (loss) for the period</b>	<b>\$ 225,711,751</b>	<b>\$ (1,310,994)</b>	<b>\$ 224,112,495</b>	<b>\$(28,520,137)</b>
<b>Basic and diluted (loss) income per share</b>				
- continuing operations	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ 0.00
<b>Basic and diluted income (loss) per share</b>				
- discontinued operations	\$ 0.29	\$ 0.00	\$ 0.31	\$ (0.04)
<b>Total basic and diluted income (loss) per share</b>				
	\$ 0.29	\$ (0.00)	\$ 0.30	\$ (0.04)
<b>Weighted average number of shares outstanding - basic and diluted</b>				
	805,614,660	694,169,911	749,892,286	694,169,911

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

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

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in United States Dollars)  
(Unaudited)

	Share capital	Warrants	Contributed surplus (Note 3)	Accumulated deficit (Note 3)	Accumulated other comprehensive loss	Total
Balance, December 31, 2014	\$ 196,773,069	\$ 3,256,109	\$ 2,267,854	\$(356,409,020)	\$ (8,605,621)	\$(162,717,609)
Expiry of stock options	-	-	(144)	144	-	-
Share-based payment	-	-	4,423	-	-	4,423
Net loss and comprehensive loss for the period	-	-	-	(23,898,682)	(4,621,455)	(28,520,137)
Balance, June 30, 2015	\$ 196,773,069	\$ 3,256,109	\$ 2,272,133	\$(380,307,558)	\$(13,227,076)	\$(191,233,323)
Balance, December 31, 2015	\$ 196,773,069	\$ 3,256,109	\$ 2,201,847	\$(429,967,103)	\$(21,495,740)	\$(249,231,818)
Shares issued in private placements	8,630,675	-	-	-	-	8,630,675
Valuation of warrants	(2,507,222)	2,507,222	-	-	-	-
Valuation of broker warrants	(283,401)	283,401	-	-	-	-
Transaction costs incurred	(333,657)	(163,272)	-	-	-	(496,929)
Share-based payment	-	-	4,217,517	-	-	4,217,517
Reclassification of value of expired options	-	-	(43,711)	43,711	-	-
Expiry of warrants	-	(3,256,109)	-	3,256,109	-	-
Net loss and comprehensive loss for the period	-	-	-	224,112,495	21,495,740	245,608,235
Balance, June 30, 2016	\$ 202,279,464	\$ 2,627,351	\$ 6,375,653	\$(202,554,788)	\$ -	\$ 8,727,680

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

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

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

Six Months Ended June 30,	2016	2015 (Note 3)
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ 224,112,495	\$ (23,898,682)
Depreciation and amortization	44,048	10,603,641
Accretion	87,740	131,610
Unrealized foreign exchange gain	(391,528)	(5,612,881)
Gain on disposition of MRDM	(230,826,366)	-
Share-based payments	4,217,517	4,423
Impairment	1,417,475	-
Gain on sale of property, plant and equipment	-	(17,431)
Interest income	(6,621)	(3,432)
Deferred share unit costs	41,128	6,919
Unrealized loss on derivative contracts	-	8,505,418
Net change in non-cash working capital:		
Trade receivables	307,504	(1,237,969)
Prepaid expenses and sundry receivables	(1,176,442)	1,781,721
Inventories	(1,796,598)	(9,864,687)
Trade, other payables and payables from Gold Stream transaction	3,316,791	(6,979,288)
Deferred revenues	-	(785,039)
<b>Cash (used in) operating activities</b>	<b>(652,857)</b>	<b>(27,365,677)</b>
<b>Cash flows from investing activities</b>		
Restricted deposits	13,074	(84,592)
Interest income	6,621	3,432
Proceeds on sale of property, plant and equipment	-	22,163
Acquisition of property, plant and equipment	(1,432,616)	(5,347,327)
Acquisition of software licensing	-	(16,205)
Mine development assets	(909,416)	(1,404,980)
Cash disposed of in MRDM	(250,961)	-
<b>Cash used in investing activities</b>	<b>(2,573,298)</b>	<b>(6,827,509)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Project Loan Facility (net of costs)	2,686,260	33,737,731
Proceeds from private placements (net of costs)	8,178,686	-
<b>Cash provided by financing activities</b>	<b>10,864,946</b>	<b>33,737,731</b>
<b>Effect of exchange rates on cash and cash equivalents</b>	<b>582,173</b>	<b>986,015</b>
<b>Net change in cash and cash equivalents</b>	<b>8,220,964</b>	<b>530,560</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>621,411</b>	<b>310,736</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 8,842,375</b>	<b>\$ 841,296</b>
Cash and cash equivalents at the end of the period	\$ 8,842,375	\$ 841,296
Included in cash and cash equivalents per statement of financial position	\$ 8,842,375	\$ 524,040
Included in assets classified as held for sale	\$ -	\$ 317,256
<b>Supplemental cash flow information:</b>		
Interest paid	\$ -	\$ 18,226,186

Discontinued operations – See Note 4.

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

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)

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## 1. Nature of operations and going concern

Euro Sun Mining Inc. (formerly Carpathian Gold Inc.), together with its subsidiaries (collectively the "Company"), is an exploration and development company focused primarily on gold and copper exploration on its property in 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 Canadian Securities Exchange under the symbol "CPN". At the Annual and Special Meeting on August 4, 2016, the shareholders approved the Company changing its name to Euro Sun Mining Inc. The address of its registered office is 65 Queen Street West, Suite 805, Toronto, Ontario, M5H 2M5.

These unaudited condensed interim consolidated financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of business for the foreseeable future. For the six months ended June 30, 2016, the Company incurred a net income of \$224,112,495 and as at June 30, 2016, reported an accumulated deficit of \$202,554,788 and working capital of \$8,727,680 including \$8,842,375 in cash and cash equivalents.

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

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, indigenous claims, and non-compliance with regulatory, social and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

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

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

## 2. Basis of preparation

The Company prepares its unaudited condensed interim consolidated financial statements in accordance with IFRS as issued by the IASB applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These statements are condensed and do not include all of the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements as at and for the year ended December 31, 2015.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 23, 2016.

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
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## 3. Significant accounting policies

### Basis of measurement

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of August 23, 2016, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended December 31, 2015 except for the accounting changes described herein. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ended December 31, 2016 could result in restatement of these unaudited condensed interim consolidated financial statements.

### Principles of consolidation

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

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

The Company's financial statements consolidate its subsidiaries which comprise the following:

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

In preparing the unaudited condensed interim consolidated financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period end. Critical accounting estimates represent estimates that are uncertain and for which changes to those estimates could materially impact the Company's condensed interim consolidated financial statement. Actual future outcomes may differ from present estimates. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

The judgments, estimates, assumptions and risks during the three and six months ended June 30, 2016 are the same as those disclosed in Note 4 to the Company's annual consolidated financial statements for the year ended December 31, 2015.

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

**Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)**

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## **3. Significant accounting policies (continued)**

### **Future accounting standards issued but not yet effective**

#### *IFRS 9 – Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 - Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of adopting this standard on the unaudited condensed interim consolidated financial statements.

#### *IFRS 15 – Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount and timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2017, with earlier application permitted. The Company is currently assessing the impact of adopting this standard on the unaudited condensed interim consolidated financial statements.

#### *IFRS 16 – Leases*

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied or is applied at the same date as IFRS 16. The Company is currently assessing the impact of adopting this standard on the unaudited condensed interim consolidated financial statements

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

### **Accounting changes**

#### *Exploration and evaluation expenditures*

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



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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
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## 3. Significant accounting policies (continued)

### Accounting changes (continued)

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

Consolidated statement of financial position:

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

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

- Decrease in impairment expense with an offsetting increase in exploration and evaluation expense as follows: three-months ended June 30, 2016 - \$214,904; three-months ended June 30, 2015 - \$198,688; six-months ended June 30, 2015 - \$428,788.
- No change in net income (loss) or comprehensive income (loss).

Consolidated statements of cash flows:

- Decrease in cash flows from operations with a corresponding increase in cash flows from investing activities as follows: six-months ended June 30, 2015 - \$434,200.

### *Expired share-based payments and warrants*

During the quarter ended June 30, 2016, the Company elected to change its accounting policy for the treatment of share-based payments and warrants whereby amounts recorded for expired unexercised share options and warrants are transferred to deficit on expiry. The value of unexercised and outstanding warrants and options will continue to be recorded in the warrant reserve and contributed surplus reserve accounts, respectively. The Company believes that this presentation provides more relevant financial information. Previously, the Company's policy was to record the value of expired options and warrants within contributed surplus along with the value of outstanding share options.

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

Consolidated statement of financial position:

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

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

- No change.

Consolidated statements of cash flows:

- No change.

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
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(Unaudited)

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

On April 29, 2016, the Company closed a transaction to dispose of its Riacho dos Machados (“RDM Project”) producing gold project in Brazil.

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

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

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

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

Furthermore, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 70,194,444 common shares (the “Shares”) in the capital stock of the Company at a price of CAD\$0.018 per Share for aggregate gross proceeds of US\$1,000,000 (CAD\$1,263,500) on a private placement basis (see Note 8(b)(i)).

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

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

As at June 30, 2016, the Restructuring has been completed and all the assets, liabilities and obligations related to the RDM Project have been disposed of. As a result of the disposition of the RDM Project, the Company recorded a gain of \$230,628,958 which represents the difference between the consideration and the net liability of the RDM Project on the date of disposition.

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
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## 4. Non-current assets held for sale and discontinued operations (continued)

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

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

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
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(Unaudited)

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
<b>Revenue</b>	\$ 4,780,606	\$ 14,732,608	\$ 20,275,211	\$ 37,124,192
<b>Expenses</b>				
Costs and expenses of mining operations				
Operating costs and mine site				
administrative expenses	4,016,798	9,436,723	16,181,804	22,681,925
Mine site depreciation and amortization	-	4,854,674	-	10,554,176
General and administrative	517,653	1,785,788	2,283,993	3,874,848
Employee compensation expense	202,452	610,122	714,122	1,363,217
Gain on disposition of MDRM	(230,628,958)	-	(230,628,958)	-
Impairment	-	-	1,132,558	-
Net (gain) loss on derivative contracts	-	(13,051,404)	-	7,019,782
Finance costs				
Interest	-	9,850,988	-	17,132,378
Accretion	21,935	65,806	87,740	131,610
Other expenses (income)	26,263	413,431	(27,538)	(1,012,117)
<b>Income (loss) from discontinued operations</b>	<b>\$ 230,624,463</b>	<b>\$ 766,480</b>	<b>\$ 230,531,490</b>	<b>\$ (24,621,627)</b>

The following table presents summarized statements of cash flows for the discontinued operations for the six months ended June 30, 2016 and 2015:

Six months ended June 30,	2016	2015
Cash flows from operating activities of discontinued operations	\$ 1,867,340	\$(23,238,593)
Cash flows from investing activities of discontinued operations	(5,017,459)	(6,828,175)
Cash flows from financing activities of discontinued operations	2,686,260	29,257,262
Effect of exchange rates on cash and cash equivalents	391,524	1,028,261
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(72,335)</b>	<b>218,755</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>72,335</b>	<b>98,501</b>
<b>Cash and cash equivalents at end of the period</b>	<b>\$ -</b>	<b>\$ 317,256</b>
<b>Supplemental information:</b>		
Interest paid	\$ -	\$ 18,226,186

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
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(Unaudited)

## 5. Property, plant and equipment

Cost	Leasehold Improvements	Office Equipment	Equipment	Computer Equipment	Machinery & Total
Balance, December 31, 2015	\$ 177,839	\$ 54,515	\$ 29,325	\$ 15,770	\$ 277,449
Effect of foreign exchange adjustments	11,046	4,018	5,789	1,163	22,016
Impairment	(188,885)	(58,533)	(35,114)	(16,933)	(299,465)
Balance, June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

Accumulated depreciation	Leasehold Improvements	Office Equipment	Equipment	Computer Equipment	Machinery & Total
Balance, December 31, 2015	\$ 123,811	\$ 27,906	\$ 26,139	\$ 14,773	\$ 192,629
Depreciation	13,187	2,781	1,444	1,043	18,455
Effect of foreign exchange adjustments	9,515	2,139	5,597	1,117	18,368
Impairment	(146,513)	(32,826)	(33,180)	(16,933)	(229,452)
Balance, June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

Net book value	Leasehold Improvements	Office Equipment	Equipment	Computer Equipment	Machinery & Total
Balance, December 31, 2015	\$ 54,028	\$ 26,609	\$ 3,186	\$ 997	\$ 84,820
Balance, June 30, 2016	\$ -	\$ -	\$ -	\$ -	\$ -

As at June 30, 2016 the carrying value of property, plant and equipment is comprised of \$nil in corporate and other (December 31, 2015 - \$84,820), \$nil in Brazil (December 31, 2015 - \$nil) and \$nil in Romania (December 31, 2015 - \$nil).

## 6. Trade and other payable

	June 30, 2016	December 31, 2015
Trade payables	\$ 96,730	\$ 433,900
Accrued liabilities	235,736	260,577
Accrual for DSU	41,763	8,892
	\$ 374,229	\$ 703,369

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)

## 7. 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”). Under the DSU Plan, no less than one-third of bonuses awarded to management will be paid in DSUs and any future increases in directors’ remuneration will be paid in DSUs. 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 (the “Market Value”). Upon termination, an eligible person receives a cash payment equivalent to the Market Value of a common share on the termination date multiplied by the number of DSUs held by them.

The following transactions occurred during the periods noted below:

	June 30, 2016	December 31, 2015
Number of DSUs outstanding, beginning of period	948,669	948,669
Redeemed	(229,391)	-
Number of DSUs outstanding, end of period	719,278	948,669
Liability, end of period (included in trade and other payables)	\$ 41,763	\$ 8,892
Expense for the period	\$ 41,128	\$ 1,484

## 8. Share capital

### (a) Authorized

Unlimited number of Common Shares, without par value.  
Unlimited number of Preference Shares, without par value.

### (b) Issued common shares

	Number of common shares	Stated value
Balance, December 31, 2015 and 2014	694,169,911	\$ 196,773,069
Common shares issued in private placements (i)(ii)	213,051,586	8,630,675
Valuation of warrants (ii)	-	(2,507,222)
Valuation of broker warrants (ii)	-	(283,401)
Transaction costs incurred in private placement (ii)	-	(333,657)
Balance, June 30, 2016	907,221,497	\$ 202,279,464

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)

## 8. Share capital (continued)

### (b) Issued common shares (continued)

(i) In connection with the disposition of MDRM, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 70,194,444 common shares (the "Shares") in the capital stock of the Company at a price of CAD\$0.018 per Share for aggregate gross proceeds of \$1,000,000 (CAD\$1,263,500) on a private placement basis. The subscription price for the Shares was based on the 20-day volume weighted average price thereof as of the close of business on April 26, 2016. The Company applied for and was granted an exemption from the Canadian Securities Exchange's minimum price rule in this regard.

(ii) On May 9, 2016, the Company announced that it agreed to a private placement into the Company whereby Forbes & Manhattan Resources Inc. ("Forbes") and its associated entities will subscribe to a private placement (the "Private Placement") of units (the "Units") for a minimum amount of ten million dollars (CAD\$10,000,000) to advance its Rovina Valley Gold Project in Romania. On May 19, 2016, the Company closed the Private Placement whereby Forbes, Sulliden Mining Capital Inc. and Black Iron Inc. subscribed to the Units at subscription price of CAD\$0.07 per Unit for aggregate gross proceeds of CAD\$10,000,000. Each Unit consists of one (1) common share of the Company ("Common Share") and one-half (0.5) of a common share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one (1) Common Share at a price of CAD\$0.12 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD\$0.15 for a period of 20 consecutive trading days. The value of the warrants was determined to be \$2,507,222 using Black-Scholes valuation model with the following assumptions: exercise price of CAD\$0.12, risk-free rate of 0.61%, volatility of 382% and dividend yield of 0%. The Company incurred total transaction costs of \$496,929 of which \$333,657 was allocated to share capital with the remaining allocated to warrants. The Company issued 8,571,428 broker warrants to Origin Merchant Securities Inc. in connection with the Private Placement. The value of the broker warrants was determined to be \$422,086 using Black-Scholes valuation model with the following assumptions: exercise price of CAD\$0.07, risk-free rate of 0.61%, volatility of 382% and dividend yield of 0%. \$283,401 of the value of the broker warrants was allocated to share capital with the remaining allocated to warrants.

### (c) Stock options

The following table shows the continuity of stock options for the periods noted below:

	Number of options	Weighted average Exercise price CAD\$
<b>Balance, December 31, 2014</b>	10,661,000	\$ 0.44
Forfeited during the period	(200,000)	0.03
<b>Balance, June 30, 2015</b>	10,461,000	\$ 0.45
<b>Balance, December 31, 2015</b>	10,261,000	\$ 0.45
Expired during the period	(320,000)	0.40
Granted during the period	80,461,149	0.08
<b>Balance, June 30, 2016</b>	90,402,149	\$ 0.12

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)

## 8. Share capital (continued)

### (c) Stock options (continued)

As at June 30, 2016, stock options held by directors, officers, employees and consultants are as follows:

	Options outstanding	Fair value at grant date (\$)	Exercise price (CAD\$)	Remaining contractual life	Options exercisable
Directors, officers and employees	5,241,000	1,810,603	0.58	47 days	5,241,000
Directors, officers and employees	3,500,000	325,666	0.40	1 year 44 days	3,500,000
Employees	1,200,000	23,241	0.03	2 years 354 days	1,200,000
Directors, officers and consultants	80,461,149	4,216,143	0.08	4 year 17 days	80,461,149
	90,402,149	6,375,653		1 year 26 days	90,402,149

During the three and six months ended June 30, 2015, the Company granted 80,461,149 stock options to certain directors, officers, employees and consultants. The options are exercisable at a price of CAD\$0.075 per common share for a period of five years from the date of grant. The fair market value of the options was determined to be \$4,216,143 based on the following assumptions: exercise price of CAD\$0.075, risk-free rate of 0.55%, volatility of 254% and dividend yield of 0%.

During the three and six months ended June 30, 2016, the Company also recorded \$672 and \$1,374 stock-based compensation in the statements of income (loss) and comprehensive income (loss).

Subsequent to June 30, 2016, 1,000,000 options were exercised with weighted average exercise prices of CAD\$0.03 and 5,241,000 options expired unexercised with weighted average exercise prices of \$0.58.

### (d) Common share purchase warrants

	Number of warrants	Weighted average Exercise price (CAD\$)
<b>Balance, December 31, 2015 and 2014</b>	20,000,000	0.40
Expired during the period	(20,000,000)	0.40
Issued in private placement (Note 8(b)(ii))	71,428,571	0.12
<b>Balance, June 30, 2016</b>	71,428,571	0.12

As at June 30, 2016, warrants outstanding are as follows:

Number of Warrants Issued	Grant Date Fair Value (\$)	Weighted Average Exercise Price (CAD\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
71,428,571	\$ 2,205,265	\$ 0.12	1.86	May 19, 2018



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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)

## 8. Share capital (continued)

### (e) Broker warrants

	Number of broker warrants	Weighted average exercise price (CAD\$)
<b>Balance, December 31, 2015</b>	-	-
Issued in private placement (Note 8(b)(ii))	8,571,428	0.07
<b>Balance, June 30, 2016</b>	8,571,428	0.07

As at June 30, 2016, broker warrants outstanding are as follows:

Number of Warrants Issued	Grant Date Fair Value (\$)	Weighted Average Exercise Price (CAD\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
8,571,428	\$ 422,086	\$ 0.07	1.86	May 19, 2018

## 9. Expense breakdown

### (a) General and administrative expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Professional fees	\$ 278,626	\$ 1,413,877	\$ 1,413,862	\$ 2,588,384
Investor relations and advertising	-	46,989	5,222	71,810
Travel, business and development	38,311	25,154	71,185	55,538
Office and general	63,904	103,579	91,418	181,384
	\$ 380,841	\$ 1,589,599	\$ 1,581,687	\$ 2,897,116

### (b) Employee compensation expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Salaries and benefits	\$ 157,404	\$ 226,829	\$ 366,878	\$ 472,255
Share-based payments	4,216,815	1,892	4,217,516	4,423
Deferred share unit costs	37,624	9,983	41,128	6,919
	\$ 4,411,843	\$ 238,704	\$ 4,625,522	\$ 483,597

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

Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)

## 9. Expense breakdown (continued)

(c) Other (income) expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Foreign exchange loss (gain)	\$ (4,898,317)	\$ 1,717,174	\$ (342,257)	\$ (4,581,244)
Interest income	(2,192)	(371)	(2,480)	(667)
	\$ (4,900,509)	\$ 1,716,803	\$ (344,737)	\$ (4,581,911)

## 10. Exploration and evaluation expenditures

Exploration and evaluation expenditures during the periods were as follows:

Description	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Consulting and labour	\$ 169,506	\$ 97,535	\$ 334,238	\$ 245,739
Exploration costs	-	7,236	2,108	23,006
Field and camp costs	-	56,453	13,844	83,017
Office and miscellaneous	55,906	31,837	90,126	61,418
Professional fees	2,146	5,627	2,146	15,608
<b>Total expenditures</b>	<b>\$ 227,558</b>	<b>\$ 198,688</b>	<b>\$ 442,462</b>	<b>\$ 428,788</b>

The Company owns 100% of the Rovina Valley Project in Romania, which is held through its subsidiary SAMAX Romania S.R.L. The project carries a 6% (gold) and 5% (copper) net smelter return "NSR" royalty payable to the Romanian state once in production. As at June 30, 2016, the Company has only one material segment, which is the development of its Romanian mining permit for financial reporting purposes.

## 11. Related party transactions

During the six months ended June 30, 2016, the Company entered into the following transactions with related parties not disclosed elsewhere in these interim financial statements:

Commencing on May 23, 2016, the Company entered into a management, business and operational consulting contract with Forbes & Manhattan Inc. for \$23,061 (CAD\$30,000) per month with an indefinite term. Mr. Stan Bharti is the Executive Chairman of Forbes & Manhattan Inc.

During the quarter ended June 30, 2016, the Company incurred consulting expenses of \$115,305 (CAD\$150,000) to Gedwal Management Inc. a company controlled by Mr. Guy Charette. The amount is included in accounts payable at June 30, 2016.

As at June 30, 2016, there was \$115,305 due to related parties (June 30, 2015: \$nil).

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

**Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)**

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## **12. Commitments and contingencies**

### Lease Commitment

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

### Lawsuits

Three former officers of the Company have initiated lawsuits for an aggregate of approximately \$3.1 million for wrongful dismissal. The Company intends to defend the matter vigorously as it believes the three former officers' claims are without merit.

### Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$2.9 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$2.1 million pursuant to the terms of these contracts.

## **13. Subsequent events**

### **Shareholder Rights Plan**

On August 4, 2016, the Company's shareholders approved the adoption of a Shareholder Rights Plan (the "Rights Plan") pursuant to a Shareholder Rights Plan Agreement (the "Rights Plan Agreement") between the Company and TSX Trust Company. The fundamental objectives of the Rights Plan are to provide adequate time for the Company's Board and shareholders to assess an unsolicited take-over bid for the Company; to provide the Board with sufficient time to explore and develop alternatives for enhancing and maximizing shareholder value if a take-over bid is made; and, to provide shareholders with an equal opportunity to participate in a take-over bid. The Rights Plan encourages a potential acquirer who makes a take-over bid (an "Acquirer") to ensure the take-over bid satisfies certain minimum standards designed to promote fairness, or to proceed with the concurrence of the Board (a "Permitted Bid"). If a take-over bid fails to meet these minimum standards and the Rights Plan is not waived by the Board, the Rights Plan provides that holders of common shares of the Company, other than the Acquirer, will be able to purchase additional common shares at a significant discount to market, thus exposing the Acquirer to substantial dilution of its holdings. The Rights Plan has been prepared in alignment with recent amendments to the regulatory framework governing take-over bids published by the Canadian Securities Administrators, which came into effect on May 9, 2016.

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

**Notes to Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2016  
(Expressed in United States Dollars)  
(Unaudited)**

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## **13. Subsequent events (continued)**

### **Shareholder Rights Plan (continued)**

The Rights Plan will have an initial term which expires at the annual meeting of shareholders of the Company to be held in 2019 unless terminated earlier. The Rights Plan may be extended beyond 2019 by approval of eligible shareholders at such 2019 meeting. Pursuant to the Rights Plan, effective July 6, 2016 rights (the "Rights") have been issued and attached to all of the Company's outstanding common shares. A separate rights certificate will not be issued until such time as the Rights become exercisable (which is referred to as the "separation time"). The Rights will become exercisable only if a person, together with its affiliates, associates and joint actors, acquires or announces its intention to acquire beneficial ownership of the Company's common shares which, when aggregated with its current holdings, total 20% or more of the outstanding the Company's common shares (determined in the manner set out in the Rights Plan) other than as permitted under the Rights Plan. The Rights will effectively permit holders, other than an Acquirer and such related parties, to purchase common shares of the Company at a 50% discount to their market price (as defined in the Rights Plan Agreement). Additional details regarding the Rights Plan is available for viewing on SEDAR.

### **Stock Options**

See Note 8(c).