

# EUROSUN

MINING

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019**

**(Expressed in United States Dollars)**

**(UNAUDITED)**

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# EURO SUN MINING INC.

Condensed consolidated interim statements of financial position  
(Expressed in United States dollars)  
(unaudited)

| As at:   | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| <b>Assets</b>  |                    |                   |
| Current assets   |                    |                   |
| Cash and cash equivalents                                      | \$ 10,876,856      | \$ 1,499,857      |
| Restricted deposits  | 22,487             | 23,098            |
| Prepaid expenses and sundry receivables                        | 766,000            | 349,244           |
| Investments (Note 5 and 13)                                    | 857,458            | -                 |
|  | \$ 12,522,801      | \$ 1,872,199      |
| Assets held for sale (Note 5)                                  | -                  | 261,896           |
| <b>Total current assets</b>                                    | \$ 12,522,801      | \$ 2,134,095      |
| Non-current assets   |                    |                   |
| Property, plant and equipment (Note 3)                         | 639,660            | 702,513           |
| Deposits (Note 11)   | 76,585             | 76,585            |
| <b>Total assets</b>  | \$ 13,239,046      | \$ 2,913,193      |
| <b>Liabilities</b>   |                    |                   |
| Current liabilities  |                    |                   |
| Trade and other payables                                       | \$ 818,656         | \$ 1,996,929      |
| Deferred share unit liability (Note 6)                         | 1,703,304          | 1,238,427         |
| Loans payable (Note 12)  | -                  | 76,994            |
| Current lease liability (Note 11)                              | 100,779            | 89,315            |
|  | \$ 2,622,739       | \$ 3,401,665      |
| Liabilities held for sale (Note 5)                             | -                  | 705,809           |
| <b>Total current liabilities</b>                               | \$ 2,622,739       | \$ 4,107,474      |
| Non-current lease liability (Note 11)                          | 101,995            | 171,360           |
| <b>Total liabilities</b>                                       | \$ 2,724,734       | \$ 4,278,834      |
| Equity (deficiency) attributable to shareholders               |                    |                   |
| Share capital (Note 7 (b))                                     | 234,421,471        | 219,767,486       |
| Contributed surplus (Note 7 (c))                               | 3,410,998          | 4,134,234         |
| Warrants (Note 7 (d))  | 4,342,585          | 1,093,776         |
| Accumulated deficit  | (231,111,886)      | (225,426,797)     |
| Accumulated other comprehensive loss                           | (548,856)          | (692,465)         |
| <b>Total shareholders' equity (deficiency)</b>                 | \$ 10,514,312      | \$ (1,123,766)    |
| Non-controlling interest (Note 5)                              | -                  | (241,875)         |
| <b>Total equity (deficiency)</b>                               | 10,514,312         | (1,365,641)       |
| <b>Total liabilities and shareholders' equity (deficiency)</b> | \$ 13,239,046      | \$ 2,913,193      |

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

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

"David Danziger", Director

"Bruce Humphrey", Director

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

# EURO SUN MINING INC.

## Condensed consolidated interim statements of loss and comprehensive loss (Expressed in United States dollars) (unaudited)

|  | Three months<br>ended<br>September 30,<br>2020 | Three months<br>ended<br>September 30,<br>2019 | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 |
|--|--|--|---|---|
| <b>Expenses</b>  |  |  |   |   |
| Consulting and management fees (Note 9)                                  | \$ 721,326                                     | 394,581  | \$ 2,124,295                                  | \$ 2,333,056                                  |
| Professional fees  | 61,684   | 21,576   | 123,701                                       | 63,976  |
| General office expenses  | 53,765   | 63,050   | 152,511                                       | 155,561                                       |
| Travel expenses  | 3,845  | 136,257  | 37,392  | 198,017                                       |
| Shareholder communications and filing fees                               | 351,961  | 63,737   | 572,971                                       | 406,013                                       |
| Share-based compensation (Note 6, 7 (c) and 9)                           | 841,608  | (335,134)                                      | 1,473,611                                     | 860,506                                       |
| Exploration and evaluation expenditures (Note 8)                         | 1,503,590                                      | 655,781  | 3,252,932                                     | 2,257,682                                     |
| Change in fair value of investments (Note 13)                            | 295,647  | -  | 295,647                                       | -   |
| Loss (gain) on foreign exchange  | (335,484)                                      | (1,206)  | (53,521)                                      | 4,068   |
| Interest income  | (111)  | (114)  | (111)   | (340)   |
| Interest expense   | 5,342  | 6,428  | 15,839  | 25,558  |
| <b>Net loss for the period from continuing operations</b>                | <b>\$ (3,503,173)</b>                          | <b>\$ (1,004,956)</b>                          | <b>\$ (7,995,267)</b>                         | <b>\$ (6,304,097)</b>                         |
| Loss from discontinued operations (Note 5)                               | (574,291)                                      | (18,301)                                       | (994,274)                                     | (83,391)                                      |
| <b>Net loss for the period</b>   | <b>\$ (4,077,464)</b>                          | <b>\$ (1,023,257)</b>                          | <b>\$ (8,989,541)</b>                         | <b>\$ (6,387,488)</b>                         |
| <b>Other comprehensive income (loss)</b>                                 |  |  |   |   |
| Items that will subsequently be reclassified to operations:              |  |  |   |   |
| Reversal of currency translation differences on disposal of subsidiary   | \$ (75,250)                                    | \$ -   | \$ (75,250)                                   | \$ -  |
| Cumulative exchange translation adjustments                              | 728,705  | (20,042)                                       | 218,859                                       | 13,625  |
| <b>Other comprehensive income (loss) for the period</b>                  | <b>\$ 653,455</b>                              | <b>\$ (20,042)</b>                             | <b>\$ 143,609</b>                             | <b>\$ 13,625</b>                              |
| <b>Net comprehensive loss for the period</b>                             | <b>\$ (3,424,009)</b>                          | <b>\$ (1,043,299)</b>                          | <b>\$ (8,845,932)</b>                         | <b>\$ (6,373,863)</b>                         |
| Basic and diluted loss per share from continuing operations              | \$ (0.02)                                      | \$ (0.01)                                      | \$ (0.06)                                     | \$ (0.09)                                     |
| Basic and diluted loss per share from discontinued operations            | \$ -   | \$ -   | \$ (0.01)                                     | \$ -  |
| Basic and diluted loss per share   | \$ (0.02)                                      | \$ (0.01)                                      | \$ (0.07)                                     | \$ (0.09)                                     |
| Weighted average number of common shares outstanding - basic and diluted | 169,421,597                                    | 80,938,033                                     | 135,466,172                                   | 72,039,893                                    |

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

# EURO SUN MINING INC.

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

|   | 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 7 (b))                      | 3,781,298      | 833,376      | -                   | -                   | -                                    | -                        | 4,614,674                         |
| Share issuance costs (Note 7 (b))                   | (524,482)      | -            | -                   | -                   | -                                    | -                        | (524,482)                         |
| Finder warrants (Note 7 (d))                        | -              | 40,194       | -                   | -                   | -                                    | -                        | 40,194                            |
| Stock option grant (Note 7 (c))                     | -              | -            | 459,119             | -                   | -                                    | -                        | 459,119                           |
| Stock option expiry (Note 7 (c))                    | -              | -            | (881,173)           | 881,173             | -                                    | -                        | -                                 |
| Warrant exercise (Note 7 (d))                       | 260,445        | -            | -                   | -                   | -                                    | -                        | 260,445                           |
| Warrant exercise value allocation (Note 7 (d))      | 35,307         | (35,307)     | -                   | -                   | -                                    | -                        | -                                 |
| Warrant expiry (Note 7 (d))                         | -              | (2,205,265)  | -                   | 2,205,265           | -                                    | -                        | -                                 |
| Net loss and comprehensive loss                     | -              | -            | -                   | (6,387,488)         | 13,625                               | -                        | (6,373,863)                       |
| Balance, September 30, 2019                         | \$ 216,157,671 | \$ 838,263   | \$ 3,999,398        | \$ (220,971,394)    | \$ (694,227)                         | \$ -                     | \$ (670,289)                      |
| Balance, December 31, 2019                          | \$ 219,767,486 | \$ 1,093,776 | \$ 4,134,234        | \$ (225,426,797)    | \$ (692,465)                         | \$ (241,875)             | \$ (1,365,641)                    |
| Private placement (Note 7 (b))                      | 2,504,040      | -            | -                   | -                   | -                                    | -                        | 2,504,040                         |
| Share issuance costs (Note 7 (b))                   | (1,812,274)    | -            | -                   | -                   | -                                    | -                        | (1,812,274)                       |
| Finder warrants (Note 7 (d))                        | -              | 335,957      | -                   | -                   | -                                    | -                        | 335,957                           |
| Stock option grant (Note 7 (c))                     | -              | -            | 656,952             | -                   | -                                    | -                        | 656,952                           |
| Stock option expiry (Note 7 (c))                    | -              | -            | (1,366,531)         | 1,366,531           | -                                    | -                        | -                                 |
| Stock option exercise (Note 7 (c))                  | 19,978         | -            | -                   | -                   | -                                    | -                        | 19,978                            |
| Stock option exercise value allocation (Note 7 (c)) | 13,657         | -            | (13,657)            | -                   | -                                    | -                        | -                                 |
| Warrant exercise (Note 7 (d))                       | 218,392        | -            | -                   | -                   | -                                    | -                        | 218,392                           |
| Warrant exercise value allocation (Note 7 (d))      | 53,983         | (53,983)     | -                   | -                   | -                                    | -                        | -                                 |
| Bought deal (Note 7 (b), 7(d))                      | 13,656,209     | 2,966,835    | -                   | -                   | -                                    | -                        | 16,623,044                        |
| Issuance of non-controlling interest (Note 4)       | -              | -            | -                   | 933,902             | -                                    | 1,245,894                | 2,179,796                         |
| Net loss and comprehensive loss                     | -              | -            | -                   | (7,985,522)         | 143,609                              | (1,004,019)              | (8,845,932)                       |
| Balance, September 30, 2020                         | \$ 234,421,471 | \$ 4,342,585 | \$ 3,410,998        | \$ (231,111,886)    | \$ (548,856)                         | \$ -                     | \$ 10,514,312                     |

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

# EURO SUN MINING INC.

Condensed consolidated interim statements of cash flows  
(Expressed in United States dollars)  
(unaudited)

|  | Nine months ended<br>September 30, 2020 | Nine months ended<br>September 30, 2019 |
|--|---|---|
| <b>Cash flows from operating activities</b>                                      |   |   |
| Loss and comprehensive loss for the period                                       | \$ (8,845,932)                          | \$ (6,373,863)                          |
| Adjustment for:  |   |   |
| Depreciation and amortization (Note 3)   | 156,169                                 | 183,412                                 |
| Change in fair value of investments (Note 13)                                    | 295,647                                 | -                                       |
| Interest income  | (111)                                   | (340)                                   |
| Deferred share units (Note 6)  | 816,659                                 | 401,387                                 |
| Stock options granted (Note 7 (c))   | 656,952                                 | 459,119                                 |
|  | \$ (6,920,616)                          | \$ (5,330,285)                          |
| Prepaid expenses, sundry receivables and restricted deposits                     | (416,756)                               | 373,328                                 |
| Trade and other payables   | (1,530,055)                             | 187,709                                 |
| Net cash used in operating activities from continuing operations                 | \$ (8,867,427)                          | \$ (4,769,248)                          |
| Net cash (used in) provided by operating activities from discontinued operations | (15,436)                                | 83,391                                  |
| Net cash used in operating activities  | \$ (8,882,863)                          | \$ (4,685,857)                          |
| <b>Cash flows from investing activities</b>                                      |   |   |
| Interest income  | 111                                     | 340                                     |
| Acquisition of property, plant and equipment (Note 3)                            | (93,316)                                | (64,836)                                |
| Deconsolidation of Vilhelmina Mineral AB cash (Note 5)                           | (1,565,014)                             | -                                       |
| Net cash used in investing activities  | \$ (1,658,219)                          | \$ (64,496)                             |
| <b>Cash flows from financing activities</b>                                      |   |   |
| Proceeds from private placement (Note 7 (b))                                     | 2,504,040                               | 4,614,674                               |
| Proceeds from bought deal (Note 7 (b))   | 16,623,044                              | -                                       |
| Share issuance costs (Note 7 (b))  | (1,476,317)                             | (297,536)                               |
| Warrant exercise (Note 7 (d))  | 218,392                                 | 260,445                                 |
| Option exercise (Note 7 (c))   | 19,978                                  | -                                       |
| Payment of principal portion of lease liability (Note 11)                        | (83,992)                                | (58,058)                                |
| Loans proceeds (Note 12)   | -                                       | 190,016                                 |
| Loans repayment (Note 12)  | (76,994)                                | (190,016)                               |
| Net cash provided by financing activities from continuing operations             | \$ 17,728,151                           | \$ 4,519,525                            |
| Net cash provided by financing activities from discontinued operations           | 2,179,796                               | -                                       |
| Net cash provided by financing activities  | \$ 19,907,947                           | \$ 4,519,525                            |
| Effect of exchange rate changes on cash and cash equivalents                     | \$ 10,134                               | \$ (46,039)                             |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>                                   | <b>9,376,999</b>                        | <b>(276,867)</b>                        |
| CASH AND CASH EQUIVALENTS, beginning of period                                   | \$ 1,499,857                            | \$ 460,704                              |
| CASH AND CASH EQUIVALENTS, end of period   | \$ 10,876,856                           | \$ 183,837                              |
| <b>Supplemental cash flow information:</b>                                       |   |   |
| Right of use asset (Note 3)  | \$ -                                    | \$ 331,946                              |
| Accrued share issuance costs (Note 7 (b))  | -                                       | 186,750                                 |
| Shares received on sale of subsidiary (Note 5)                                   | 1,136,537                               |   |
| Broker warrants issued (Note 7 (d))  | 335,957                                 | 40,196                                  |
| <b>Cash and cash equivalents are comprised of:</b>                               |   |   |
| Cash in bank   | 7,128,449                               | 183,837                                 |
| Short-term money market instruments  | 3,748,407                               | -                                       |
|  | 10,876,856                              | 183,837                                 |

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

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

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### 1. Nature of operations and going concern

Euro Sun Mining Inc., together with its subsidiaries (collectively the "Company"), is a gold and copper exploration and development mining company focused primarily on its 100% owned Rovina Valley Project ("RVP") located in west-central Romania.

The Company was incorporated under the federal laws of Canada (the *Canada Business Corporations Act*) on January 17, 2003, is domiciled in Canada and its common shares are currently posted for trading and listed on the Toronto Stock Exchange ("TSX") under the symbol "ESM". The address of its registered office is 66 Wellington Street, West, Suite 5300, Toronto, Ontario, M5K 1E6.

These unaudited condensed consolidated interim financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year. For the nine months ended September 30, 2020, the Company incurred a net loss of \$8,845,932 and as at September 30, 2020, reported an accumulated deficit of \$231,111,886 and working capital of \$9,900,061 including \$10,876,856 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 uncertainties that cast doubt about the ability of the Company to continue as a going concern. Management believes there is sufficient cash to support operations for the next 12 months.

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

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

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

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

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### 2. Basis of presentation

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

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

### Basis of measurement

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

The functional currency of Euro Sun Mining Inc. is the Canadian dollar. The functional currency of 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 5).

### Basis of presentation

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

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

The Company's financial statements consolidate its subsidiaries which comprise the following at September 30, 2020:

| 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%. 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 and deconsolidated the subsidiary from these condensed consolidated interim financial statements.

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

### 2. Basis of presentation (continued)

#### Significant accounting policies

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

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

### 3. Property, plant and equipment

|                                    | Building in Progress | Leasehold improvements | Machinery, equipment & vehicles | Right of use asset | Total               |
|------------------------------------|----------------------|------------------------|---------------------------------|--------------------|---------------------|
| <b>Cost:</b>                       |                      |                        |                                 |                    |                     |
| Balance, December 31, 2018         | \$ 53,349            | \$ 401,236             | \$ 158,288                      | \$ -               | \$ 612,873          |
| Additions                          | 49,081               | 1,097                  | 15,496                          | -                  | 65,674              |
| Adoption of IFRS 16                | -                    | -                      | -                               | 331,946            | 331,946             |
| <b>Balance, December 31, 2019</b>  | <b>\$ 102,430</b>    | <b>\$ 402,333</b>      | <b>\$ 173,784</b>               | <b>\$ 331,946</b>  | <b>\$ 1,010,493</b> |
| Additions                          | -                    | <b>64,678</b>          | <b>28,638</b>                   | -                  | <b>93,316</b>       |
| <b>Balance, September 30, 2020</b> | <b>\$ 102,430</b>    | <b>\$ 467,011</b>      | <b>\$ 202,422</b>               | <b>\$ 331,946</b>  | <b>\$ 1,103,809</b> |
| <b>Depreciation:</b>               |                      |                        |                                 |                    |                     |
| At December 31, 2018               | \$ -                 | \$ 59,348              | \$ 39,920                       | \$ -               | \$ 99,268           |
| Depreciation charge for the year   | -                    | 74,964                 | 43,217                          | 90,531             | 208,712             |
| <b>Balance, December 31, 2019</b>  | <b>\$ -</b>          | <b>\$ 134,312</b>      | <b>\$ 83,137</b>                | <b>\$ 90,531</b>   | <b>\$ 307,980</b>   |
| Depreciation charge for the period | -                    | <b>56,338</b>          | <b>31,933</b>                   | <b>67,898</b>      | <b>156,169</b>      |
| <b>Balance, September 30, 2020</b> | <b>\$ -</b>          | <b>\$ 190,650</b>      | <b>\$ 115,070</b>               | <b>\$ 158,429</b>  | <b>\$ 464,149</b>   |
| <b>Net book value:</b>             |                      |                        |                                 |                    |                     |
| At December 31, 2019               | \$ 102,430           | \$ 268,021             | \$ 90,647                       | \$ 241,415         | \$ 702,513          |
| <b>At September 30, 2020</b>       | <b>\$ 102,430</b>    | <b>\$ 276,361</b>      | <b>\$ 87,352</b>                | <b>\$ 173,517</b>  | <b>\$ 639,660</b>   |

As at September 30, 2020, the carrying value of property, plant and equipment is comprised of \$nil in Canada (December 31, 2019 – \$nil) and \$639,660 in Romania (December 31, 2019 - \$702,513).



# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

### 4. Acquisition of Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company incorporated in Canada engaged in the exploration and development of metals, for CAD\$600,000 (\$483,420). In April 2018, the Company purchased an additional 600,000 common shares of Vilhelmina Minerals Inc. for CAD\$600,000 (\$476,430), and in December 2018, the Company purchased 74,000 common shares of Vilhelmina Minerals Inc. for CAD\$74,000 (\$54,244), increasing its ownership interest in Vilhelmina Minerals Inc. to 36.3% as at December 31, 2018 (2017 - 33%). Vilhelmina Minerals Inc. issued 220,000 shares in Q1 2019, decreasing the Company's ownership interest in Vilhelmina Minerals Inc. to 34.14% at the time of the transaction. 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 currently 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").

#### 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.

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

  

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

Prior to acquiring all issued and outstanding shares of Vilhelmina Minerals Inc., Vilhelmina Minerals Inc. had been accounted for as an investment in associate using the equity method. The Company recorded a loss from investment in associate of \$65,090 related to its investment in Vilhelmina Minerals Inc. for the nine months ended September 30, 2019.

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

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

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

On March 9, 2020, the Company entered into an agreement to sell its interest in Vilhelmina Mineral AB to Nickel Mountain Resources AB ("Nickel Mountain") for share consideration of 11 shares of Nickel Mountain for each one share of Vilhelmina Mineral AB owned by the Company (the "Transaction"). As a result of management's assessment of conditions existing at December 31, 2019, the Company's investment in Vilhelmina Mineral AB 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 Mineral AB 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 Mineral AB. 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 13).

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

|  | September 30, 2020 | December 31, 2019 |
|--|--------------------|-------------------|
| <b>Assets</b>                            |                    |                   |
| Cash                                     | \$ -               | \$ 190,696        |
| Amounts receivable                       | -                  | 71,200            |
|  | \$ -               | \$ 261,896        |
| <b>Liabilities</b>                       |                    |                   |
| Accounts payable and accrued liabilities | \$ -               | \$ 705,809        |
|  | \$ -               | \$ 705,809        |
| <b>Non-controlling interest</b>          |                    |                   |
| Non-controlling interest                 | \$ -               | \$ (241,875)      |
|  | \$ -               | \$ (241,875)      |

The operating results related to Vilhelmina Mineral AB 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 nine months ended September 30, 2020 and 2019:

|   | Nine months ended<br>September 30, 2020 | Nine months ended<br>September 30, 2019 |
|---|---|---|
| Exploration and evaluation expenditures | \$ 605,305                              | \$ -                                    |
| General office expenses                 | 1,853                                   | -                                       |
| Loss from investment in associate       | -                                       | 83,391                                  |
| Foreign exchange gain                   | (187,175)                               | -                                       |
| Loss from discontinued operations       | \$ 419,983                              | \$ 83,391                               |

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three and nine months ended September 30, 2020 and 2019  
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## 5. Discontinued operations and sale of Vilhelmina Mineral AB (continued)

Carrying amounts of net assets over which control was lost on the sale of Vilhelmina Mineral AB were as follows:

|  | September 30, 2020 |
|--|--------------------|
| <b>Assets</b>                            |                    |
| Cash                                     | \$ 1,565,014       |
| Amounts receivable                       | 104,147            |
|  | \$ 1,669,161       |
| <b>Liabilities</b>                       |                    |
| Accounts payable and accrued liabilities | \$ 268,976         |
| Loan payable                             | 354,021            |
|  | \$ 622,997         |
| <b>Non-controlling interest</b>          |                    |
| Non-controlling interest                 | \$ 729,140         |
|  | \$ 729,140         |

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

|   |              |
|---|--------------|
| <b>Loss on sale of Vilhelmina Mineral AB</b>                        |              |
| 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) |

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

### 6. Deferred share units

Effective January 21, 2010, the Company established a Deferred Share Unit (“DSU”) Plan for directors or officers of the Company or any affiliate thereof (“Eligible Person”). A DSU is a unit equivalent in value to one common share of the Company based on the five-day average trading price of the Company’s common shares on the TSX immediately prior to the date on which the value of the DSU is determined. Upon termination, an eligible person receives a cash payment equivalent to the quoted market value of a common share on the termination date multiplied by the number of DSUs held by them. The DSU liability is based on the quoted market value of the Company’s shares at the date of the consolidated statement of financial position.

The following transactions occurred during the periods noted below:

|  |                     |                     |
|--|---------------------|---------------------|
| Number of DSUs outstanding, December 31, 2018  | <b>3,351,259</b>    |                     |
| Granted  | 3,870,000           |                     |
| Paid out                                       | (123,333)           |                     |
| Forfeited                                      | (61,667)            |                     |
| Number of DSUs outstanding, December 31, 2019  | <b>7,036,259</b>    |                     |
| Paid out                                       | <b>(1,050,000)</b>  |                     |
| Forfeited                                      | <b>(25,000)</b>     |                     |
| Number of DSUs outstanding, September 30, 2020 | <b>5,961,259</b>    |                     |
|  |                     |                     |
|  | <b>September</b>    | <b>December 31,</b> |
|  | <b>30, 2020</b>     | <b>2019</b>         |
| DSU Liability                                  | <b>\$ 1,703,304</b> | <b>\$ 1,238,427</b> |

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

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

As at September 30, 2020, 5,746,259 of the outstanding DSUs had vested.

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

### 7. Share capital

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

|  | Number of<br>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                          | 9,088,235                  | 1,948,358             |
| <b>Balance, December 31, 2019</b>              | <b>100,407,029</b>         | <b>\$ 219,767,486</b> |
| Common shares issued in private placement (ii) | <b>11,379,000</b>          | <b>2,504,040</b>      |
| Common shares issued in bought deal (iii)      | <b>57,235,384</b>          | <b>13,656,209</b>     |
| Share issuance costs (ii), (iii)               | -                          | <b>(1,812,274)</b>    |
| Option exercise                                | <b>100,000</b>             | <b>19,978</b>         |
| Value allocation on option exercise            | -                          | <b>13,657</b>         |
| Warrant exercise                               | <b>529,103</b>             | <b>218,392</b>        |
| Value allocation on warrant exercise           | -                          | <b>53,983</b>         |
| <b>Balance, September 30, 2020</b>             | <b>169,650,516</b>         | <b>\$ 234,421,471</b> |

(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.

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

### 7. 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. 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 (Note 7). 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 \$1,450,888 (CAD\$1,950,311) 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                          | (100,000)         | 0.28                                  |
| Expired                            | (1,546,020)       | 1.22                                  |
| <b>Balance, September 30, 2020</b> | <b>12,889,309</b> | <b>\$ 0.56</b>                        |

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

## 7. Share capital (continued)

As at September 30, 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 |
|---------------------|---------------------|------------------------------|----------------------|--------------------|-------------------------------------|
| 2,124,044           | 2,124,044           | \$ 2,021,641                 | \$ 1.36              | June 13, 2021      | 0.70                                |
| 275,265             | 275,265             | 211,634                      | 1.36                 | September 30, 2021 | 1.00                                |
| 1,500,000           | 1,500,000           | 110,004                      | 0.33                 | March 14, 2021     | 0.45                                |
| 500,000             | 500,000             | 105,130                      | 0.46                 | March 28, 2024     | 3.49                                |
| 490,000             | 490,000             | 15,812                       | 0.73                 | April 5, 2024      | 3.52                                |
| 1,750,000           | 1,750,000           | 239,009                      | 0.28                 | October 15, 2024   | 4.04                                |
| 300,000             | 300,000             | 50,815                       | 0.33                 | November 7, 2024   | 4.11                                |
| 1,000,000           | 1,000,000           | 149,374                      | 0.30                 | January 6, 2025    | 4.27                                |
| 4,950,000           | 2,475,000           | 507,579                      | 0.39                 | June 30, 2025      | 4.75                                |
| 12,889,309          | 10,414,309          | \$ 3,410,998                 |                      |                    | 3.26                                |

During the three and nine months ended September 30, 2020, the Company granted no stock options and 5,950,000 stock options, respectively (no stock options and 2,840,000 stock options granted for the three and nine months ended September 30, 2019) and options vested with a total value \$168,583 and \$656,953, respectively (\$nil and \$459,119 for the three and nine months ended September 30, 2019, respectively).

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 June 30, 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.

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements

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(Expressed in United States Dollars)

## 7. 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                                  |
| <b>Balance, September 30, 2020</b>    | <b>50,678,766</b>  | <b>\$ 0.50</b>                        |

At September 30, 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      |
| <b>50,678,766</b>              | <b>\$ 4,342,585</b>   | <b>\$ 0.50</b>                        |                   |

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

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



# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

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### 7. Share capital (continued)

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

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

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

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

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

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.

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

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(Expressed in United States Dollars)

### 8. Exploration and evaluation expenditures

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

|   | Three months<br>ended<br>September 30,<br>2020 | Three months<br>ended<br>September 30,<br>2019 | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 |
|---|--|--|---|---|
| Consulting and technical                | \$ 463,321                                     | \$ 504,775                                     | \$ 1,611,982                                  | \$ 1,485,380                                  |
| Feasibility study                       | 668,403  | -  | 668,403                                       | -   |
| Surface rights                          | 33,084   | 32,266   | 65,747  | 60,777  |
| Environmental studies                   | 119,011  | 3,519  | 215,311                                       | 6,545   |
| Other exploration costs                 | 11,904   | 34,858   | 20,574  | 105,240                                       |
| Metallurgical testing                   | -  | 33,817   | -   | 102,489                                       |
| Field office support and administration | 203,269  | 25,844   | 366,042                                       | 246,056                                       |
| Professional fees                       | 344  | 38   | 42,660  | 5,918   |
| Travel                                  | 277  | (18,941)                                       | 30,844  | (13,039)                                      |
| Licence fees                            | 3,977  | 39,605   | 231,369                                       | 258,316                                       |
|   | <b>\$ 1,503,590</b>                            | <b>\$ 655,781</b>                              | <b>\$ 3,252,932</b>                           | <b>\$ 2,257,682</b>                           |

The Company owns 100% of the Rovina Valley Project in Romania; mining license number 18174/2015 which is held through its subsidiary SAMAX Romania S.R.L. The license is expected to come into effect once it is ratified by the Romanian Government. Once ratified, the mining license is expected to be valid for 20 years, renewable for periods of five years until all the resources have been mined. The project carries a 6% (gold) and 5% (copper) net smelter return "NSR" royalty payable to the Romanian state once in production. As at September 30, 2020, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

### 9. Related party transactions

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

Key management personnel compensation:

|                                     | Three months<br>ended<br>September 30,<br>2020 | Three months<br>ended<br>September 30,<br>2019 | Nine months<br>ended<br>September 30,<br>2020 | Nine months<br>ended<br>September 30,<br>2019 |
|-------------------------------------|--|--|---|---|
| Directors and officers compensation | \$ 163,988                                     | \$ 343,452                                     | \$ 1,078,250                                  | \$ 1,000,618                                  |
| Share-based payments                | 34,946   | -  | 539,276                                       | 691,143                                       |
|                                     | <b>\$ 198,934</b>                              | <b>\$ 343,452</b>                              | <b>\$ 1,617,526</b>                           | <b>\$ 1,691,761</b>                           |

As at September 30, 2020, the Company had \$67,800 (December 31, 2019 - \$281,112) in accounts payable owing to various officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand.

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

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### 10. Commitments and contingencies

#### (a) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$3.2 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 condensed consolidated interim financial statements. The Company has committed to pay a director a bonus of \$250,000 on completion of the feasibility study.

#### (b) Environmental

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

#### (c) Novel Coronavirus

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

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

### 11. Lease liability

On August 29, 2017, the Company entered into a lease agreement for office space in Bucharest, Romania. The monthly rent payable under the terms of the lease is 7,815 Euros (\$9,617) plus applicable service charges. The rent payable is subject to an annual increase based on the percentage increase in the Euro Zone Monetary Union Index of Consumer Prices over the prior year assessed annually. Amounts unpaid when due are subject to interest of 0.2% per day from the due date until the date the payment is made. The lease is for fixed term of five years commencing August 2017. As at September 30, 2020 and December 31, 2019, the Company had paid a deposit equivalent to six months rent and services charges of \$76,585. The Company used a discount rate of 8.5% in determining the present value of the lease payments.

|   |           |                |
|---|-----------|----------------|
| Lease liability as at January 1, 2019           | \$        | 354,744        |
| Interest expense                                |           | 24,943         |
| Lease payments                                  |           | (105,246)      |
| Effect of foreign exchange currency difference  |           | (13,766)       |
| <b>Lease liability as at December 31, 2019</b>  | <b>\$</b> | <b>260,675</b> |
| Interest expense                                |           | 14,829         |
| Lease payments                                  |           | (83,992)       |
| Effect of foreign exchange currency difference  |           | 11,262         |
| <b>Lease liability as at September 30, 2020</b> | <b>\$</b> | <b>202,774</b> |

|                             | <b>September 30, 2020</b> | December 31, 2019 |
|-----------------------------|---------------------------|-------------------|
| Current lease liability     | \$ 100,779                | \$ 89,315         |
| Non-current lease liability | 101,995                   | 171,360           |
|                             | <b>\$ 202,774</b>         | <b>\$ 260,675</b> |

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

|   | <b>September 30, 2020</b> | December 31, 2019 |
|---|---------------------------|-------------------|
| Within one year                             | \$ 107,357                | 100,972           |
| After one year but not more than five years | 107,357                   | 176,701           |
| More than five years                        | -                         | -                 |
|   | <b>\$ 214,714</b>         | <b>\$ 277,673</b> |

# EURO SUN MINING INC.

## Notes to condensed consolidated interim financial statements

For the three and nine months ended September 30, 2020 and 2019

(Expressed in United States Dollars)

### 12. Loans payable

During the nine months ended September 30, 2019, an officer and director of the Company extended loans in the amount of \$50,528 to the Company. These loans were unsecured, interest free, and had no fixed terms of repayment. These loans were repaid in full in July 2019.

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

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

### 13. Investments

On July 2, 2020, 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 Mineral AB. At September 30, 2020, the Company owned approximately 11.8% of Nickel Mountain.

Changes in the investment in Nickel Mountain during the period were as follows:

|  | Common shares     |                  |
|--|-------------------|------------------|
|  | #                 | \$               |
| Balance, December 31, 2018 and December 31, 2019   | -                 | -                |
| <b>Shares received on sale of Vilhelmina Mineral AB (Note 5)</b>   | <b>96,211,544</b> | <b>1,136,537</b> |
| <b>Mark-to-market loss on value of shares recorded in the statement of loss and comprehensive loss (i)</b> | -                 | <b>(295,647)</b> |
| <b>Effect of foreign exchange currency difference</b>  |                   | <b>16,568</b>    |
| <b>Balance, September 30, 2020</b>   | <b>96,211,544</b> | <b>857,458</b>   |

The Nickel Mountain shares are valued using quoted prices in active markets for identical assets and therefore, has been recorded as a fair value hierarchy level 1.