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

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 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 nine months ended September 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)

| As at:   | September 30,<br>2016 | December 31,<br>2015 |
|--|-----------------------|----------------------|
|  | (unaudited)           |                      |
| Assets   |                       |                      |
| Current assets                                   |                       |                      |
| Cash and cash equivalents                        | \$ 7,896,689          | \$ 549,076           |
| Restricted deposits (Note 4)                     | 22,871                | 903,951              |
| Prepaid expenses and sundry receivables          | 24,549                | 464,433              |
| <b>Total current assets</b>                      | <b>7,944,109</b>      | 1,917,460            |
| Non-current assets                               |                       |                      |
| 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>                              | <b>\$ 7,944,109</b>   | <b>\$ 64,439,010</b> |
| Liabilities                                      |                       |                      |
| Current liabilities                              |                       |                      |
| Trade and other payables (Notes 6 & 7)           | \$ 1,193,742          | \$ 703,369           |
| Non-current liabilities                          |                       |                      |
| Liabilities classified as held for sale (Note 4) | -                     | 312,967,459          |
| <b>Total liabilities</b>                         | <b>\$ 1,193,742</b>   | <b>313,670,828</b>   |
| Equity (deficiency) attributable to shareholders |                       |                      |
| Share capital (Note 8(b))                        | 202,320,836           | 196,773,069          |
| Warrants (Note 8(d))                             | 2,627,351             | 3,256,109            |
| Contributed surplus (Note 8(c))                  | 4,759,887             | 2,201,847            |
| Accumulated deficit                              | (202,957,707)         | (429,967,103)        |
| Accumulated other comprehensive loss             | -                     | (21,495,740)         |
| <b>Total equity (deficiency)</b>                 | <b>6,750,367</b>      | <b>(249,231,818)</b> |
| <b>Total liabilities and equity</b>              | <b>\$ 7,944,109</b>   | <b>\$ 64,439,010</b> |

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 12)

Subsequent events (Note 13)

Approved by the Board of Directors on November 14, 2016:

"David Danziger", Director

"Stan Bharti", Director

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<br>September 30, 2016 | Three months ended<br>September 30, 2015 | Nine months ended<br>September 30, 2016 | Nine months ended<br>September 30, 2015 |
|--|--|--|---|---|
| <b>Expenses</b>  |  |  |   |   |
| General and administrative (Note 9(a))   | \$ 221,525                               | \$ 2,143,237                             | \$ 1,617,130                            | \$ 5,040,353                            |
| Consulting and management expense (Note 9(b))  | 527,342                                  | 205,825                                  | 5,338,946                               | 689,422                                 |
| Exploration and evaluation expenditures (Note 10)                                    | 411,756                                  | 305,062                                  | 854,218                                 | 733,850                                 |
| Legal settlements (Note 12)  | 970,286                                  | -  | 970,286                                 | -                                       |
| Depreciation and amortization  | -  | 23,208                                   | 44,048                                  | 72,673                                  |
| Impairment (Note 5)  | -  | -  | 70,013                                  | -                                       |
| Other loss (income) (Note 9(c))  | 82,613                                   | (6,492,155)                              | (262,124)                               | (11,074,066)                            |
| Net (loss) income from continuing operations for the period                          | (2,213,522)                              | 3,814,823                                | (8,632,517)                             | 4,537,768                               |
| Net (loss) income from discontinued operations for the period                        | -  | (25,720,217)                             | 230,531,490                             | (50,341,844)                            |
| <b>Net (loss) income for the period</b>  | <b>(2,213,522)</b>                       | <b>(21,905,394)</b>                      | <b>221,898,973</b>                      | <b>(45,804,076)</b>                     |
| <b>Other comprehensive (loss)</b>  |  |  |   |   |
| Items that may be reclassified subsequently to profit or loss:                       |  |  |   |   |
| Cumulative translation adjustments   | -  | (5,463,493)                              | -                                       | (10,084,948)                            |
| <b>Other comprehensive income (loss) for the period from continuing operations</b>   | <b>\$ -</b>                              | <b>\$ (5,463,493)</b>                    | <b>\$ -</b>                             | <b>\$ (10,084,948)</b>                  |
| <b>Total comprehensive income (loss) for the period from continuing operations</b>   | <b>\$ (2,213,522)</b>                    | <b>\$ (1,648,670)</b>                    | <b>\$ (8,632,517)</b>                   | <b>\$ (5,547,180)</b>                   |
| <b>Total comprehensive income (loss) for the period from discontinued operations</b> | <b>\$ -</b>                              | <b>\$ (25,720,217)</b>                   | <b>\$ 230,531,490</b>                   | <b>\$ (50,341,844)</b>                  |
| <b>Total comprehensive income (loss) for the period</b>                              | <b>\$ (2,213,522)</b>                    | <b>\$ (27,368,887)</b>                   | <b>\$ 221,898,973</b>                   | <b>\$ (55,889,024)</b>                  |
| Basic and diluted (loss) income per share  |  |  |   |   |
| - continuing operations  | \$ (0.04)                                | \$ 0.10                                  | \$ (0.20)                               | \$ 0.12                                 |
| Basic and diluted (loss) income per share  |  |  |   |   |
| - discontinued operations  | \$ -                                     | \$ (0.67)                                | \$ 5.21                                 | \$ (1.32)                               |
| <b>Total basic and diluted (loss) income per share</b>                               | <b>\$ (0.04)</b>                         | <b>\$ (0.57)</b>                         | <b>\$ 5.01</b>                          | <b>\$ (1.20)</b>                        |
| Weighted average number of common shares outstanding - basic and diluted             | 49,961,090                               | 38,216,798                               | 44,206,269                              | 38,216,798                              |

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<br>Capital | Warrants    | Contributed<br>Surplus | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Loss | Shareholders'<br>Equity |
|---|------------------|-------------|------------------------|------------------------|---|-------------------------|
|   | \$               | \$          | \$                     | \$                     | \$  | \$                      |
| 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                             | -                | -           | 5,066                  | -                      | -   | 5,066                   |
| Net loss and comprehensive loss for the period  | -                | -           | -                      | (45,804,076)           | (10,084,948)                                  | (55,889,024)            |
| Balance, September 30, 2015                     | 196,773,069      | 3,256,109   | 2,272,776              | (402,212,952)          | (18,690,569)                                  | (218,601,567)           |
| Balance, December 31, 2015                      | 196,773,069      | 3,256,109   | 2,201,847              | (429,967,103)          | (21,495,740)                                  | (249,231,818)           |
| Shares issued in private placements (Note 8(b)) | 8,630,675        | -           | -                      | -                      | -   | 8,630,675               |
| Valuation of w arrants (Note 8(b))              | (2,507,222)      | 2,507,222   | -                      | -                      | -   | -                       |
| Valuation of broker w arrants (Note 8(b))       | (283,401)        | 283,401     | -                      | -                      | -   | -                       |
| Transaction costs incurred (Note 8(b))          | (333,657)        | (163,272)   | -                      | -                      | -   | (496,929)               |
| Option exercise (Note 8(b))                     | 41,372           | -           | (16,797)               | -                      | -   | 24,575                  |
| Share-based payment                             | -                | -           | 4,429,151              | -                      | -   | 4,429,151               |
| Expiry of stock options (Note 8(c))             | -                | -           | (1,854,314)            | 1,854,314              | -   | -                       |
| Expiry of w arrants (Note 8(d))                 | -                | (3,256,109) | -                      | 3,256,109              | -   | -                       |
| Net loss and comprehensive loss for the period  | -                | -           | -                      | 221,898,973            | 21,495,740                                    | 243,394,713             |
| Balance, September 30, 2016                     | 202,320,836      | 2,627,351   | 4,759,887              | (202,957,707)          | -   | 6,750,367               |

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)

| Nine months ended September 30,   | 2016               | 2015                |
|---|--------------------|---------------------|
|   | \$                 | \$                  |
| <b>Cash flows from operating activities</b>                               |                    |                     |
| Loss for the period   | 221,898,973        | (45,804,076)        |
| Adjustment for:   |                    |                     |
| Depreciation and amortization   | 44,048             | 12,669,900          |
| Accretion   | 87,740             | 197,415             |
| Unrealized foreign exchange gain  | -                  | (12,604,732)        |
| Gain on disposition of MRDM   | (230,628,958)      | -                   |
| Share-based payments  | 4,429,151          | 5,066               |
| Impairment  | 1,202,571          | -                   |
| Gain on sale of property, plant and equipment                             | -                  | (17,431)            |
| Interest income   | (13,750)           | (6,893)             |
| Deferred share unit costs   | 36,954             | (753)               |
| Unrealized loss on derivative contracts                                   | -                  | 6,019,862           |
|   | <b>(2,943,271)</b> | <b>(39,541,642)</b> |
| Change in trade receivables   | 307,504            | (1,052,376)         |
| Change in prepaid expenses and sundry receivables                         | (1,339,155)        | 2,014,620           |
| Inventories   | (1,796,598)        | (12,819,349)        |
| Trade, other payables and payables from Gold Stream transaction           | 4,471,453          | (10,657,479)        |
| Deferred revenues   | -                  | (785,039)           |
| Net cash used in operating activities                                     | <b>(1,300,067)</b> | <b>(62,841,265)</b> |
| <b>Cash flows from investing activities</b>                               |                    |                     |
| Restricted deposits   | (9,797)            | (2,983)             |
| Interest income   | 13,750             | 6,893               |
| Proceeds on sale of property, plant and equipment                         | -                  | 22,163              |
| Acquisition of property, plant and equipment                              | (1,432,616)        | (4,741,988)         |
| Acquisition of software licensing   | -                  | (12,085)            |
| Mine development assets   | (909,416)          | (1,704,848)         |
| Cash disposed of in MRDM  | (250,961)          | -                   |
| Net cash used in investing activities                                     | <b>(2,589,040)</b> | <b>(6,432,848)</b>  |
| <b>Cash flows from financing activities</b>                               |                    |                     |
| Proceeds from project loan facility                                       | 2,686,260          | 67,173,490          |
| Proceeds from private placements (net of issue costs)                     | 8,133,746          | -                   |
| Proceeds from option exercise   | 24,575             | -                   |
| Net cash from financing activities  | <b>10,844,581</b>  | <b>67,173,490</b>   |
| Effect of exchange rate changes on cash and cash equivalents              | 319,804            | 2,515,933           |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                          | <b>7,275,278</b>   | <b>415,310</b>      |
| <b>CASH AND CASH EQUIVALENTS, beginning of period</b>                     | <b>621,411</b>     | <b>310,736</b>      |
| <b>CASH AND CASH EQUIVALENTS, end of period</b>                           | <b>7,896,689</b>   | <b>726,046</b>      |
| Cash and cash equivalents at the end of the period                        | 7,896,689          | 726,046             |
| Included in cash and cash equivalents per statement of financial position | 7,896,689          | 628,264             |
| Included in assets classified as held for sale                            | -                  | 97,782              |
| <b>Supplemental cash flow information:</b>                                |                    |                     |
| Interest paid   | -                  | 29,352,550          |

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 nine months ended September 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 Toronto Stock Exchange ("TSX") under the symbol "ESM". 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 nine months ended September 30, 2016, the Company incurred a net income of \$221,898,973 and as at September 30, 2016, reported an accumulated deficit of \$202,957,707 and working capital of \$6,750,367 including \$7,896,689 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 unaudited condensed interim consolidated financial statements were approved by the Board of Directors on November 14, 2016.

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

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

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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 November 11, 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 unaudited condensed interim 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 nine months ended September 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 nine months ended September 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 nine months ended September 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 September 30, 2015 - \$305,062; nine-months ended September 30, 2015 - \$733,850.
- 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: nine-months ended September 30, 2015 - \$737,699.

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

During the period ended September 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 nine months ended September 30, 2016  
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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)(ii)).

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 September 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 nine months ended September 30, 2016  
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(Unaudited)

## 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,<br>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 nine months ended September 30, 2016  
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## 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<br>September 30, |                 | Nine Months Ended<br>September 30, |                 |
|---|-------------------------------------|-----------------|------------------------------------|-----------------|
|   | 2016                                | 2015            | 2016                               | 2015            |
| <b>Revenue</b>  | \$ -                                | \$ 2,918,926    | \$ 20,275,211                      | \$ 40,043,118   |
| <b>Expenses</b>                                       |                                     |                 |                                    |                 |
| Costs and expenses of mining operations               |                                     |                 |                                    |                 |
| Operating costs and mine site administrative expenses | -                                   | 2,309,024       | 16,181,804                         | 24,990,949      |
| Mine site depreciation and amortization               | -                                   | 2,043,051       | -                                  | 12,597,227      |
| General and administrative                            | -                                   | 2,702,633       | 2,283,993                          | 6,577,483       |
| Employee compensation expense                         | -                                   | 516,853         | 714,122                            | 1,880,070       |
| Gain on disposition of MDRM                           | -                                   | -               | (230,628,958)                      | -               |
| Impairment  | -                                   | -               | 1,132,558                          | -               |
| Net loss on derivative contracts                      | -                                   | 11,589,616      | -                                  | 18,609,398      |
| Finance costs   |                                     |                 |                                    |                 |
| Interest  | -                                   | 9,913,728       | -                                  | 27,046,106      |
| Accretion   | -                                   | 65,805          | 87,740                             | 197,415         |
| Other expenses (income)                               | -                                   | (501,567)       | (27,538)                           | (1,513,686)     |
| <b>(Loss) income from discontinued operations</b>     | \$ -                                | \$ (25,720,217) | \$ 230,531,490                     | \$ (50,341,844) |

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

| Nine months ended September 30,                                 | 2016         | 2015            |
|---|--------------|-----------------|
| Cash flows from operating activities of discontinued operations | \$ 1,867,340 | \$ (56,113,368) |
| Cash flows from investing activities of discontinued operations | (5,017,459)  | (6,433,769)     |
| Cash flows from financing activities of discontinued operations | 2,686,260    | 61,040,385      |
| Effect of exchange rates on cash and cash equivalents           | 391,524      | 1,506,033       |
| <b>Decrease in cash and cash equivalents</b>                    | (72,335)     | (719)           |
| <b>Cash and cash equivalents at beginning of the period</b>     | 72,335       | 98,501          |
| <b>Cash and cash equivalents at end of the period</b>           | \$ -         | \$ 97,782       |
| <b>Supplemental information:</b>                                |              |                 |
| Interest paid   | \$ -         | \$ 29,352,550   |

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

Notes to Condensed Interim Consolidated Financial Statements  
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## 5. Property, plant and equipment

| Cost                                   | Leasehold Improvements | Office Equipment | Equipment | Computer Machinery & Equipment | 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, September 30, 2016            | \$ -                   | \$ -             | \$ -      | \$ -                           | \$ -       |

| Accumulated depreciation               | Leasehold Improvements | Office Equipment | Equipment | Computer Machinery & Equipment | 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, September 30, 2016            | \$ -                   | \$ -             | \$ -      | \$ -                           | \$ -       |

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

As at September 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 payables

|                     | September 30, 2016 | December 31, 2015 |
|---------------------|--------------------|-------------------|
| Trade payables      | \$ 128,037         | \$ 433,900        |
| Accrued liabilities | 1,029,004          | 260,577           |
| Accrual for DSU     | 36,701             | \$ 8,892          |
|                     | \$ 1,193,742       | \$ 703,369        |

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

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## 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”). 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:

|   | September 30,<br>2016 | December 31,<br>2015 |
|---|-----------------------|----------------------|
| Number of DSUs outstanding, beginning of period                 | 52,228                | 52,228               |
| Redeemed  | (12,629)              | -                    |
| Number of DSUs outstanding, end of period                       | 39,599                | 52,228               |
| Liability, end of period (included in trade and other payables) | \$ 36,701             | \$ 8,892             |
| Expense for the period  | \$ 36,954             | \$ 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<br>common shares | Stated<br>value       |
|---|----------------------------|-----------------------|
| Balance, December 31, 2015 and 2014                   | 38,216,797                 | \$ 196,773,069        |
| Common shares issued in private placements (ii)(iii)  | 11,729,332                 | 8,630,675             |
| Valuation of warrants (iii)                           | -                          | (2,507,222)           |
| Valuation of broker warrants (iii)                    | -                          | (283,401)             |
| Transaction costs incurred in private placement (iii) | -                          | (333,657)             |
| Option exercise                                       | 55,054                     | 24,575                |
| Option exercise - option valuation                    | -                          | 16,797                |
| Balance, September 30, 2016                           | <b>50,001,183</b>          | <b>\$ 202,320,836</b> |

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

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## 8. Share capital (continued)

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

(ii) In connection with the disposition of MDRM, Brio entered into a subscription agreement with the Company whereby Brio agreed to purchase 3,864,482 common shares (the "Shares") in the capital stock of the Company at a price of CAD\$0.327 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.

(iii) On May 9, 2016, the Company announced that it agreed to a private placement into the Company whereby Forbes & Manhattan Resources Inc. ("Forbes") and its associated entities 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\$1.27 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\$2.18 for a period of two (2) years from the date of issuance. However, the Warrant exercise period may be accelerated if after the date that is 4 months and a day following the closing, the Common Shares trade at a price above CAD\$2.72 for a period of 20 consecutive trading days. The value of the Warrants was determined to be \$2,507,222 using Black-Scholes valuation model with the following assumptions: exercise price of CAD\$2.18, 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 471,891 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\$1.27, 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\$) |
|------------------------------------|-------------------|---|
| Balance, December 31, 2014         | 586,930           | 0.44                                    |
| Forfeited during the period        | (11,011)          | 0.03                                    |
| <b>Balance, September 30, 2015</b> | <b>575,919</b>    | <b>0.45</b>                             |
| Balance, December 31, 2015         | 564,909           | 8.15                                    |
| Exercised during the period        | (55,054)          | 0.59                                    |
| Expired during the period          | (306,155)         | 10.35                                   |
| Granted during the period          | 4,704,969         | 1.36                                    |
| <b>Balance, September 30, 2016</b> | <b>4,908,669</b>  | <b>1.59</b>                             |

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

Notes to Condensed Interim Consolidated Financial Statements  
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## 8. Share capital (continued)

### (c) Stock options (continued)

As at September 30, 2016, 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 |
|---------------------|---------------------|-----------------------------------|------------------------|--------------------|-------------------------------------|
| 192,689             | 192,689             | 325,666                           | 7.27                   | August 13, 2017    | 0.87                                |
| 11,011              | 11,011              | 6,444                             | 0.59                   | June 20, 2019      | 2.72                                |
| 4,429,704           | 4,429,704           | 4,216,143                         | 1.36                   | June 13, 2021      | 4.70                                |
| 275,265             | 275,265             | 211,634                           | 1.36                   | September 30, 2021 | 5.00                                |
| <b>4,908,669</b>    | <b>4,908,669</b>    | <b>\$ 4,759,887</b>               |                        |                    |                                     |

During the nine months ended September 30, 2016, the Company granted 4,704,969 stock options to certain directors, officers, employees and consultants with weighted average exercise prices of CAD\$1.36 per common share for a period of five years from the date of grant. The fair market value of the options was determined to be \$4,427,777 based on the following assumptions: weighted average exercise price of CAD\$1.36, weighted average risk-free rate of 0.55%, weighted average volatility of 246% and dividend yield of 0%.

During the nine months ended September 30, 2016, the Company also recorded \$1,374 in stock-based compensation in the statements of income (loss) and comprehensive income (loss). In addition, 55,054 options were exercised with weighted average exercise prices of CAD\$0.59 and 306,155 options expired unexercised with weighted average exercise prices of \$10.35.

### (d) Common share purchase warrants

|  | Number of warrants | Weighted average exercise price (CAD\$) |
|--|--------------------|---|
| Balance, December 31, 2015 and 2014          | 1,101,079          | \$ 7.27                                 |
| Expired                                      | (1,101,079)        | 7.27                                    |
| Issued in private placement (Note 8(b)(iii)) | 3,932,425          | 2.18                                    |
| Broker warrants                              | 471,891            | 1.27                                    |
| <b>Balance, September 30, 2016</b>           | <b>4,404,316</b>   | <b>\$ 2.08</b>                          |

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## 8. Share capital (continued)

(d) Common share purchase warrants (continued)

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

| Number of warrants outstanding | Grant date fair value (\$) | Weighted average exercise price (CAD\$) | Expiry date  |
|--------------------------------|----------------------------|---|--------------|
| 3,932,425                      | 2,205,265                  | 2.18                                    | May 19, 2018 |
| 471,891                        | 422,086                    | 1.27                                    | May 19, 2018 |
| <b>4,404,316</b>               | <b>2,627,351</b>           | <b>2.08</b>                             |              |

## 9. Expense breakdown

(a) General and administrative expenses

|                                    | Three months ended<br>September 30, |                     | Nine months ended<br>September 30, |                     |
|------------------------------------|-------------------------------------|---------------------|------------------------------------|---------------------|
|                                    | 2016                                | 2015                | 2016                               | 2015                |
| Professional fees                  | \$ 86,355                           | \$ 2,014,205        | \$ 1,314,135                       | \$ 4,602,589        |
| Investor relations and advertising | 46,474                              | 38,962              | 51,696                             | 110,772             |
| Travel, business and development   | 39,933                              | 14,430              | 133,616                            | 69,968              |
| Office and general                 | 48,763                              | 75,640              | 117,683                            | 257,024             |
|                                    | <b>\$ 221,525</b>                   | <b>\$ 2,143,237</b> | <b>\$ 1,617,130</b>                | <b>\$ 5,040,353</b> |

(b) Consulting and management expenses

|                                   | Three months ended<br>September 30, |                   | Nine months ended<br>September 30, |                   |
|-----------------------------------|-------------------------------------|-------------------|------------------------------------|-------------------|
|                                   | 2016                                | 2015              | 2016                               | 2015              |
| Salaries, consulting and benefits | \$ 319,882                          | \$ 212,854        | \$ 872,841                         | \$ 685,109        |
| Share-based payments              | 211,634                             | 643               | 4,429,151                          | 5,066             |
| Deferred share unit costs         | (4,174)                             | (7,672)           | 36,954                             | (753)             |
|                                   | <b>\$ 527,342</b>                   | <b>\$ 205,825</b> | <b>\$ 5,338,946</b>                | <b>\$ 689,422</b> |

# EURO SUN MINING INC.

## (FORMERLY CARPATHIAN GOLD INC.)

Notes to Condensed Interim Consolidated Financial Statements  
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### 9. Expense breakdown (continued)

(c) Other (income) expense

|                              | Three months ended<br>September 30, |                | Nine months ended<br>September 30, |                 |
|------------------------------|-------------------------------------|----------------|------------------------------------|-----------------|
|                              | 2016                                | 2015           | 2016                               | 2015            |
| Foreign exchange loss (gain) | \$ 93,883                           | \$ (6,491,900) | \$ (248,374)                       | \$ (11,073,144) |
| Interest income              | (11,270)                            | (255)          | (13,750)                           | (922)           |
|                              | \$ 82,613                           | \$ (6,492,155) | \$ (262,124)                       | \$ (11,074,066) |

### 10. Exploration and evaluation expenditures

Exploration and evaluation expenditures during the periods were as follows:

|                                 | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |            |
|---------------------------------|-------------------------------------|------------|------------------------------------|------------|
|                                 | 2016                                | 2015       | 2016                               | 2015       |
| Consulting and labour           | \$ 272,514                          | \$ 257,382 | \$ 608,898                         | \$ 503,121 |
| Exploration costs               | 12,579                              | 1,519      | 14,687                             | 24,525     |
| Field office and administration | 65,807                              | 42,673     | 169,777                            | 187,108    |
| Professional fees               | -                                   | 3,488      | -                                  | 19,096     |
| Travel costs                    | 60,856                              | -          | 60,856                             | -          |
|                                 | \$ 411,756                          | \$ 305,062 | \$ 854,218                         | \$ 733,850 |

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

The Company paid or accrued \$648,409 of management compensation relating to officers and directors of the Company. Included in this amount is \$90,717 paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which Mr. Stan Bharti is the Executive Chairman, Mr. Matt Simpson is Chief Executive Officer and both of whom are directors of the Company. Also included in management compensation are consulting expenses of \$170,094 paid to Gedwal Management Inc., a company controlled by Mr. Guy Charette, who is a director of the Company. In addition, officers and directors had 3,720,951 options vest with a value of \$3,541,560 during the period.

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

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## **12. Commitments and contingencies**

### **(a) 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.

### **(b) Lawsuits**

Subsequent to September 30, 2016, the Company settled two lawsuits with former officers of the Company for \$1,029,199 (CAD\$1,360,500). The \$978,497 discounted value of the settlement amount has been accrued in the September 30, 2016 unaudited condensed interim consolidated financial statements. One lawsuit for wrongful dismissal remains for approximately \$1.3 million. The Company intends to defend the matter vigorously as it believes the claim is without merit.

### **(c) Management Contracts**

The Company is party to certain management contracts. These contracts require payment of approximately \$3.3 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$2.3 million pursuant to the terms of these contracts.

## **13. Subsequent events**

On October 31, 2016, Carpat Gold S.R.L., one of the Company's subsidiaries, was dissolved.