

# EUROSUN

MINING

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021**

**(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)

As at:	June 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 123,694	\$ 182,085
Restricted deposits	-	23,663
Prepaid expenses and sundry receivables (Note 10)	444,007	418,234
<b>Total current assets</b>	<b>\$ 567,701</b>	<b>\$ 623,982</b>
Non-current assets		
Property, plant and equipment (Note 3)	539,603	811,040
Prepaid expenses (Note 10)	176,548	-
Deposits (Note 9)	-	76,585
<b>Total assets</b>	<b>\$ 1,283,852</b>	<b>\$ 1,511,607</b>
<b>Liabilities</b>		
Current liabilities		
Trade and other payables ( Note 7)	\$ 2,389,431	\$ 2,405,341
Deferred share unit liability (Note 4)	335,144	681,039
Current lease liability (Note 9)	83,776	160,211
<b>Total current liabilities</b>	<b>\$ 2,808,351</b>	<b>\$ 3,246,591</b>
Convertible security (Note 10)	2,452,760	-
Non-current lease liability (Note 9)	103,450	158,711
<b>Total liabilities</b>	<b>\$ 5,364,561</b>	<b>\$ 3,405,302</b>
(Deficiency) equity attributable to shareholders		
Share capital (Note 5 (b))	\$ 236,674,949	\$ 236,340,375
Contributed surplus (Note 5 (c))	1,964,174	1,506,187
Warrants (Note 5 (d))	3,733,275	3,249,883
Accumulated deficit	(246,418,277)	(242,893,329)
Accumulated other comprehensive loss	(34,830)	(96,811)
<b>Total shareholders' deficiency</b>	<b>\$ (4,080,709)</b>	<b>\$ (1,893,695)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 1,283,852</b>	<b>\$ 1,511,607</b>

Nature of operations and going concern (Note 1)  
Commitments and contingencies (Notes 6, 8 and 10)  
Subsequent events (Note 11)

Approved by the Board of Directors on August 11, 2022:

"David Danziger", Director

"Peter Vukanovich", 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)

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
<b>Expenses</b>				
Consulting and management fees (Note 7)	\$ 258,204	516,686	\$ 505,196	\$ 880,860
Professional fees	53,960	85,695	150,979	114,819
General office expenses	17,524	21,166	36,074	44,798
Travel expenses	-	1,834	142	11,127
Shareholder communications and filing fees	37,706	542,933	83,874	826,432
Share-based compensation (Note 4, 5 (c) and 7)	149,758	324,081	112,817	315,525
Exploration and evaluation expenditures (Note 6)	935,396	1,341,100	2,075,658	3,172,038
Change in fair value of Convertible Security (Note 10)	(338,994)	-	(469,194)	-
Change in fair value of investments	-	(90,657)	-	115,354
Loss on foreign exchange	50,357	40,328	110,375	53,404
Interest income	-	(28,386)	(13)	(34,214)
Interest expense	81,793	2,906	107,109	6,500
Loss on asset disposal (Note 3)	-	-	179,582	-
Financing fees (Note 10)	167	-	968,306	-
<b>Net loss for the period</b>	<b>\$ (1,245,871)</b>	<b>\$ (2,757,686)</b>	<b>\$ (3,860,905)</b>	<b>\$ (5,506,643)</b>
<b>Other comprehensive income</b>				
Items that will subsequently be reclassified to operations:				
Currency exchange translation adjustments	102,452	44,485	61,981	99,267
<b>Other comprehensive income for the period</b>	<b>\$ 102,452</b>	<b>\$ 44,485</b>	<b>\$ 61,981</b>	<b>\$ 99,267</b>
<b>Net comprehensive loss for the period</b>	<b>\$ (1,143,419)</b>	<b>\$ (2,713,201)</b>	<b>\$ (3,798,924)</b>	<b>\$ (5,407,376)</b>
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.03)
Weighted average number of common shares outstanding - basic and diluted	177,151,320	173,225,734	176,126,066	171,497,724

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' (deficiency) equity (Expressed in United States dollars)

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Shareholders' equity (deficiency)
Balance, December 31, 2020	\$ 234,456,221	\$ 4,342,585	\$ 3,577,679	\$ (235,066,995)	\$ (182,646)	\$ 7,126,844
Stock option vesting (Note 5 (c))	-	-	1,833	-	-	1,833
Stock option exercise (Note 5 (c))	491,780	-	-	-	-	491,780
Stock option exercise value allocation (Note 5 (c))	168,048	-	(168,048)	-	-	-
Stock option expiry (Note 5 (c))	-	-	(1,930,496)	1,930,496	-	-
Warrant expiry (Note 5 (d))	-	(216,885)	-	216,885	-	-
Warrant exercise (Note 5 (d))	1,063,584	-	-	-	-	1,063,584
Warrant exercise valuation allocation (Note 5 (d))	160,742	(160,742)	-	-	-	-
Net (loss) and comprehensive income	-	-	-	(5,506,643)	99,267	(5,407,376)
Balance, June 30, 2021	\$ 236,340,375	\$ 3,964,958	\$ 1,480,968	\$ (238,426,257)	\$ (83,379)	\$ 3,276,665
Balance, December 31, 2021	\$ 236,340,375	\$ 3,249,883	\$ 1,506,187	\$ (242,893,329)	\$ (96,811)	\$ (1,893,695)
Deferred share units and restricted share units issued (Note 4)	-	-	457,987	-	-	457,987
Security conversion (Note 5 (b))	352,043	-	-	-	-	352,043
Share issuance costs (Note 5 (b))	(17,469)	-	-	-	-	(17,469)
Warrants issued (Note 10)	-	819,349	-	-	-	819,349
Warrants expiry (Note 10)	-	(335,957)	-	335,957	-	-
Net (loss) and comprehensive income	-	-	-	(3,860,905)	61,981	(3,798,924)
Balance, June 30, 2022	\$ 236,674,949	\$ 3,733,275	\$ 1,964,174	\$ (246,418,277)	\$ (34,830)	\$ (4,080,709)

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)

	Six months ended June 30, 2022	Six months ended June 30, 2021
<b>Cash flows from operating activities</b>		
Loss for the period	\$ (3,860,905)	\$ (5,506,643)
Adjustment for:		
Depreciation (Note 3)	100,416	136,843
Change in fair value of convertible security (Note 10)	(469,194)	-
Change in fair value of investments	-	115,354
Interest income	(13)	(34,214)
Deferred share units (Note 4)	112,817	313,692
Stock options vested (Note 5 (c))	-	1,833
Loss on asset disposal (Note 3)	179,582	-
Non-cash financing fees (Note 10)	968,306	-
	\$ (2,968,991)	\$ (4,973,135)
Prepaid expenses, sundry receivables and restricted deposits	342,424	53,590
Trade and other payables	(16,635)	(725,455)
Net cash used in operating activities	\$ (2,643,202)	\$ (5,645,000)
<b>Cash flows from investing activities</b>		
Interest income	13	34,214
Acquisition of property, plant and equipment (Note 3)	(8,561)	(226,100)
Net cash used in investing activities	\$ (8,548)	\$ (191,886)
<b>Cash flows from financing activities</b>		
Warrant exercise (Note 5 (d))	-	1,063,584
Option exercise (Note 5 (c))	-	491,780
Payment of principal portion of lease liability (Note 9)	(117,225)	(58,050)
Proceeds of convertible security	3,298,257	-
Prepaid interest on convertible security (Note 10)	(550,834)	-
Convertible security issuance fees (Note 10)	(148,790)	-
Share issuance costs	(17,469)	-
Cash provided by financing activities	\$ 2,463,939	\$ 1,497,314
Effect of exchange rate changes on cash and cash equivalents	\$ 129,588	\$ 209,787
NET CHANGE IN CASH AND CASH EQUIVALENTS	(58,391)	(4,129,785)
CASH AND CASH EQUIVALENTS, beginning of period	\$ 182,085	\$ 7,825,681
CASH AND CASH EQUIVALENTS, end of period	\$ 123,694	\$ 3,695,896
<b>Supplemental cash flow information:</b>		
Warrants issued (Note 10)	\$ 819,349	\$ -
Shares issued in settlement of convertible security	3,262,040	-

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 six months ended June 30, 2022 and 2021  
(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 six months ended June 30, 2022, the Company incurred a net loss of \$3,860,905 and as at June 30, 2022, reported an accumulated deficit of \$246,418,277 and negative working capital of \$2,240,650 including \$123,694 in cash and cash equivalents. The Company has no current source of operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop its property and to cover general and administrative expenses necessary for the maintenance of a public company. The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt. These matters represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

These 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, any permitting required for mining activities, including environmental, 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 six months ended June 30, 2022 and 2021

(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, 2021.

These condensed consolidated interim financial statements were approved by the Board of Directors on August 11, 2022.

### 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.

### 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 June 30, 2022 and December 31, 2021:

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

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three and six months ended June 30, 2022 and 2021  
(Expressed in United States Dollars)

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## 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, 2021 with the exception of the new policy below and the following amended policies.

### Restricted share unit plan

Non-executive directors and executives are granted Restricted Share Units ("RSUs") under the terms of the Company's RSU Plan. Under the terms of the Company's RSU plan, the fair value of RSUs at the time of award is determined with reference to the weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of award. The fair value of the RSUs, which are settled in shares of the Company issued from treasury, is recognized as a share-based compensation expense with a corresponding increase in contributed surplus.

### Amended accounting standards

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

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended on January 1, 2022. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments did not have a significant impact on the Company's financial statements.

### Future accounting standards not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

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

IAS 1 – In February 2021, the IASB issued 'Disclosure of Accounting Policies' with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023.

IAS 8 – Accounting policies, changes in accounting estimates and errors ("IAS 8") was amended in February 2021. The IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.



# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three and six months ended June 30, 2022 and 2021  
(Expressed in United States Dollars)

## 3. Property, plant and equipment

	Leasehold improvements	Machinery, equipment & vehicles	Right of use asset	Total
<b>Cost:</b>				
Balance, December 31, 2020	\$ 575,968	\$ 249,927	\$ 331,946	\$ 1,157,841
Additions	139,669	42,067	301,796	483,532
Balance, December 31, 2021	\$ 715,637	\$ 291,994	\$ 633,742	\$ 1,641,373
Additions	<b>6,048</b>	<b>2,513</b>	-	<b>8,561</b>
Disposals	<b>(393,188)</b>	-	<b>(331,946)</b>	<b>(725,134)</b>
<b>Balance, June 30, 2022</b>	<b>\$ 328,497</b>	<b>\$ 294,507</b>	<b>\$ 301,796</b>	<b>\$ 924,800</b>
<b>Depreciation:</b>				
At December 31, 2020	\$ 211,664	\$ 128,222	\$ 181,062	\$ 520,948
Depreciation charge for the year	92,124	63,896	153,365	309,385
Balance, December 31, 2021	\$ 303,788	\$ 192,118	\$ 334,427	\$ 830,333
Depreciation charge for the period	<b>23,768</b>	<b>29,757</b>	<b>46,891</b>	<b>100,416</b>
Disposals	<b>(273,960)</b>	-	<b>(271,592)</b>	<b>(545,552)</b>
<b>Balance, June 30, 2022</b>	<b>\$ 53,596</b>	<b>\$ 221,875</b>	<b>\$ 109,726</b>	<b>\$ 385,197</b>
<b>Net book value:</b>				
At December 31, 2021	\$ 411,849	\$ 99,876	\$ 299,315	\$ 811,040
<b>At June 30, 2022</b>	<b>\$ 274,901</b>	<b>\$ 72,632</b>	<b>\$ 192,070</b>	<b>\$ 539,603</b>

As at June 30, 2022, the carrying value of property, plant and equipment is comprised of \$nil in Canada (December 31, 2021 – \$nil) and \$539,603 in Romania (December 31, 2021 - \$811,040).

In March 2022, the Company vacated its office in Bucharest, Romania. As a result of the Company terminating its lease, the Company disposed of the right-of-use asset and leasehold improvements associated with the Bucharest office. The disposal of these assets resulted in a loss on the Company's consolidated interim statement of loss for the six months ended June 30, 2022 of \$179,582 (June 30, 2021 - \$nil).

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three and six months ended June 30, 2022 and 2021  
(Expressed in United States Dollars)

## 4. Deferred share units and restricted 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”). Prior to June 2021, a DSU issued was 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. DSUs that will be settled in cash are recorded as a DSU liability on the consolidated statement of financial position and the liability is based on the weighted average trading price of the Company’s common shares over the five trading days immediately preceding the date of the consolidated statement of financial position.

In June 2021, the Company approved a change to the DSU plan such that each DSU will provide the right to receive, on a deferred payment basis, a common share or cash equivalent of a common share in an amount equal to the fair market value of the common share at the applicable payment date at the discretion of the Board of Directors. As the Company expects to settle any such DSUs using common shares of the Company, any DSUs issued after June 2021, are recorded in contributed surplus on the consolidated statement of financial position.

In June 2021, the Company approved a Restricted Share Unit (“RSU”) plan, such that every RSU will provide the right to receive a common share or cash equivalent of a common share in an amount equal to the fair market value of the common share at the applicable payment date at the discretion of the Board of Directors. As the Company expects to settle any such RSUs using common shares of the Company, any RSUs issued are recorded in contributed surplus on the consolidated statement of financial position. RSUs are settled on or before December 15 of the third calendar year following the calendar year in which the RSU is granted.

The following transactions occurred during the periods noted below:

	Pre June 2021 Plan	Post June 2021 Plan	Total
Number of DSUs outstanding, December 31, 2020	5,441,259	-	5,441,259
Paid out	(2,075,000)	-	(2,075,000)
Granted	200,000	919,110	1,119,110
Number of DSUs outstanding, December 31, 2021	<b>3,566,259</b>	<b>919,110</b>	<b>4,485,369</b>
Granted	-	<b>958,326</b>	<b>958,326</b>
Number of DSUs outstanding, June 30, 2022	<b>3,566,259</b>	<b>1,877,436</b>	<b>5,443,695</b>
		June 30, December 31, 2022 2021	
DSU liability		\$ 335,144	\$ 681,039

In May 2021, 200,000 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. The value of these DSUs has been included in the DSU liability.

In August 2021, 416,664 DSUs were granted, with all DSUs vesting immediately.

In September 2021, 208,332 DSUs were granted, with all DSUs vesting immediately.

In December 2021, 294,114 DSUs were granted, with all DSUs vesting immediately.

In March 2022, 333,330 DSUs were granted, with all DSUs vesting immediately.

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three and six months ended June 30, 2022 and 2021  
(Expressed in United States Dollars)

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## 4. Deferred share units and restricted share units (continued)

In June 2022, 624,996 DSUs were granted, with all DSUs vesting immediately.

As at June 30, 2022, 5,377,027 of the total outstanding DSUs had vested (December 31, 2021 – 4,352,035).

The Company granted 2,236,840 RSUs during the six months ended June 30, 2022, with all RSUs vesting immediately.

As at June 30, 2022, 2,236,840 of the total outstanding RSUs had vested (December 31, 2021 - \$Nil).

## 5. Share capital

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

- (b) Issued common shares

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	Number of common shares	Stated value
Balance, December 31, 2020	169,750,514	\$ 234,456,221
Warrant exercise	3,220,000	1,063,584
Value allocation on warrant exercise	-	160,742
Option exercise	1,925,000	491,780
Value allocation on option exercise	-	168,048
Balance, December 31, 2021	174,895,514	\$ 236,340,375
Debenture conversion	<b>3,262,040</b>	<b>352,043</b>
Share issuance costs	-	<b>(17,469)</b>
<b>Balance, June 30, 2022</b>	<b>178,157,554</b>	<b>\$ 236,674,949</b>

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During the six months ended June 30, 2022, the Company issued 3,262,040 shares as settlement for a portion of the Convertible Security (Note 10).

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three and six months ended June 30, 2022 and 2021  
(Expressed in United States Dollars)

## 5. Share capital (continued)

### (c) Stock options

	Number of options	Weighted average exercise price (CAD)
Balance, December 31, 2020	12,627,425	\$ 0.55
Exercised	(1,925,000)	0.33
Expired	(2,317,425)	1.36
Balance, December 31, 2021 and June 30, 2022	8,385,000	\$ 0.38

As at June 30, 2022, 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
500,000	500,000	\$ 105,130	\$ 0.46	March 28, 2024	1.75
410,000	410,000	118,713	\$ 0.73	April 5, 2024	1.77
1,225,000	1,225,000	167,308	\$ 0.28	October 15, 2024	2.30
300,000	300,000	50,815	\$ 0.33	November 7, 2024	2.36
1,000,000	1,000,000	149,374	\$ 0.30	January 6, 2025	2.52
4,950,000	4,950,000	677,994	\$ 0.39	June 30, 2025	3.00
8,385,000	8,385,000	\$ 1,269,334			2.68

During the six months ended June 30, 2022, the Company did not grant any stock options (no stock options granted for the six months ended June 30, 2021) and no option vesting expense was recorded (\$1,833 for the six months ended June 30, 2021).

There were no options exercised during the six months ended June 30, 2022. During the six months ended June 30, 2021, the weighted average share price on the date of option exercise was CAD\$0.35.

# EURO SUN MINING INC.

Notes to condensed consolidated interim financial statements  
For the three and six months ended June 30, 2022 and 2021  
(Expressed in United States Dollars)

## 5. Share capital (continued)

(c) Stock options (continued)

*Contributed surplus*

	Number of stock options	Weighted average exercise price CAD	Carrying amount of options	Number of DSUs/ RSUs	Weighted average exercise price CAD	Carrying amount of DSUs/ RSUs	Total carrying amount
Balance, December 31, 2020	12,627,425	\$ 0.55	\$ 3,577,678	-	\$ -	\$ -	\$ 3,577,678
Granted	-	-	1,834	919,110	0.26	236,853	238,687
Exercised	(1,925,000)	0.33	(168,048)	-	-	-	(168,048)
Expired	(2,317,425)	1.36	(2,142,130)	-	-	-	(2,142,130)
Balance, December 31, 2021	8,385,000	\$ 0.38	\$ 1,269,334	919,110	\$ -	\$ 236,853	\$ 1,506,187
<b>Granted / Vested</b>	-	-	-	<b>3,195,166</b>	<b>\$ 0.14</b>	<b>457,987</b>	<b>457,987</b>
<b>Balance, June 30, 2022</b>	<b>8,385,000</b>	<b>\$ 0.38</b>	<b>\$ 1,269,334</b>	<b>4,114,276</b>	<b>\$ 0.14</b>	<b>\$ 694,840</b>	<b>\$ 1,964,174</b>

(d) Common share purchase warrants

	Number of warrants	Weighted average exercise price (CAD)
Balance, December 31, 2020	50,678,766	\$ 0.50
Expired	(15,344,947)	0.50
Exercised	(3,220,000)	0.30
Balance, December 31, 2021	32,113,819	\$ 0.53
Issued	7,947,321	0.29
Expired	(4,006,477)	0.55
<b>Balance, June 30, 2022</b>	<b>36,054,663</b>	<b>\$ 0.49</b>

At June 30, 2022, 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
28,107,342	\$ 2,913,926	\$ 0.55	June 5, 2023
7,947,321	819,349	\$ 0.29	February 18, 2026
<b>36,054,663</b>	<b>\$ 3,733,275</b>	<b>\$ 0.49</b>	

# EURO SUN MINING INC.

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## 5. Share capital (continued)

(d) Common share purchase warrants (continued)

On February 18, 2022, the Company issued 7,947,321 warrants in association with the Convertible Security issued (Note 10). The warrants entitle the holder to purchase one common share of the Company at an exercise price of CAD\$0.29 until February 18, 2026. The fair value of these warrants of \$0.13 was estimated using the Geometric Brownian motion method using the following assumptions: expected volatility of 80.29% based on the Company's historical volatility, share price of CAD\$0.24, risk-free rate of 1.66% and expected life of four years.

## 6. Exploration and evaluation expenditures

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Consulting and technical	\$ 544,144	\$ (14,662)	\$ 1,043,997	\$ 478,010
Feasibility study	-	371,626	82,042	1,177,065
Surface rights	25,000	188,677	109,802	272,637
Environmental studies	148,208	261,926	435,364	494,356
Field office support and administration	180,510	464,500	304,037	611,904
Depreciation	37,534	69,033	100,416	138,066
	<b>\$ 935,396</b>	<b>\$ 1,341,100</b>	<b>\$ 2,075,658</b>	<b>\$ 3,172,038</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 was ratified by the Romanian Government on November 16, 2018 and is valid for 20 years, with the right of extension for successive periods of 5 years each. The project carries a 6% (gold) and 5% (copper) net smelter return "NSR" royalty payable to the Romanian state once in production. As at June 30, 2022, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

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## 7. 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 ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Directors and officers compensation	\$ 336,005	\$ 438,891	\$ 673,711	\$ 840,072
Share-based payments	58,739	191	117,971	14,433
	\$ 394,744	\$ 439,082	\$ 791,682	\$ 854,505

As at June 30, 2022, the Company had \$235,549 (December 31, 2021 - \$14,658) in accounts payable owing to various officers and directors of the Company. These amounts are unsecured, non-interest bearing and due on demand.

See Notes 4, 5, and 8.

## 8. Commitments and contingencies

### (a) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$3.6 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 \$2.0 million pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these condensed consolidated interim financial statements.

### (b) Environmental

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

### (c) Novel Coronavirus

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

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## 9. Lease liability

On August 29, 2017, the Company entered into a lease agreement for office space in Bucharest, Romania. The monthly rent payable under the terms of the lease is 7,815 Euros (\$9,617) plus applicable service charges. The rent payable is subject to an annual increase based on the percentage increase in the Euro Zone Monetary Union Index of Consumer Prices over the prior year assessed annually. Amounts unpaid when due are subject to interest of 0.2% per day from the due date until the date the payment is made. The lease is for fixed term of five years commencing August 2017. As at December 31, 2021, 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. In March 2022, the Company vacated the office in Bucharest. On termination of the lease, the landlord agreed to use the six months rent and services deposit towards the remaining rent payments required for the final six months of the lease. As a result, the Company discharged its lease liability related to the Bucharest office.

On May 27, 2021, the Company entered into a lease agreement for office space in Brad, Romania. The monthly rent payable under the terms of the lease is 3,710 Euros (\$4,598). The lease is for fixed term of three years commencing May 2021. The Company used a discount rate of 8.5% in determining the present value of the lease payments.

The Company also has various vehicle leases which have been included in the lease liability. The monthly rent payable under the terms of the leases range from 999 Euros (\$1,134) to 1,573 Euros (\$1,806). The term of the leases range from 36 months to 57 months.

Lease liability as at December 31, 2020	\$	187,569
Additions		301,796
Interest expense		23,226
Lease payments		(162,629)
Effect of foreign exchange currency difference		(31,040)
<b>Lease liability as at December 31, 2021</b>	<b>\$</b>	<b>318,922</b>
Interest expense		10,684
Lease payments		(117,225)
Effect of foreign exchange currency difference		(25,155)
<b>Lease liability as at June 30, 2022</b>	<b>\$</b>	<b>187,226</b>

	June 30, 2022	December 31, 2021
Current lease liability	\$ 83,776	\$ 160,211
Non-current lease liability	103,450	158,711
	<b>\$ 187,226</b>	<b>\$ 318,922</b>

Future undiscounted minimum lease payments for the lease agreements are as follows:

	June 30, 2022	December 31, 2021
Within one year	\$ 118,634	\$ 192,942
After one year but not more than five years	140,887	196,971
More than five years	-	-
	<b>\$ 259,521</b>	<b>\$ 389,913</b>



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## 10. Convertible security

On February 18, 2022, the Company executed a convertible security funding agreement (“Convertible Security”) for an initial principal amount of \$2,748,423 (CAD\$3,500,000) and a potential additional amount of up to \$1,177,949 (CAD\$1,500,000) of convertible securities. The convertible security is due two years from the date of issuance.

Pursuant to the agreement, the Company has issued to Lind Global Fund II, LP (“Lind”) (i) a convertible security with a face value of \$3,298,257 (CAD\$4,200,000), representing a principal amount of \$2,748,423 (CAD\$3,500,000) and a prepaid interest amount of \$550,834 (CAD\$700,000).

The Convertible Security is secured by all the assets of the Company and bears interest at 10% per annum and matures on February 18, 2024. The Convertible Security includes covenants typical and customary for secured convertible securities of this nature. The Company must comply with the covenants on a regular basis. As at June 30, 2022, the Company has met the covenants.

The Company has recorded the Convertible Security including the host contract and embedded derivative at fair value through profit and loss. The Convertible Security has been recorded at Level 3 in the fair value hierarchy.

The Company issued to Lind 7,947,321 warrants of the Company exercisable for a term of 48 months from the date of their issuance, subject to acceleration, with a warrant exercise price of \$ 0.28626, being 130% of the 20-day VWAP of the shares, immediately prior to execution of the agreement (Note 5 (d)).

The Convertible Security may be converted to common shares of the Company at a rate of no more than 1/24<sup>th</sup> of the face value of the Convertible Security in any given month and at a price per share equal to 85% of the volume weighted average price per share for the five consecutive trading days immediately prior to the conversion date. Lind reserves the right at any time to increase the conversion limit from 1/24<sup>th</sup> of the face value of the first closing to CAD\$500,000 per month, providing that increased amount does not exceed 15% of the aggregate trading volume of the shares for the immediately preceding 20 days. The Convertible Security has a term of 24 months from the closing date of February 18, 2022. The Company expects that the full amount of the Convertible Security will be converted into common shares of the Company prior to or at the maturity date, however, this cannot be guaranteed.

On the issuance date, the fair value of the Convertible Security was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 73% based on historical volatility of the Company’s common shares, risk-free rate of 1.42%, share price on issuance date of CAD\$0.24 and expected life of two years.

On June 30, 2022, the fair value of the Convertible Security was estimated using a Geometric Brownian motion model using the following assumptions: expected dividend yield of 0%, expected volatility of 63% based on historical volatility of the Company’s common shares, risk-free rate of 3.09%, share price on valuation date of CAD\$0.12 and expected life of 1.64 years.

The Company has the right to buy-back the outstanding face value of the loan face value at any time with no penalty. If the Company elects to exercise its buy-back rights, Lind will have the option to convert up to 33% of such face value to common shares of the Company at the price that is equal to 85% of the volume weighted average price per share for the five consecutive trading days immediately prior.

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## 10. Convertible security (continued)

Fair value of convertible security as at December 31, 2021	\$	-
Principal amount		3,298,257
Conversion		(352,043)
Fair value adjustment		(469,194)
Effect of foreign exchange currency difference		(24,260)
Fair value of convertible security as at June 30, 2022	\$	<b>2,452,760</b>

The prepaid interest balance as at June 30, 2022 was \$441,370 (CAD\$568,750) (December 31, 2021 - \$nil). \$264,822 of the prepaid interest is included in current prepaid expenses and sundry receivables and \$176,548 is presented in long-term prepaid expenses on the condensed consolidated interim statement of financial position.

Subsequent to June 30, 2022, the Company issued 2,880,184 shares on conversion of a portion of the outstanding Convertible Security.

## 11. Subsequent events

### Convertible security

On July 18, 2022, the Company announced that it had secured an additional \$1,164,054 (CAD\$1,500,000) funding amount pursuant to its previously announced convertible security funding agreement with Lind. (Note 10)

Pursuant to the agreement, the Company has issued to Lind (i) a convertible security with a face value of \$1,396,865 (CAD\$1,800,000), representing a principal amount of \$1,164,054 (CAD\$1,500,000) and a prepaid interest amount of \$232,811 (CAD\$300,000).

The Convertible Security is secured by all the assets of the Company and bears interest at 10% per annum and matures on July 18, 2024. The Convertible Security includes covenants typical and customary for secured convertible securities of this nature. The Company must comply with the covenants on a regular basis.

The Company issued to Lind 12,711,864 warrants of the Company exercisable for a term of 48 months from the date of their issuance, subject to acceleration, with a warrant exercise price of CAD\$0.1357, being 115% of the 10-day VWAP of the shares, immediately prior to execution of the agreement.

See Note 10.