EUROSUN
MINING

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

AND

ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017

(TSX: ESM)
www.eurosunmining.com

EURO SUN MINING INC.
65 Queen Street West, 8th Floor
Toronto, Ontario, Canada
M5H 2M5

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the annual meeting (the "**Meeting**") of shareholders of Euro Sun Mining Inc. (the "**Corporation**") will be held at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada on Tuesday, August 22, 2018 at 10:00 a.m. (Toronto time), for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2017, together with the auditors' report thereon, and the unaudited consolidated financial statements of the Corporation for the three-month period ended March 31, 2018;
2. to elect the directors of the Corporation;
3. to re-appoint UHY McGovern Hurley LLP, Chartered Accountants, as auditors of the Corporation until the close of the next annual general meeting of shareholders and to authorize the directors to fix the remuneration of the auditors for the ensuing year; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment or adjournments thereof.

DATED at Toronto, Ontario, this 24th day of July, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

"G. Scott Moore" (signed)

G. Scott Moore
Chief Executive Officer

Notes:

1. A Management Information Circular, Form of Proxy and Financial Statement Request Form accompany this Notice of Meeting. Registered shareholders who are unable to attend the Meeting in person are requested to sign and return the enclosed Form of Proxy to TSX Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, Canada, M5H 4H1. The proxies to be used at the Meeting should be returned to TSX Trust Company before 10:00 a.m. (Toronto time) on Monday, August 20, 2018.
2. In accordance with the requirements of the *Canada Business Corporations Act*, the directors have fixed a record date of July 16, 2018. Accordingly, shareholders registered on the books of the Corporation as of July 16, 2018 are entitled to notice of the Meeting and to vote at the Meeting.
3. If you are a beneficial shareholder and receive these materials through your broker, intermediary, trustee or other nominee, please complete and return the materials in accordance with the instructions provided to you by your broker, intermediary, trustee or other nominee.

EURO SUN MINING INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Management Information Circular (this "**Circular**") is furnished in connection with the solicitation of proxies by the management of Euro Sun Mining Inc. (the "**Corporation**") for use at the annual meeting (the "**Meeting**") of shareholders of the Corporation to be held at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada on Wednesday, August 22, 2018 at 10:00 a.m. (Toronto time) for the purposes set forth in the attached Notice of Meeting (the "**Notice**") and at any adjournment thereof.

It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally (including by phone or email) by directors, officers or employees of the Corporation. The cost of proxy solicitation will be borne by the Corporation.

Unless otherwise indicated, the information in this Circular is given as of July 24, 2018, and all dollar amounts are in Canadian dollars.

APPOINTMENT, REVOCATION AND DEPOSIT OF PROXIES

The persons named in the enclosed Form of Proxy are officers of the Corporation.

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for or on behalf of the shareholder at the Meeting other than the persons designated in the enclosed Form of Proxy. Such right may be exercised by striking out the names of the persons designated in the Form of Proxy, or by preparing another proxy in proper form, and inserting in the blank space provided for that purpose the name of the desired person and delivering the executed proxy to TSX Trust Company, 200 University Avenue, Suite 300, Toronto, Ontario, Canada, M5H 4H1, at any time prior to 10:00 a.m. (Toronto time) on Monday, August 20, 2018.

A shareholder forwarding the enclosed Form of Proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The common shares of the Corporation (the "**Common Shares**") represented by the proxy submitted by a shareholder will be voted in accordance with the directions, if any, given in the proxy.

A shareholder who has given the enclosed Form of Proxy has the right under subsection 148(4) of the *Canada Business Corporations Act* (the "**CBCA**") to revoke the proxy (i) by instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing or, if the shareholder is a body corporate, by an officer or attorney thereof duly authorized, and deposited at the registered office of the Corporation at any time prior to 4:30 p.m. (Toronto time) on the last business day preceding the day of the Meeting, or any adjournment thereof, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, or (ii) in any other manner permitted by law.

The Corporation's registered office is located at 65 Queen Street West, 8th Floor, Toronto, Ontario, Canada, M5H 2M5.

MANNER OF VOTING AND EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed Form of Proxy will vote or withhold from voting the Common Shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction, such Common Shares will be voted <u>FOR</u> each of the matters identified in the Notice and described in this Circular.**

The enclosed Form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters that may properly come before the Meeting. As of the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice.

VOTING BY BENEFICIAL SHAREHOLDERS

The information set forth in this section is important to shareholders of the Corporation who do not hold Common Shares in their own name.

Shareholders who hold Common Shares through their brokers, intermediaries, trustees or other nominees (such shareholders being collectively called "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If Common Shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholders will not appear on the share register of the Corporation. Such Common Shares will most likely be registered in the name of the broker or an agent of the broker. Such Common Shares can only be voted by brokers, intermediaries, trustees or other nominees (collectively, the "**Intermediaries**" and any one is an "**Intermediary**") and can only be voted by them in accordance with instructions received from Beneficial Shareholders. **As a result, Beneficial Shareholders should carefully review the voting instructions provided by their Intermediary with this Circular and ensure that they communicate how they would like their Common Shares to be voted in accordance with those instructions.**

Most Intermediaries delegate responsibility for obtaining voting instructions from clients to a service company (a "**Service Company**"). The Service Company typically supplies voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to the Service Company or to follow the alternative voting procedures detailed on the voting instruction form. The Service Company then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from a Service Company cannot use that form to vote Common Shares directly at the Meeting. Instead, the Beneficial Shareholder must return the voting instruction form to the Service Company or follow the alternative voting procedures, as mentioned above, well in advance of the Meeting in order to ensure that such Common Shares are voted.** Alternatively, a Beneficial Shareholder may be given a proxy that has already been signed by the Intermediary (typically by a facsimile stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Beneficial Shareholder but which is not otherwise completed. Because the Intermediary has already signed the Form of Proxy, this Form of Proxy is required to be signed by the Beneficial Shareholder when submitting the proxy. In this case, the Beneficial Shareholder who wishes to vote by proxy should otherwise properly complete the Form of Proxy and deliver it as specified above under the heading "Solicitation of Proxies".

In either case, the purpose of these procedures is to permit Beneficial Shareholders to direct the voting of Common Shares which they beneficially own. A Beneficial Shareholder who wishes to attend and vote at the Meeting in person (or to have another person attend and vote on behalf of the Beneficial Shareholder) should print the Beneficial Shareholder's (or such other person's) name in the blank space provided for that purpose in the first paragraph of the proxy form or, in the case of a voting instruction form, follow the corresponding instructions on that form. **In either case, Beneficial Shareholders should carefully follow the instructions of their Intermediary and its Service Company, as applicable.**

NON-OBJECTING BENEFICIAL HOLDERS

These securityholder materials are being sent to both registered and non-registered owners Common Shares. The Corporation is sending the proxy-related materials for the Meeting directly to “non-objecting beneficial owners” (“**NOBOs**”) as defined under National Instrument 54-101. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you (instead of through an Intermediary), your name and address and information about your NOBO holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding your shares on your behalf. By choosing to send these materials to you directly, the Corporation (and not the Intermediary holding your shares on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions. **Please return your voting instructions as specified in the request for voting instructions.**

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The authorized share capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of the date of this Circular, a total of 57,575,461 Common Shares and no preferred shares were issued and outstanding.

Each Common Share entitles the holder thereof to one vote at all meetings of shareholders of the Corporation.

Shareholders of record as of July 16, 2018 shall be entitled to either (i) attend in person and vote at the Meeting the Common Shares held by them or, (ii) attend by proxy and vote at the Meeting the Common Shares held by them, provided a completed and executed proxy shall have been delivered to the Corporation as specified above under the heading "Appointment, Revocation and Deposit of Proxies".

As of the date of this Circular, to the knowledge of the directors and senior officers of the Corporation, no one shareholder owns, directly or indirectly, more than 10% of the issued and outstanding Common Shares. As of the date of this Circular, the directors and officers of the Corporation own or control, directly or indirectly, in the aggregate, 993,562 Common Shares representing approximately 01.7% of the current issued and outstanding Common Shares.

PARTICULARS OF MATTERS TO BE ACTED UPON

1. Financial Statements and Auditors' Report

The directors of the Corporation will present to the shareholders at the Meeting the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2017, together with the auditors' report thereon, and the unaudited consolidated interim financial statements of the Corporation for the three-month period ended March 31, 2018. No vote by the shareholders with respect to such financial statements is required or proposed to be taken.

2. Election of Directors

The Articles of Incorporation of the Corporation provide that the board of directors (the "**Board**") shall consist of not more than ten directors and not less than one director to be elected annually. The Board has fixed the number of directors to be elected at the Meeting at seven.

Unless otherwise specified, the persons named in the enclosed Form of Proxy will vote FOR the election of the nominees whose names are set forth below.

All seven of the nominees are currently directors of the Corporation. All of the nominees are eligible to be directors and have expressed a willingness to act as such. Management of the Corporation does not contemplate that any of the nominees will be unable to serve as a director, but if this should occur for any reason prior to the Meeting, the persons named in the enclosed Form of Proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the close of the next annual meeting of shareholders of the Corporation following his election, unless his office is earlier vacated in accordance with the by-laws of the Corporation.

The following table sets out the name of each person proposed to be nominated for election as a director, his present principal occupation or employment, the date on which he was first elected or appointed a director of the Corporation and the approximate number of Common Shares beneficially owned, directly or indirectly, or over which he exercises control or direction as at the date of this Circular. Shareholders will be asked to vote for each nominated director on an individual basis.

Name of Proposed Nominee	Present Principal Occupation or Employment	Director Since	Common Shares beneficially owned, controlled or directed(1)
Stan Bharti Ontario, Canada Independent(2)	Executive Chairman Forbes & Manhattan Inc.	May 19, 2016	Nil
Guy Charette Québec, Canada	Special Counsel, Dunton Rainville, LLP	March 25, 2003(3)	210,912
David C. Danziger(4) Ontario, Canada Independent(2)	Partner, MNP LLP, Chartered Accountants	September 17, 2010	680,000

Name of Proposed Nominee	Present Principal Occupation or Employment	Director Since	Common Shares beneficially owned, controlled or directed(1)
G. Scott Moore Ontario, Canada	Chief Operating Officer Forbes & Manhattan Inc.	August 4, 2016	102,650
Justin Reid(4) Ontario, Canada Independent(2)	President and CEO Sulliden Mining Capital Inc.	August 4, 2016	Nil
Matthew Simpson(4) Ontario, Canada Independent(2)	President and CEO Black Iron Inc.	May 19, 2016	Nil
Peter Tagliamonte Ontario, Canada Independent(2)	Chief Executive Officer Belo Sun Mining Corp.	May 19, 2016	Nil

Notes:

(1) The information as to the number of Common Shares beneficially owned, controlled or directed, not being within the knowledge of the Corporation, has been furnished by the respective proposed directors individually.

(2) Independent refers to the standards of independence established under National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("**NI 52-110**").

(3) Mr. Charette was a founding director of the Corporation, but he resigned as a director on September 17, 2010 in order to accommodate the appointment of Mr. Danziger to the Board. He was re-elected as a director on May 12, 2011. Mr. Charette also served as the Interim Chief Executive Officer of the Corporation from January 23, 2014 to May 19, 2016.

(4) Member of the Audit Committee. Mr. Danziger is the Chairman of the Audit Committee. See also “Committees of the Board”.

The Board has adopted a majority voting policy, pursuant which stipulates that if a nominee for election as a director of the Corporation receives a greater number of votes "withheld" than votes "for", with respect to an election of directors by shareholders, such nominee director will be expected to offer to tender his or her resignation promptly following the meeting of shareholders at which such director is standing for election. The Board will consider such offer to resign and make a decision whether to accept it or not after having taken into account all of the relevant circumstances concerning same. A director who offers to resign in such a situation should not be part of any committee or Board deliberations pertaining to the resignation offer. This policy only applies in circumstances involving uncontested elections of directors. An "uncontested election of directors" means that the number of director nominees is the same as the number of directors to be elected to the Board and that no proxy material is circulated in support of one or more nominees who are not part of the candidates supported by the Board.

Section 35(A) of the Corporation’s By-law No. 1 (the “**Advance Notice By-Law**”), which sets out advance notice requirements for director nominations, was confirmed by the Corporation’s shareholders at the annual and special meeting held on August 4, 2016. The Advance Notice By-Law sets forth a procedure requiring advance notice to the Corporation by any shareholder who intends to nominate any person for election as a director of the Corporation. Among other things, the Advance Notice By-Law fixes a deadline by which shareholders must notify the Company of their intention to nominate directors and sets out the information that shareholders must provide in the notice for it to be valid. These requirements are intended to provide all shareholders with the opportunity to evaluate and review all proposed nominees and vote in an informed and timely manner regarding said nominees. The procedures provided for by Section 35(A) do not interfere with the ability of shareholders to requisition a meeting or to nominate directors for election by way of a shareholder proposal in accordance with the CBCA. The Advance Notice By-Law is available on SEDAR at www.sedar.com. As of the date of this Circular, the Company has not received any notice of a shareholder's intention to nominate directors at the Meeting pursuant to the Advance Notice By-Law.

Other than as disclosed below under the heading "Management Cease Trade Order of the Corporation", none of the proposed directors are, as at the date of this Circular, or have been, within the 10 years prior to the date of this Circular, a director or executive officer, of any company that, while that person was acting in such capacity:

(a) was the subject of a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, other than:

  (i) Mr. David Danziger who was appointed a director of American Apparel, Inc. ("**American Apparel**"), a company listed on the NYSE MKT LLC exchange, on July 11, 2011 and resigned as director on June 14, 2015. Subsequently, on October 5, 2015, American Apparel announced that it had reached an agreement with its lenders to significantly reduce its debt and interest payments through a consensual pre-arranged reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. On October 6, 2015, American Apparel announced that it received a notification letter stating that the staff of NYSE regulation, Inc. determined to suspend trading immediately and commence proceedings to delist American Apparel's common stock from NYSE MKT LLC. The Chapter 11 reorganization was approved by the Court in January 2016;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

(c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except for Mr. Danziger in respect of American Apparel as disclosed above.

None of the proposed directors have, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

None of the proposed directors have been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Management Cease Trade Order of the Corporation

On April 16, 2014, the Ontario Securities Commission issued a permanent management cease trade order, which superseded a temporary management cease trade order dated April 4, 2014, against Guy Charette, in his capacity as Interim CEO and Rishi Tibriwal, in his capacity as CFO. The permanent management cease trade order was issued in connection with the Corporation's failure to file its (i) audited annual financial statements for the period ended December 31, 2013, (ii) management's discussion and analysis relating to the audited annual financial statements for the period ended December 31, 2013, and (iii) corresponding certifications of the foregoing filings as required by National Instrument 52-109 – *Certification of Disclosure in the Issuer's Annual and Interim Filings*.

The management cease trade order was lifted on June 19, 2014 following the filing of the required continuous disclosure documents on June 17, 2014.

During the period of the management cease trade order, Messrs. Charette and Danziger were directors of the Corporation.

Committees of the Board

The Audit Committee of the Board is currently composed of three directors, being Messrs. Danziger (Chairman), Reid and Simpson.

The Corporate Governance and Nominating Committee of the Board is composed of three directors, being Messrs. Simpson (Chairman), Tagliamonte and Charette.

The Human Resources and Compensation Committee of the Board of Directors is composed of three directors, being Messrs. Reid (Chairman), Simpson and Bharti.

3. Appointment of Auditors

Shareholders of the Corporation will be asked at the Meeting to re-appoint UHY McGovern Hurley LLP, Chartered Accountants, as the Corporation's auditors to hold office until the close of the next annual meeting of shareholders of the Corporation or until their successors are appointed, and to authorize the directors of the Corporation to fix the auditors' remuneration.

Unless otherwise specified, the persons named in the enclosed Form of Proxy will vote FOR the said appointment of UHY McGovern Hurley LLP as auditors of the Corporation and FOR authorizing the directors of the Corporation to fix the remuneration of the auditors for the ensuing year.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Human Resources and Compensation Committee

The compensation program of the Corporation is administered by the Board with the assistance of the Human Resources and Compensation Committee (the "**Compensation Committee**"). Based on recommendations from the Compensation Committee, the Board makes decisions in respect of compensation matters relating to senior executives and directors of the Corporation, ensuring consistent application in accordance with industry standards.

The responsibilities of the Compensation Committee include assisting the Board with: (a) establishing key human resources and compensation policies; (b) establishing goals relevant to the performance and incentive compensation of the Chief Executive Officer (the "**CEO**"); (c) evaluating the performance and related incentive compensation entitlement of the CEO; (d) reviewing and evaluating of the performance of the senior management as determined by the CEO and related incentive compensation recommendations; and (e) evaluating and setting of compensation for directors.

Specifically, in carrying out these duties, the Compensation Committee:

- reviews and makes recommendations to the Board with respect to the overall compensation strategy and policies for directors and senior executives of the Corporation;

- reviews and makes recommendations to the independent members of the Board with respect to the corporate goals and objectives relevant to the compensation of the CEO and evaluates the performance of the CEO in light of those goals and objectives;

- makes recommendations to the independent members of the Board with respect to the compensation of the CEO based on this evaluation;

- reviews and makes recommendations to the independent members of the Board with respect to the compensation of the Chairman of the Board;

- reviews and approves the annual compensation of all other senior executives of the Corporation, as recommended by the CEO;

- oversees and approves grants and awards under the Corporation's long-term incentive plan;

- makes recommendations to the Board with respect to the Corporation's incentive compensation and share-based plans that are subject to the approval of the Board;

- researches and identifies trends in employment benefits; and

- establishes and periodically reviews of the Corporation's policies, if any, in the area of management benefits and perquisites.

The Compensation Committee currently consists of Messrs. Reid, Simpson and Bharti, all of whom are considered independent within the meaning of NI 52-110, and Mr. Reid acts as the Chairman.

Each of the current members has direct experience relating to executive compensation matters, having served on similar committees of other publicly-traded companies, including other mining companies. The significant industry experience of each of the members of the Compensation Committee, either as directors or officers of publicly-traded companies, provides them with a suitable perspective to make decisions on the appropriateness of the Corporation's compensation policies and practices and to advise and make recommendations to the other members of the Board.

Objectives of Executive Compensation

The objectives of the Corporation's executive compensation program are to attract, retain, motivate and reward qualified and experienced executives that can progress the Corporation's strategy.

The compensation program is designed to incentivize such executives to achieve the annual and long-term business goals of the Corporation and to reward each senior executive officer for their achievements on the basis of individual, group and corporate performance.

While the Corporation does not have a formal compensation policy, the guiding philosophy of the Corporation’s executive compensation program is to:

- align the interests of the CEO and executives with the interests of the Corporation's shareholders by linking their compensation to the performance of the Corporation;
- establish executive compensation on an individual basis in order to retain within the Corporation qualified and experienced individuals;
- ensure that compensation is fair and appropriate in the opinion of reasonable shareholders and that it be established, when deemed reasonable and effective to do so, with reference to the market for similar positions in other comparable mining and exploration companies;
- designate an appropriate portion of compensation "at risk" that is variable and linked to individual, group and/or corporate performance;
- allocate an appropriate portion of variable compensation to equity based awards, aligning interests of the executives directly with those of shareholders;
- equitably manage compensation so that executives in similar positions and locations are rewarded commensurately; and
- effectively communicate goals and calculation methodologies so that they are understood by both executives and shareholders.

Executive Compensation-Related Fees

For the financial year ended December 31, 2017, the Corporation did not pay any compensation-related fees. The table below sets out the aggregate fees billed by compensation advisors for their services related to determining compensation for the Corporation's directors and executive officers for each of the two most recently completed financial years:

Financial Year	Fees Billed
2017	Nil
2016	Nil

Elements of Executive Compensation

The following elements of compensation are employed to reward the Corporation's senior executive officers:

<table>
<tr><th>Element</th><th>Purpose</th></tr>
<tr><td><u>Base Salaries/Fees</u></td><td>Base salaries/fees form an essential component of the Corporation’s compensation strategy as a key to the Corporation remaining competitive, are fixed and therefore not subject to uncertainty, and can be used as the base to determine other elements of compensation and benefits. In determining the base salaries/fees of executive officers, the Compensation Committee and the Board consider the following:
▪ the recommendations of the CEO (other than in respect of the CEO’s compensation);
▪ the particular responsibilities related to the position;
▪ the experience, expertise and level of the executive officer; and
▪ the executive officer’s overall performance based on informal feedback.
The emphasis placed on any of these factors is at the discretion of the Board and may vary among the executive officers.</td></tr>
<tr><td><u>Bonus Payments</u></td><td>The purpose of the Corporation’s bonus program is to provide executives with the opportunity to receive a cash incentive that is broadly related to the progress of the Corporation and individual performance.
The Corporation does not utilize a set of formal objective measures to determine bonus entitlements but rather determines bonus payments to executives in a discretionary manner on a case by case basis. The Compensation Committee, in making recommendations to the Board in respect of bonus awards, considers the achievement of certain corporate and technical milestones. In addition, no specific weights are assigned to any criteria individually, rather, the performance of the Corporation is broadly considered as a whole when determining the level of bonuses, if any, to be paid. The Corporation does not focus on any particular performance metric</td></tr>
<tr><td><u>Long-Term Incentives</u></td><td>Long-term incentives are designed to reward long-term executive performance, the retention of qualified executives and to align</td></tr>
</table>

	executive incentives directly with those of shareholders by retaining a proprietary interest in the equity of the Corporation while at the same time not drawing on the cash resources of the Corporation. The Corporation does not utilize a set of formal objective measures to determine long-term incentive grants. Rather such grants are determined on a case by case basis having consideration to such grants previously awarded. There are no specific quantitative or qualitative measures associated with long-term incentive grants, and no specific weights are assigned to any criteria individually. The performance of the Corporation is broadly considered as a whole when determining long-term incentive awards, if any, and the Corporation does not focus on any particular performance metric. The Corporation grants subject to approval by the Board long-term incentive awards in the form of stock options ("**Options**") and deferred share units ("**DSUs**"). **Stock Options** The Compensation Committee reviews Option grant recommendations made by the CEO with regard to each executive's individual performance in contributing to the strategic objectives of the Corporation and demand in the market for the skills of that executive. The Compensation Committee makes its recommendations for approval of grants to the Board along with recommendations on an Option award for the executives and Board members. **Deferred Share Units** DSUs directly track the value of Common Shares and strengthen the alignment of interests between executives and the Corporation's shareholders by linking a portion of compensation to the future value of Common Shares. DSUs are granted at the market value of Common Shares and are credited with additional DSUs reflecting any dividends paid. DSU awards are used to enable executives to defer a portion of their short-term incentive, effectively converting this to a long-term incentive aligned with stock performance. DSUs are also a component of director compensation. DSUs are paid out in cash (or Common Share equivalent) at the time the executive ceases to be eligible to participate in the DSU program usually at the time of departure from the Corporation. No DSUs were granted by the Corporation in 2017.
Benefits and Perquisites	Benefits and perquisites provide protection for the executive and his/her family or provide access to amenities that enable the executive to be more effective. Generally, such arrangements leverage the Corporation's ability to purchase services at a discounted rate over those that would be available to an individual.

Chief Executive Officer Compensation

The components of the CEO's compensation are the same as those that apply to the other executive officers of the Corporation, namely base salary/fee, bonus and long-term incentives. The Compensation Committee reviews and ensures that the compensation of the CEO complies with the principles underlying the Corporation's overall compensation philosophy. The Compensation Committee:

- periodically reviews the CEO's compensation and recommends any changes to the Board for approval;
- reviews corporate goals and objectives relevant to the compensation of the CEO and recommends them to the Board for approval; and
- reviews and, if appropriate, recommends to the Board for approval any agreements between the Corporation and the CEO, including protections in the event of a change of control or other special circumstances, as appropriate.

Compensation Risks

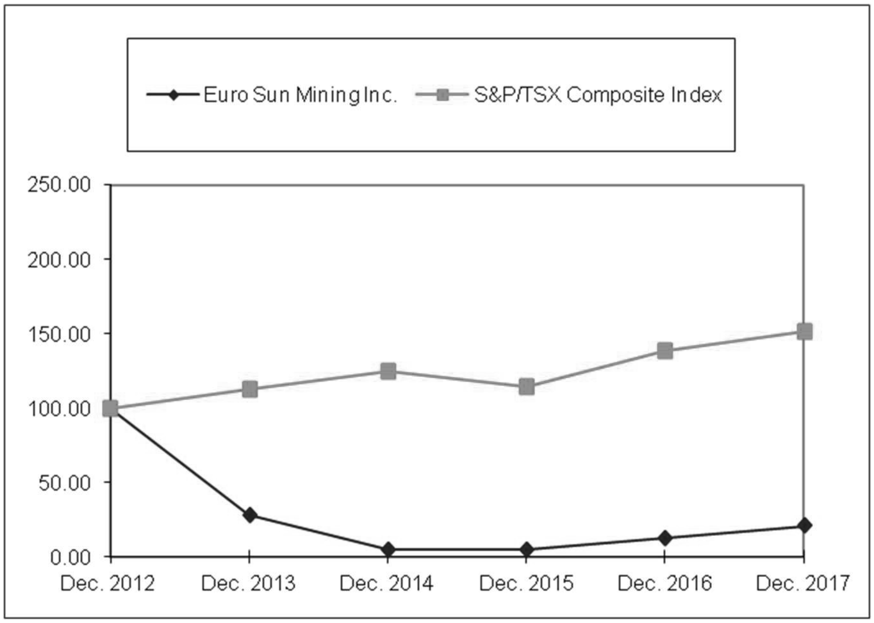
In light of the Corporation's size and the balance between long-term objectives and short-term financial goals with respect to the Corporation's executive compensation program, the Board does not deem it necessary to consider at this time the implications of the risks associated with its compensation policies and practices.

Financial Instruments

Although the Corporation has not adopted any specific policies in this regard other than in connection with errors and omissions, in the event a director or Named Executive Officer (as defined herein) purchases financial instruments that are designed to hedge or offset a decrease in market value of the Corporation's equity securities granted as compensation or held, directly or indirectly, by the director or Named Executive Officer, such purchases must be disclosed in the insider reporting filings. To date, no such purchases have been disclosed by any director of Named Executive Officer of the Corporation.

Performance Graph

The following graph compares the total cumulative shareholder return for $100 invested in the Corporation's Common Shares on December 31, 2012 against the cumulative shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years The numbers have been adjusted to reflect the share consolidation which occurred in September 2016:



	Dec. 2012	Dec. 2013	Dec. 2014	Dec. 2015	Dec. 2016	Dec. 2017
Euro Sun Mining Inc.	100.00	28.57	4.76	4.76	13.11	20.97
S&P/TSX Composite Index	100.00	112.99	124.92	114.53	138.67	151.28

Summary Compensation Table

Securities legislation requires disclosure of the compensation paid to a corporation's "**Named Executive Officers**" being the CEO and the Chief Financial Officer ("**CFO**") and each of the three most highly compensated "Executive Officers", other than the CEO and CFO, whose total compensation was individually more than $150,000 for the financial year. The Corporation had five Named Executive Officers during the financial year ended December 31, 2017.

The following table provides information regarding the compensation of the Named Executive Officers of the Corporation for the financial years ended December 31, 2015, 2016 and 2017.

In respect of the option-based awards disclosed below, the total value represents all Options granted during a year. The fair value of the Options was computed based on the total number Options granted during a year, whether vested or not, using the Black-Scholes option pricing model.

					Non-equity incentive plan compensation ($)				
Name and Principal Position	**Year**	**Salary ($)**	**Share-based awards ($)**	**Option-based awards[5] ($)**	**Annual incentive plans[6] ($)**	**Long-term incentive plans ($)**	**Pension Value ($)**	**All Other Compensation ($)**	**Total Compensation ($)**
G. Scott Moore[1] CEO	2017 2016 2015	360,000 222,580 N/A	Nil Nil N/A	Nil 896,993 N/A	250,000 150,000 N/A	Nil Nil N/A	Nil Nil N/A	Nil Nil N/A	610,000 1,269,573 N/A
Paul Bozoki[2] CFO	2017 2016 2015	108,000 63,000 N/A	Nil Nil N/A	Nil 224,248 N/A	20,000 10,000 N/A	Nil Nil N/A	Nil Nil N/A	Nil Nil N/A	128,000 297,248 N/A
Michael Kozub[3] General Counsel and Corporate Secretary	2017 2016 2015	185,000 185,000 188,830	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	370,000 Nil Nil	555,000 185,000 188,830
Randall K. Ruff[4] Executive Vice President - Exploration	2017 2016 2015	US$175,000 US$175,000 US$182,083	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	US$175,000 US$175,000 US$182,083
Bradley Humphrey Vice President Corporate Development	2017 2016 2015	180,000 85,000 N/A	Nil Nil N/A	Nil 277,600 N/A	50,000 Nil N/Al	Nil Nil N/A	Nil Nil N/A	Nil Nil N/A	230,000 367,600 N/A

Notes:

(1) Mr. Moore became the Corporation’s CEO as of May 19, 2016. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".

(2) Mr. Bozoki became the Corporation’s CFO as of June 1, 2016. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".

(3) Mr. Kozub ceased to be the Corporation’s General Counsel and Corporate Secretary as of December 15, 2017. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".

(4) Mr. Ruff was appointed COO on May 24, 2004. Effective February 1, 2008 Mr. Ruff was appointed Executive Vice President, Exploration. Mr. Ruff's employment agreement also provides for expatriate features. See also "Termination of Employment, Change in Responsibilities and Employment Contracts".

(5) The Options granted in 2016 have an exercise price of $1.36. See also "Incentive Plan Awards – Value Vested or Earned During the Year". The fair value of Options is estimated using the using the Black-Scholes option pricing model. The grant date fair value of option-based awards as presented will differ from the compensation expense included for these grants in the Corporation's financial statements as, in accordance with International Financial Reporting Standards accounting requirements, the compensation expense in the financial statements reflects only the fair value amortized in the period based on each grant's vesting terms.

(6) Represents bonus amounts, payable in cash.

Incentive Plan Awards

Other than the Stock Option Plan and the DSU program, the Corporation has no other forms of long-term incentive plans.

Outstanding Option-Based Awards and Share-Based Awards

The following table provides information regarding the option-based and share-based incentive plan awards for each Named Executive Officer outstanding as at December 31, 2017:

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities underlying unexercised options (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money Options(4)	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested ($)	Market or payout value of vested share-based awards not paid out or distributed(5) ($)
G. Scott Moore(1)	708,753	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Paul Bozoki(2)	177,188	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Michael Kozub(3)	Nil	N/A	N/A	Nil	Nil	Nil	Nil
Randall K. Ruff	Nil	N/A	N/A	Nil	Nil	Nil	197,298
Bradley Humphrey	275,265	1.36	June 13, 2021	Nil	Nil	Nil	Nil

Notes:

(1) Mr. Moore became the Corporation's CEO as of May 19, 2016.

(2) Mr. Bozoki became the Corporation's CFO as of June 1, 2016.

(3) Mr. Kozub ceased to be the Corporation's General Counsel and Corporate Secretary as of December 15, 2017.

(4) Value of in-the-money Options at December 29, 2017, if any, is the difference between the exercise price of the Options and $1.20, being the closing price of Common Shares on December 30, 2017 which was the last trading day of the financial year.

(5) In the form of DSUs outstanding, the value of which has been calculated on the grant date. Payment on the DSUs is deferred until the time the individual ceases to be eligible to participate in the DSU program, usually at the time of departure from the Corporation. See also "Long-Term Incentives" for details of the DSU program.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive plan awards granted to the Named Executive Officers that have vested or were earned during the financial year ended December 31, 2017:

Name	Value of option-based awards vested during 2017[4] ($)	Value of share-based awards vested during 2017 ($)	Value of non-equity incentive plan compensation earned during 2017
G.Scott Moore[1]	Nil	Nil	250,000
Paul Bozoki[2]	Nil	Nil	20,000
Michael Kozub[3]	Nil	Nil	Nil
Randall K. Ruff	Nil	Nil	Nil
Bradley Humphrey	Nil	Nil	50,000

Notes:

(1) Mr. Moore became the Corporation's CEO as of May 19, 2016.

(2) Mr. Bozoki became the Corporation's CFO as of June 1, 2016.

(3) Mr. Kozub ceased to be the Corporation's General Counsel and Corporate Secretary as of December 15, 2017.

(4) The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Sholes Model as at the date of grant.

Pension Plan Benefits

The Corporation has no pension plan in place.

Termination of Employment, Change in Responsibilities and Employment Contracts

G. Scott Moore

G. Scott Moore entered into a consulting agreement with the Corporation as of May 19, 2016 (the "**Moore Agreement**") for the services of Mr. Moore as Chief Executive Officer of the Corporation. Pursuant to the Moore Agreement, Mr. Moore receives a base fee of $30,000 per month, plus applicable goods and services tax. Mr. Moore's base fee is reviewed on an annual basis, and he may be entitled to bonuses, stock options and benefits and the discretion of the Board.

The Moore Agreement provides for a severance payment equal to 36 months of base fees to be paid within 30 days of termination in the event the Corporation terminates the Moore Agreement without cause. The Moore Agreement may be terminated at any time by the Corporation for just cause without notice or payment in lieu thereof and without payment of any fees. Just cause is defined to include, but is not limited to: dishonesty or fraud; theft; breach of fiduciary duties; being guilty of bribery or attempted bribery; or gross mismanagement.

In the event that there is a change in control of the Corporation, either Mr. Moore or the Corporation shall have one year from the date of such change in control to elect to have Mr. Moore's appointment terminated. In the event that such an election is made, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Moore that is equivalent to 36 months of base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Moore in the 36 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2017, Mr. Moore would be entitled to $1,480,000 upon a change of control. Following a change in control, all options granted to Mr. Moore shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Moore, but not yet vested, shall vest immediately. Similarly, following a change in control, all Common Shares issuable to Mr. Moore under any share compensation plan, but not yet issued, shall be issued immediately.

Paul Bozoki

Pannonia Capital Inc. entered into a consulting agreement with the Corporation as of June 1, 2016 (the "**Bozoki Agreement**") for the services of Mr. Bozoki as Chief Financial Officer of the Corporation. Pursuant to the Bozoki Agreement, Mr. Bozoki receives a base fee of $9,000 per month, plus applicable goods and services tax. Mr. Bozoki's base fee is reviewed on an annual basis, and he may be entitled to bonuses, stock options and benefits and the discretion of the Board.

The Bozoki Agreement provides for a severance payment equal to 24 months of base fees to be paid within 30 days of termination in the event the Corporation terminates the Bozoki Agreement without cause. The Bozoki Agreement may be terminated at any time by the Corporation for just cause without notice or payment in lieu thereof and without payment of any fees. Just cause is defined to include, but is not limited to: dishonesty or fraud; theft; breach of fiduciary duties; being guilty of bribery or attempted bribery; or gross mismanagement.

In the event that there is a change in control of the Corporation, either Mr. Bozoki or the Corporation shall have one year from the date of such change in control to elect to have Mr. Bozoki's appointment terminated. In the event that such an election is made, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Bozoki that is equivalent to 36 months of base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Bozoki in the 36 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2017, Mr. Bozoki would be entitled to $354,000 upon a change of control. Following a change in control, all options granted to Mr. Bozoki shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Bozoki, but not yet vested, shall vest immediately. Similarly, following a change in control, all Common Shares issuable to Mr. Bozoki under any share compensation plan, but not yet issued, shall be issued immediately.

Michael Kozub

Michael Kozub's employment as General Counsel and Corporate Secretary of the Corporation was terminated without cause as of December 15, 2017. Mr. Kozub and the Corporation were parties to an employment agreement dated March 1, 2011 (the "**Kozub Agreement**"). The Kozub Agreement specifies that if the Corporation terminates his employment without cause, Mr. Kozub is entitled to receive a payment in an amount equal to two times his annual base salary which shall be paid in a lump sum within ten days after such termination, and an amount equal to two times the highest bonus or similar compensation paid to him in any of the three years preceding such termination. The Kozub Agreement also provided benefits, if any, to which he may be entitled, will be maintained for a minimum of one year from the date of termination. Upon termination of his employment, the Corporation paid Mr. Kozub a lump sum payment of $370,000, being two times his annual base salary. In addition, the Corporation agreed to (i) maintain benefits provided for under the Kozub Agreement until February 28, 2018 and, in lieu of maintaining and continuing the groups benefits coverage for one year from the date of termination as required under the Kozub Agreement, pay to Mr. Kozub $2,010.96 and (ii) reimburse Mr. Kozub $378.38 for expenses incurred by Mr. Kozub in connection with his employment with the Corporation.

Randall K. Ruff

An employment agreement dated September 1, 2009, between Mr. Randall Ruff, currently the Executive Vice President, Exploration, and the Corporation (the "**Ruff Agreement**") has been approved by the Compensation Committee and the Board. The Ruff Agreement is for renewable terms of three years each beginning as of September 1, 2009 and provides for, among other things, an annual base salary of US$200,000, plus expatriate features, including housing, while Mr. Ruff is based in Romania. Mr. Ruff's base salary is reviewed on an annual basis and he may be entitled to bonuses, stock options and benefits at the discretion of the Board. Mr. Ruff may terminate his employment at any time upon written notice to the Corporation.

Regarding matters of termination, the Ruff Agreement specifies that in the event where (i) the Corporation terminates his employment without cause; or (ii) he resigns for "good reason" as such term is defined in their employment agreements; or (iii) he resigns following a change in control (as defined below), he will be entitled to receive in a lump sum payment an amount equal to two times his annual base salary which shall be paid in a lump sum within ten days after such termination, and an amount equal to two times the highest bonus or similar compensation paid to him in any of the three years preceding the termination or resignation. Accordingly, in the event of any of the foregoing and based on his salary at December 31, 2017, Mr. Ruff would be entitled to a lump sum payment of US$350,000. In addition, benefits, if any, to which he may be entitled, will be maintained for a minimum of one year from the date of termination. Finally, all options, whether vested or not shall become immediately exercisable for a period of 90 days thereafter after which time they will expire. In the event of termination for cause, compensation payable to any him will vary in accordance with the seriousness of the cause and can represent up to one year's annual base salary and bonus.

Bradley Humphrey

JB Mining Corporation entered into a consulting agreement with the Corporation as of September 1, 2016 (the "**Humphrey Agreement**") for the services of Mr. Humphrey as Vice-President, Corporate Development of the Corporation. Pursuant to the Humphrey Agreement, Mr. Humphrey receives a base fee of $15,000 per month, plus applicable goods and services tax. Mr. Humphrey's base fee is reviewed on an annual basis, and he may be entitled to bonuses, stock options and benefits and the discretion of the Board.

The Humphrey Agreement provides for a severance payment equal to 12 months of base fees to be paid within 30 days of termination in the event the Corporation terminates the Humphrey Agreement without cause. The Humphrey Agreement may be terminated at any time by the Corporation for just cause without notice or payment in lieu thereof and without payment of any fees. Just cause is defined to include, but is not limited to: dishonesty or fraud; theft; breach of fiduciary duties; being guilty of bribery or attempted bribery; or gross mismanagement.

In the event that there is a change in control of the Corporation, either Mr. Humphrey or the Corporation shall have one year from the date of such change in control to elect to have Mr. Humphrey's appointment terminated. In the event that such an election is made, the Corporation shall, within 30 days of such election, make a lump sum termination payment to Mr. Humphrey that is equivalent to 36 months of base fees plus an amount that is equivalent to all cash bonuses paid to Mr. Humphrey in the 36 months' prior to the change in control. Therefore, assuming a change of control occurred as at the year ended December 31, 2017, Mr. Humphrey would be entitled to $540,000 upon a change of control. Following a change in control, all options granted to Mr. Humphrey shall be dealt with in accordance with the terms of the Stock Option Plan; however all options granted to Mr. Humphrey, but not yet vested, shall vest immediately. Similarly, following a change in control, all Common Shares issuable to Mr. Humphrey under any share compensation plan, but not yet issued, shall be issued immediately.

Definition of Change of Control

For the Moore Agreement, Bozoki Agreement and the Humphrey Agreement, “change of control” is defined as any one or more of the following events:

(1) the acquisition, directly or indirectly, by any person (person being defined as an individual, a corporation, a partnership, an unincorporated association or organization, a trust, a government or department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual and an associate or affiliate of any thereof as such terms are defined in the Canada Business Corporations Act) or group of persons acting jointly or in concert, as such terms are defined in the Securities Act, Ontario of: (A) shares or rights or options to acquire shares of the Company or securities which are convertible into shares of the Company or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 25% or more of the votes entitled to be cast at a meeting of the shareholders of the Company; (B) shares or rights or options to acquire shares, or their equivalent, of any material subsidiary of the Company or securities which are convertible into shares of the material subsidiary or any combination thereof such that after the completion of such acquisition such person would be entitled to exercise 25% or more of the votes entitled to be cast a meeting of the shareholders of the material subsidiary; or (C) more than 25% of the material assets of the Company, including the acquisition of more than 25% of the material assets of any material subsidiary of the Company; or

(2) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Company or any of its Affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Company for election to the Company’s board of directors do not constitute a majority of the Company’s board of directors.

For the Ruff Agreement, "change in control" is defined as any event whereby as a result thereof, an offeror (as the term "**offeror**" is defined in Section 89(1) of the *Securities Act* (Ontario) for the purposes of Section 101 of the *Securities Act* (Ontario), or any successor provision to either of the foregoing), other than the Corporation, a Subsidiary or any employee benefit plan of either the Corporation or a Subsidiary, has acquired beneficial ownership (within the meaning of the *Securities Act* (Ontario)) of, or the power to exercise control or direction over, or securities convertible into, any voting or equity shares of the Corporation, that together with such offeror's securities (as the term "**offeror's securities**" is defined in Section 89(1) of the *Securities Act* (Ontario) or any successor provision thereto in relation to the voting or equity shares of the Corporation) would constitute voting shares of the Corporation representing more than 25% of the total voting power attached to all voting shares of the Corporation then outstanding or;

(a) there is consummated any amalgamation, consolidation, statutory arrangement (involving a business combination) or merger of the Corporation,

(i) in which the Corporation is not the continuing or surviving corporation; or

(ii) pursuant to which any voting shares of the Corporation would be reclassified, changed or converted into or exchanged for cash, securities or other property, other than (in each case) an amalgamation, consolidation, statutory arrangement or merger of the Corporation in which either:

(A) the holders of the voting shares of the Corporation immediately prior to the amalgamation, consolidation, statutory arrangement or merger have, directly or indirectly, more than 25% of the Voting Shares of the continuing or surviving corporation immediately after such transaction, or

(B) such amalgamation, consolidation, statutory arrangement or merger, a majority of the directors on the board of directors of the continuing or surviving corporation are persons who were directors on the board of directors of the Corporation immediately before the signing of the agreement governing such amalgamation, consolidation, statutory arrangement or merger (the "**Continuing Directors**"), and no agreement is in place providing for the removal, resignation or other replacement of such Continuing Directors, and

(b) immediately after such amalgamation, consolidation, statutory arrangement or merger, no person or group holds, directly or indirectly, more than 25% of the Voting Shares of the continuing or surviving corporation.

The Ruff Agreement also provide that, in the event of a change in control the executive automatically has the option of resigning his position, which option shall be exercised within 120 days from the effective date of the change of control, in which event said executive will be entitled to receive the severances outlined above. In the event where said option is not exercised, the provisions of his employment agreement will remain applicable thereafter.

Director Compensation

Director Compensation Table

The following table provides information regarding compensation earned by the Corporation's directors (other than the Named Executive Officers who are not compensated in their capacity as a director) during the financial year ended December 31, 2017:

Name	Fees Earned ($)	Share-based awards(2) ($)	Option-based awards(3) ($)	Non-equity incentive plan compensation ($)	Pension value ($)	All other compensation ($)	Total ($)
Stan Bharti	Nil	Nil	Nil	Nil	N/A	360,000(4)	360,000

Guy Charette(1)	150,000	Nil	Nil	Nil	N/A	25,000	175,000
David C. Danziger	Nil	Nil	Nil	Nil	N/A	25,000	25,000
Justin Reid	Nil	Nil	Nil	Nil	N/A	25,000	25,000
Matthew Simpson	Nil	Nil	Nil	Nil	N/A	75,000	75,000
Peter Tagliamonte	96,000	Nil	Nil	Nil	N/A	25,000(4)	121,000

Notes:

(1) Mr. Charette was a founding director of the Corporation, but he resigned as a director on September 17, 2010 in order to accommodate the appointment of Mr. Danziger to the Board. He was re-elected as a director on May 12, 2011. Mr. Charette also served as the Interim Chief Executive Officer of the Corporation from January 23, 2014 to May 19, 2016.

(2) The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Sholes Model as at the date of grant.

(3) The Corporation has entered into an agreement with Forbes & Manhattan Inc. ("Forbes"), of which Mr. Bharti is the Executive Chairman, pursuant to which Forbes provides consulting services to the Corporation through a number of individuals, including administrative, financial and information technology services. Forbes provides various administrative, strategic and technical services to the Corporation through its team of geologists, mining engineers and financial professionals. The nature of services provided includes assistance with strategic planning and development of business plans, development of capital markets strategy, assessment of strategic transactions, including business, technical and geological, fostering public and governmental relationships and fostering relationships with strategic investors.

(4) In respect of consulting services provided to the Corporation.

During the financial year ended December 31, 2017, directors were paid the fees and granted options and bonuses in their capacity as directors, committee members, committee chairs or as lead director, as the case may be, as set out in the table above.

Outstanding Incentive Plan Awards for Directors

The following table provides information regarding the option-based and share-based incentive plan awards for each director (who is not also a Named Executive Officer) outstanding as of December 31, 2017:

Name	Option-Based Rewards				Share-Based Awards		
	Number of Securities underlying unexercised options(1) (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money Options(2)	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested	Market or payout value of vested share-based awards not paid out or distributed(3)
Stan Bharti	708,753	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Guy Charette(4)	354,376	1.36	June 13, 2021	Nil	Nil	Nil	$66,666

Name	Option-Based Rewards				Share-Based Awards		
	Number of Securities underlying unexercised options(1) (#)	Option exercise price ($)	Option expiration date	Value of unexercised in-the-money Options(2)	Number of shares or units of shares that have not yet vested (#)	Market or payout value of share-based awards that have not yet vested	Market or payout value of vested share-based awards not paid out or distributed(3)
David C. Danziger	354,376	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Justin Reid	354,376	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Matthew Simpson	354,376	1.36	June 13, 2021	Nil	Nil	Nil	Nil
Peter Tagliamonte	708,753	1.36	June 13, 2021	Nil	Nil	Nil	Nil

Notes:

(1) Represents the total number of Options granted.

(2) Value of in-the-money Options at December 31, 2017, if any, is the difference between the exercise price of the Options and $1.20, being the closing price of Common Shares on December 29, 2017 which was the last trading day of the financial year.

(3) In the form of DSUs outstanding, the market value of which has been calculated on the grant date. Payment on the DSUs is deferred until the time the individual ceases to be eligible to participate in the DSU program, usually at the time of departure from the Corporation. See "Long-Term Incentives" for details of the DSU program.

(4) Mr. Charette was a founding director of the Corporation, but he resigned as a director on September 17, 2010 in order to accommodate the appointment of Mr. Danziger to the Board. He was re-elected as a director on May 12, 2011. Mr. Charette also served as the Interim Chief Executive Officer of the Corporation from January 23, 2014 to May 19, 2016.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets out the value of incentive awards granted to the Corporation's directors (who are not also a Named Executive Officer) that have vested or were earned during the financial year ended December 31, 2017:

Name	Value of option-based awards vested during 2017(2) ($)	Value of share-based awards vested during 2017 ($)	Value of non-equity incentive plan compensation earned during 2017 ($)
Stan Bharti	Nil	Nil	Nil
Guy Charrete(1)	Nil	Nil	Nil
David C. Danziger	Nil	Nil	Nil
Justin Reid	Nil	Nil	Nil
Matthew Simpson	Nil	Nil	Nil
Peter Tagliamonte	Nil	Nil	Nil

Notes:

(1) Mr. Charette was a founding director of the Corporation, but he resigned as a director on September 17, 2010 in order to accommodate the appointment of Mr. Danziger to the Board. He was re-elected as a director on May 12, 2011. Mr. Charette also served as the Interim Chief Executive Officer of the Corporation from January 23, 2014 to May 19, 2016.

(2) The value ascribed to option grants represents non-cash consideration and has been estimated using the Black-Sholes Model as at the date of grant.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Corporation has established a stock option plan to grant non-transferable Options to purchase Common Shares to directors, officers, employees of and consultants to the Corporation. Under the stock option plan, the number of Common Shares reserved for issuance will not exceed 10% of the total issued and outstanding Common Shares. The Corporation's current stock option plan, as amended from time to time, has been in place since 2007.

The number of Common Shares reserved for issuance to any individual director, officer, employee of, or consultant to the Corporation will not exceed 5% of the issued and outstanding Common Shares and the issuance to insiders of the Corporation, within any one-year period, will not exceed 10% of the issued and outstanding Common Shares.

Options are granted under the stock option plan for a maximum period of ten years from the date of grant.

Under the stock option plan, the exercise price of Options granted can be no less than the closing market price of Common Shares on the day before the Options are granted.

The following table sets out information with respect to compensation plans under which equity securities of the Corporation are authorized for issuance as at December 31, 2017:

Plan Category	Securities to be issued upon Exercise of Outstanding Options and Rights (#)	Weighted-average Exercise Price of Outstanding Options and Rights ($/Security)	Securities remaining available for future issuance under Equity Compensation Plans (#)
Plans approved by security holders	4,704,969	1.36	1,052,577
Plans not approved by security holders	Nil	Nil	Nil
Total	**4,704,969**	**1.36**	**1,052,577**

AUDIT COMMITTEE

For information regarding the Audit Committee, in compliance with the disclosure requirements of National Instrument 52-110 – *Audit Committees*, refer to the section entitled "Audit Committee" in the Corporation's Annual Information Form dated March 23, 2018, which is available on SEDAR at sedar.com

CORPORATE GOVERNANCE DISCLOSURE

The Corporate Governance Disclosure policy of the Corporation is attached to this Circular as Appendix "A".

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No director or officer of the Corporation or associate of any director or officer of the Corporation is, or at any time since the beginning of the most recently completed financial year of the Corporation, has been indebted to the Corporation or any of its subsidiaries.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Effective April 29, 2017, the Corporation has renewed its directors' and officers' liability insurance in the aggregate amount of $5,000,000 for a term of one year. The premium for this insurance policy for the period of April 29, 2017 to April 29, 2018 is $12,500 plus applicable taxes.

In addition, the Corporation maintains “run-off” directors’ and officers’ liability insurance in the aggregate amount of $15,000,000 to cover any matters that may be alleged to have occurred prior to April 29, 2016. The premiums for these “run-off” insurance policies for the period July 15, 2015 to April 29, 2022 total $282,685 plus applicable taxes.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person of the Corporation, as defined in National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators, or any associate or affiliate of any informed person, has any material interest in any transaction completed since the commencement of the Corporation's last financial year or in any proposed transaction which has materially affected or will materially affect the Corporation or its subsidiaries.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Except as set out herein, no person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, no proposed nominee of management of the Corporation for election as a director of the Corporation and no associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership or otherwise, in matters to be acted upon at the Meeting other than the election of directors.

SHAREHOLDERS' PROPOSALS

The Corporation will review shareholder proposals intended to be included in proxy material for the next annual meeting of shareholders, expected to be held in May or June 2019, that are received by the Corporation no later than January 1, 2019.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com under the Corporation's issuer profile. Financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis, which are available on SEDAR at www.sedar.com under the Corporation's issuer profile or from the Corporation by telephone at 416-309-4299 or by e-mail at info@eurosunmining.com. This information is also available on the Corporation's web site at www.eurosunmining.com.

OTHER MATTERS

The Board is not aware of any other matters to come before the Meeting other than the matters referred to in this Circular.

DIRECTORS' APPROVAL

The contents and the sending of this Circular to the shareholders of the Corporation have been approved by the Board.

DATED at Toronto, Ontario, this 24th day of July 2018.

BY ORDER OF THE BOARD OF DIRECTORS

"G. Scott Moore" (signed)

G. Scott Moore
Chief Executive Officer

APPENDIX "A"

EURO SUN MINING INC.

CORPORATE GOVERNANCE DISCLOSURE

1. Board of Directors

The board of directors (the "**Board**") of Euro Sun Mining Inc. (the "**Corporation**") facilitates its exercise of independent supervision over management by endeavouring to ensure it is composed of a majority of directors who are considered to be "independent", as such term is defined in National Instrument 52-110 – *Audit Committees*. The Board, at present, is composed of seven directors, five of whom are considered to be independent (being Messrs. Bharti, Danziger, Simpson, Reid and Tagliamonte). Mr. Charette, as former Interim CEO, and Mr. Moore, as current CEO, are not considered independent. In determining whether a director is independent, the Board considers, for example, whether that director has a relationship, which could, or could be perceived to interfere with that director's ability to objectively assess the performance of management.

The independent members of the Board hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.

Board Responsibilities

The Board is responsible for the stewardship of the Corporation through the appropriate supervision of the business and management of the Corporation and is committed to adhering to the highest standards in its corporate practices. This mandate is accomplished directly and through the Audit Committee, the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee and the Environmental Health and Safety Committee. The Board believes that governance guidelines will continue to evolve to address all applicable regulatory and stock exchange requirements relating to corporate governance and will be modified and updated as circumstances warrant.

The key responsibilities of the Board and its committees are discharged in the following manner:

- the assignment to committees of directors of the Corporation the general responsibility for developing the Corporation's approach to: (i) financial reporting and internal controls; (ii) issues relating to compensation of directors, officers and employees; and (iii) corporate governance issues and matters relating to nomination of directors;

- the formation of committees of the Board when it is deemed appropriate by the Board to deal with specific issues that arise;

- with the assistance of the Corporate Governance and Nominating Committee:

    - developing the Corporation's approach to corporate governance, including developing a set of corporate governance principles and guidelines specific to the Corporation;

    - reviewing the composition of the Board and ensuring it meets its independence criteria;

- to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and other senior officers and that such officers create a culture of integrity throughout the Corporation;
- assessing at least annually, the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, including, considering the appropriate size of the Board;
- ensuring that an appropriate review and selection process for new nominees to the Board is in place;
- ensuring that an appropriate orientation and education program for new members of the Board is in place;
- approving disclosure and securities compliance policies, including communications policies of the Corporation; and
- reviewing and approving the formal charters of the committees of the Board;

▪ with the assistance of the Audit Committee:

- ensuring the integrity of the Corporation's internal controls and management information systems;
- ensuring the Corporation's ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Corporation's own governing documents;
- identifying the principal risks of the Corporation's business and ensuring that appropriate systems are in place to manage these risks, including, without limitation, implementing currency and metals hedging programs, as deemed appropriate;
- reviewing and approving significant operational and financial matters and providing direction to management on these matters;
- approving annual and interim financial statements of the Corporation together with the annual management's discussion and analysis, unless such approval is specifically delegated to the Audit Committee of the Board; and
- as required and agreed upon, providing assistance to shareholders concerning the integrity of the Corporation's reported financial performance;

▪ with the assistance of the Human Resources and Compensation Committee:

- establishing appropriate performance criteria for the senior management of the Corporation, and approving the compensation of the senior management and the directors;

▪ with the assistance of the Chief Executive Officer ("**CEO**"):

- monitoring and reviewing feedback provided by the Corporation's shareholders;

- succession planning including selecting, appointing, training, monitoring, evaluating and, if necessary, replacing senior management to ensure management succession;

- adopting a strategic planning process and approving, at least annually, a strategic plan that takes into account business opportunities and business risks identified by the Board and/or a committee of the Board and monitoring performance against such plans; and

- reviewing and approving corporate objectives and goals applicable to the Corporation's senior management and monitoring realization of those objectives;

- reviewing with senior management:

- major corporate decisions which require approval of the Board and approving such decisions as they arise;

- major capital expenditure decisions in excess of thresholds previously authorized in a budget or by resolution of the Board; and

- material decisions relating to senior personnel, major property acquisitions or divestments, major investments, and other decisions, where deemed appropriate; and

▪ performing such other functions as prescribed by law or assigned to the Board in the Corporation's constating documents and by-laws.

The Board meets a minimum of four times a year and more frequently if required. The Audit Committee meets a minimum of four times a year.

Position Description for the Chairman of the Board

The Chairman of the Board shall be an independent director who is designated by the Board to act as the leader of the Board.

The Chairman will be selected amongst the directors of the Corporation who have a sufficient level of experience with corporate governance issues to ensure the leadership and effectiveness of the Board. The Chairman will be selected annually at the first meeting of the Board following the annual meeting of shareholders.

The following are the responsibilities of the Chairman. The Chairman may delegate or share, where appropriate, certain of these responsibilities with the Corporate Governance and Nominating Committee and/or any other independent committee of the Board:

▪ chairing all meetings of the Board in a manner that promotes meaningful discussion;

▪ providing leadership to the Board to enhance the Board' effectiveness, including:

- ensuring that the responsibilities of the Board are well understood by both management and the members of the Board;

- ensuring that the Board works as a cohesive team with open communication;

- ensuring that the resources available to the Board (in particular timely and relevant information) are adequate to support its work;

- together with the Corporate Governance and Nominating Committee ensuring that a process is in place by which the effectiveness of the Board and its committees (including size and composition) is assessed at least annually; and

- together with the Corporate Governance and Nominating Committee ensuring that a process is in place by which the contribution of individual directors to the effectiveness of the Board is assessed at least annually;

▪ managing the Board, including:

- preparing the agenda of the Board meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;

- adopting procedures to ensure that the Board can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings;

- ensuring meetings are appropriate in terms of frequency, length and content;

- ensuring that, where functions are delegated to appropriate committees, the functions are carried out and results are reported to the Board;

- ensuring that a succession planning process is in place to appoint senior members of management when necessary; and

- working with the Corporate Governance and Nominating Committee and approaching potential candidates, when such are identified, to consider their interest in joining the Board;

▪ acting as liaison between the Board and management to ensure that relationships between the Board and management are conducted in a professional and constructive manner. This involves working with the Corporate Governance and Nominating Committee to ensure that the Corporation is building a culture of integrity and good governance; and

▪ at the request of the Board, representing the Corporation to external groups such as shareholders and other stakeholders, including community groups and governments.

Position Description for the Chief Executive Officer

The CEO's primary role is to manage the Corporation in an effective, efficient and forward-looking way and to fulfil the priorities, goals and objectives determined by the Board of the Corporation in the context of the Corporation's strategic plans, budgets and responsibilities set out below, with a view to increasing shareholder value. The CEO is responsible to the Board.

Without limitation to the foregoing, the CEO is responsible for the following:

- maintaining and developing the Corporation's goal of enhancing shareholder value by being a successful and profitable exploration, development and mining company;
- maintaining and developing with the Board strategic plans for the Corporation and successfully implementing such plans;
- providing quality leadership to the Corporation's staff and ensuring that the Corporation's human resources are managed properly;
- providing high-level policy options, orientations and discussions for consideration by the Board;
- maintaining existing and developing new strategic alliances and considering possible merger or acquisition transactions with other mining companies which will be constructive for the Corporation's business and will help enhance shareholder value;
- providing support, co-ordination and guidance to various responsible officers and managers of the Corporation;
- ensuring communications between the Corporation and major stakeholders, including and most importantly, the Corporation's shareholders, are managed in an optimum way and are done in accordance with applicable securities laws;
- providing timely strategic, operational and reporting information to the Board and implementing its decisions in accordance with good governance, with the Corporation's policies and procedures, and within budget;
- acting as an entrepreneur and innovator within the strategic goals of the Corporation;
- co-ordinating the preparation of an annual business plan;
- ensuring appropriate governance skills development and resources are made available to the Board; and
- complying at all times with laws and the Corporation's Codes of Business Conduct and Ethics and ensuring to provide a culture of high ethics throughout the organization.

2. Directorships

As of the date of this Circular, the following members of the Board and/or nominees thereto are also directors of other reporting issuers, as indicated beside their names:

Director	Other Reporting Issuers
Stan Bharti	Sulliden Mining Capital Inc. Belo Sun Mining Inc. Aberdeen International Inc. African Gold Group Inc.
Guy Charette	Niocan Inc.
David C. Danziger	WeedMD Inc. Eurotin Inc. Era Resources Inc. Poydras Gaming Finance Corp. Jackpotjoy plc The Intertain Group Limited
G. Scott Moore	Blue Sky Energy Inc. Troilus Gold Corp. Copper One Inc. Tangelo Games Corp.
Justin Reid	Troilus Gold Corp. Trigon Metals Inc. Aguia Resources Inc.
Matthew Simpson	Black Iron Inc.
Peter Tagliamonte	Troilus Gold Corp. Belo Sun Mining Inc.

3. Orientation and Continuing Education

While the Corporation has not yet developed an official orientation or training program for new directors, it is expected that orientation and continuing education activities will be tailored to the particular needs and experience of each director and the overall needs of the Board and will encompass interviews with other directors and the Corporate Governance and Nominating Committee and management during which new members would be briefed on the Corporation and its activities. The Corporation does however ensure that all new directors receive a complete package outlining the securities law obligations and restrictions on members of the Board and the Corporation.

The Corporation encourages directors to participate in seminars and/or courses that will enhance their role as a director to the Corporation.

4. Ethical Business

The Board's mandate includes satisfying itself as to the integrity of the Corporation's executive officers and endeavours to reflect, in all of the Corporation's dealings, a culture of integrity and ethical business conduct.

The Board strives to promote integrity and at all times encourages directors to exercise independent judgement in considering transactions or agreements in respect of which a director or officer has a material interest and all such transactions or agreements must be approved by the Board.

The Board has adopted a Code of Business Conduct and Ethics (the "**Code**") that addresses issues, such as conflicts of interest, protection and proper use of corporate assets and opportunities, confidentiality of corporate information, fair dealing with shareholders, partners, suppliers, competitors and employees, compliance with laws, rules and regulations and reporting of any illegal or unethical behaviour, as well as monitoring compliance with such a code. The purposes of the Code are to:

- promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- promote avoidance of conflicts of interest, including disclosure to an appropriate person of any material transaction or relationship that reasonably could be expected to give rise to such a conflict;
- promote full, fair, accurate, timely and understandable disclosure in reports and documents that the Corporation files with, or submits to, the securities regulators and in other public communications made by the Corporation;
- promote compliance with applicable governmental laws, rules and regulations;
- promote the prompt internal reporting to an appropriate person of violations of the Code;
- promote accountability for adherence to the Code;
- provide guidance to employees, officers and directors to help them recognize and deal with ethical issues; and
- foster the development of a culture of honesty and accountability within the Corporation.

Violations of this Code by an employee, officer or director are grounds for disciplinary action up to and including, but without limitation, immediate termination of employment or request for resignation of a directorship.

A copy of the Code is available on the website of the Corporation at www.eurosunmining.com.

5. Whistleblower Policy

The Corporation has adopted a Whistleblower Policy that allows its directors, officers, consultants and employees who feel that a violation of the Code has occurred, or who has concerns regarding financial statement disclosure issues, accounting, internal accounting controls or auditing matters, to report such violations or concerns on a confidential and anonymous basis. Reporting of a violation or concern is made to the Chair of the Corporation's Audit Committee who then investigates each matter so reported and takes corrective or disciplinary action, if appropriate.

6. Anti-Corruption Policy

The Corporation has adopted an Anti-Corruption Policy that outlines the requirements that must be fulfilled by all employees, consultants, officers and directors of the Corporation, as well as any third-parties working for or on behalf of the Corporation. These requirements include the prohibition of bribing government officials and making facilitation payments. This policy also provides the Corporation's employees, consultants, officers and directors with further clarity regarding books and records transparency, as well as the conditions with respect to gift giving to government officials, political and charitable contributions, third-party oversight and due diligence, internal controls and management's responsibility to promote and create awareness of the policy.

7. Nomination of Directors

The responsibility for proposing new nominees to the Board and for assessing directors on an ongoing basis is assumed by the full Board. Every director is entitled to bring these matters to the Board. It is open to any one director to propose new nominees to the Board for consideration, and the Board as a whole reviews the qualifications of candidates for membership on the Board and the slate of candidates for directors to be nominated for election by shareholders of the Corporation at annual general meetings of its shareholders.

8. Compensation

A Human Resources and Compensation Committee for the Corporation has been established and presently consists of three members of the Board (being Messrs. Bharti, Reid and Tagliamonte) with Mr. Reid acting as Chairman. The Human Resources and Compensation Committee is responsible for reviewing the performance, compensation, hiring, professional development, recruitment and succession planning of the directors and executive officers of the Corporation as well as all Corporation-wide employee benefits programs, based on a formal annual report and periodic interim reports from management and its own independent investigations, and reports regularly to the full Board on these activities.

The mandate of the Human Resources and Compensation Committee is:

- reviewing, structuring and approving and then recommending to the Board salary, bonus, and/or other benefits, direct or indirect, and any change of control packages of the Chairman of the Board (if any), the President, the CEO and other members of the senior management team deemed appropriate by the Human Resources and Compensation Committee;

- recommendation of salary guidelines to the Board;

- reviewing and recommending to the Board appropriate compensation for the directors of the Corporation;

- administration of (where applicable) the Corporation's compensation plans, stock option plans, outside directors compensation plans, and such other compensation plans or structures as are adopted by the Corporation from time-to-time;
- research and identification of trends in employment benefits; and
- establishment and periodic review of the Corporations' policies in the area of management benefits and perquisites.

9. Board Performance Assessment

Currently the Board takes responsibility for monitoring and assessing its effectiveness and the performance of individual directors, its committees, including reviewing the Board's decision-making processes and the quality of information provided by management, and among other things:

- overseeing strategic planning;
- monitoring the performance of the Corporation's assets;
- evaluating the principal risks and opportunities associated with the Corporation's business and overseeing the implementation of appropriate systems to manage these risks;
- approving specific acquisitions and divestitures;
- evaluating senior management; and
- overseeing the Corporation's internal control and management information systems.

10. Diversity and Women on the Board of Directors and in Executive Positions

The Corporation has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board consider the level of representation of women when making executive officer appointments or set targets regarding women on the Board or in executive positions. However, informally, the Corporation values diversity, including, without limitation, diversity of experience, perspective, education, race, gender, sexual orientation and national origin as part of its overall business strategy. The Board intends to consider whether it should adopt specific policies and practices regarding the representation of women on the Board and in executive positions. As of the date hereof, no members of the Board are women.

11. Board and Audit Committee Meeting Attendance

During 2017, the Board met a total of four times. The Board's policy is to hold in-camera sessions with the independent directors at the end of each meeting of the Board to the extent required.

The following table summarizes meetings of the Board and the Audit Committee and individual director attendance at such meetings during the financial year ended December 31, 2017:

Summary of Board and Committee Meetings Held (during the Financial Year ended December 31, 2017)	
Board of Directors	4
Audit Committee	4

Summary of Attendance by Director (during the Financial Year ended December 31, 2017)		
Director	**Board Meetings Attended**	**Audit Committee Meetings Attended**
Stan Bharti	3	N/A
Guy Charette(1)	4	N/A
David C. Danziger	4	4
G. Scott Moore	4	N/A
Justin Reid	3	3
Matthew Simpson	4	4
Peter Tagliamonte	2	N/A

Notes:

(1) Mr. Charette was a founding director of the Corporation, but he resigned as a director on September 17, 2010 in order to accommodate the appointment of Mr. Danziger to the Board. He was re-elected as a director on May 12, 2011. Mr. Charette also served as the Interim Chief Executive Officer of the Corporation from January 23, 2014 to May 19, 2016.

EUROSUN MINING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Expressed in United States Dollars)

UHY McGovern Hurley LLP
Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Euro Sun Mining Inc.

We have audited the accompanying consolidated financial statements of Euro Sun Mining Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of (loss) income and comprehensive (loss) income, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Euro Sun Mining Inc. and its subsidiaries as at December 31, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 23, 2018

EURO SUN MINING INC.

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

As at:		**December 31, 2017**		December 31, 2016
Assets				
Current assets				
Cash and cash equivalents	**$**	**5,906,115**	$	5,511,102
Restricted deposits (Note 5)		**23,914**		22,343
Prepaid expenses and sundry receivables		**220,518**		169,922
Total current assets	**$**	**6,150,547**	$	5,703,367
Non-current assets				
Deposits (Note 17)		**76,585**		-
Property, plant and equipment (Note 6)		**254,885**		32,436
Investment in associate (Note 7)		**458,342**		-
Total assets	**$**	**6,940,359**	$	5,735,803
Liabilities				
Current liabilities				
Trade and other payables (Note 8 and 14)	**$**	**632,308**	$	851,003
Total current liabilities	**$**	**632,308**	$	851,003
Equity attributable to shareholders				
Share capital (Note 10)		**210,605,103**		202,320,836
Warrants (Note 10)		**2,650,549**		2,627,351
Contributed surplus (Note 10)		**4,427,777**		4,679,005
Accumulated deficit		**(210,883,385)**		(204,890,732)
Accumulated other comprehensive (loss) income		**(491,993)**		148,340
Total equity	**$**	**6,308,051**	$	4,884,800
Total liabilities and equity	**$**	**6,940,359**	$	5,735,803

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 17)
Subsequent events (Note 19)

Approved by the Board of Directors on March 23, 2018:

"David Danziger", Director *"Stan Bharti"*, Director

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

EURO SUN MINING INC.

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

		Year ended December 31, 2017		Year ended December 31, 2016
Expenses				
General and administrative (Note 11)	**$**	**1,313,304**	$	2,037,877
Consulting and management expense (Note 11 and 14)		**2,436,165**		5,777,721
Exploration and evaluation expense (Note 12)		**2,746,895**		1,473,999
Legal settlements (Note 17)		**425,144**		1,249,119
Depreciation and amortization (Note 6)		**7,695**		44,048
Impairment (Note 6)		**-**		70,013
Other income (Note 11)		**(704,592)**		(6,353)
Loss from investment in associate (Note 7)		**19,270**		-
Net (loss) from continuing operations for the year		**(6,243,881)**		(10,646,424)
Net income from discontinued operations for the year (Note 4)		**-**		230,531,490
Net (loss) income for the year	**$**	**(6,243,881)**	$	219,885,066
Other comprehensive (loss) income				
Items that may be reclassified subsequently to profit or loss:				
Cumulative translation adjustments		**(640,333)**		148,340
Other comprehensive (loss) income for the year from continuing operations	**$**	**(640,333)**	$	148,340
Total comprehensive (loss) for the year from continuing operations	**$**	**(6,884,214)**	$	(10,498,084)
Cumulative translation adjustments from discontinued operations		**-**		21,495,740
Other comprehensive income for the year from discontinued operations	**$**	**-**	$	21,495,740
Total comprehensive income for the year from discontinued operations	**$**	**-**	$	252,027,230
Total comprehensive (loss) income for the year	**$**	**(6,884,214)**	$	241,529,146
Basic and diluted (loss) per share				
- continuing operations (Note 13)	**$**	**(0.12)**	$	(0.23)
Basic and diluted income per share				
- discontinued operations (Note 13)	**$**	**-**	$	5.05
Total basic and diluted (loss) income per share	**$**	**(0.12)**	$	4.82
Weighted average number of common shares outstanding - basic and diluted		**51,770,126**		45,683,315

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

EURO SUN MINING INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in United States Dollars)

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Shareholders' equity (deficiency)
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 10(b))	8,630,675	-	-	-	-	8,630,675
Valuation of warrants (Note 10(b))	(2,507,222)	2,507,222	-	-	-	-
Valuation of broker warrants (Note 10(b))	(283,401)	283,401	-	-	-	-
Transaction costs incurred (Note 10(b))	(333,657)	(163,272)	-	-	-	(496,929)
Option exercise (Note 10(c))	41,372	-	(16,797)	-	-	24,575
Share-based payments (Note 10(c))	-	-	4,429,151	-	-	4,429,151
Expiry of stock options (Note 10(c))	-	-	(1,935,196)	1,935,196	-	-
Expiry of warrants (Note 10(d))	-	(3,256,109)	-	3,256,109	-	-
Net income and comprehensive income	-	-	-	219,885,066	21,644,080	241,529,146
Balance, December 31, 2016	$ 202,320,836	$ 2,627,351	$ 4,679,005	$ (204,890,732)	$ 148,340	$ 4,884,800
Shares issued in private placements (Note 10(b))	8,456,207	-	-	-	-	8,456,207
Valuation of broker warrants (Note 10(b))	(23,198)	23,198	-	-	-	-
Transaction costs incurred (Note 10(b))	(148,742)	-	-	-	-	(148,742)
Expiry of stock options (Note 10(c))	-	-	(251,228)	251,228	-	-
Net loss and comprehensive loss	-	-	-	(6,243,881)	(640,333)	(6,884,214)
Balance, December 31, 2017	$ 210,605,103	$ 2,650,549	$ 4,427,777	$ (210,883,385)	$ (491,993)	$ 6,308,051

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

EURO SUN MINING INC.

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

		Year ended December 31, 2017		Year ended December 31, 2016
Cash flows from operating activities				
(Loss) income for the period	**$**	**(6,243,881)**	$	219,885,066
Adjustment for:				
Depreciation and amortization (Note 6)		**7,695**		44,048
Accretion		**-**		87,740
Gain on disposition of MRDM (Note 4)		**-**		(230,628,958)
Share-based payments		**-**		4,429,151
Impairment		**-**		1,202,571
Interest income (Note 11)		**(22,085)**		(27,292)
Deferred share units (Note 9)		**15,328**		21,089
Loss from investment in associate (Note 7)		**19,270**		-
	$	**(6,223,673)**	$	(4,986,585)
Trade receivables		**-**		307,504
Prepaid expenses, sundry receivables and deposits		**(127,181)**		(1,484,528)
Inventories		**-**		(1,796,598)
Trade and other payables		**(234,024)**		4,144,580
Net cash used in operating activities	**$**	**(6,584,878)**	$	(3,815,627)
Cash flows from investing activities				
Restricted deposits (Note 5)		**-**		(9,797)
Interest income (Note 11)		**22,085**		27,292
Acquisition of property, plant and equipment (Note 6)		**(230,144)**		(1,465,052)
Investment in associate (Note 7)		**(483,420)**		-
Mine development assets		**-**		(909,416)
Cash disposed of in MRDM		**-**		(250,961)
Net cash used in investing activities	**$**	**(691,479)**	$	(2,607,934)
Cash flows from financing activities				
Proceeds from project loan facility		**-**		2,686,260
Proceeds from private placement (Note 10)		**8,456,207**		8,630,675
Share issuance costs (Note 10)		**(148,742)**		(496,929)
Proceeds from option exercise		**-**		24,575
Net cash from financing activities	**$**	**8,307,465**	$	10,844,581
Effect of exchange rate changes on cash and cash equivalents	**$**	**(636,095)**	$	468,671
NET CHANGE IN CASH AND CASH EQUIVALENTS		**395,013**		4,889,691
CASH AND CASH EQUIVALENTS, beginning of year	**$**	**5,511,102**	$	621,411
CASH AND CASH EQUIVALENTS, end of year	**$**	**5,906,115**	$	5,511,102

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

1. Nature of operations and going concern

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

The Company was incorporated under the federal laws of Canada (the *Canada Business Corporations Act*) on January 17, 2003, is domiciled in Canada and its common shares are currently posted for trading and listed on the Toronto Stock Exchange ("TSX") under the symbol "ESM". The address of its registered office is 65 Queen Street West, Suite 805, Toronto, Ontario, M5H 2M5.

These consolidated financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year. For the year ended December 31, 2017, the Company incurred a net loss of $6,243,881 and as at December 31, 2017, reported an accumulated deficit of $210,883,385 and working capital of $5,518,239 including $5,906,115 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. Management believes its working capital will be sufficient to support activities for the next twelve months, and expects to raise additional funds when required and available.

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

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

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

(Expressed in United States Dollars)

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

The Company prepares its consolidated financial statements in accordance with International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved by the Board of Directors on March 23, 2018.

Basis of measurement

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

Basis of presentation

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

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

The Company's financial statements consolidate its subsidiaries which comprise the following at December 31, 2017:

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

On April 29, 2016, the Company closed a transaction to dispose of certain of its subsidiaries (see Note 4). On October 31, 2016, Carpat Gold S.R.L., one of the Company's subsidiaries, was dissolved. On January 30, 2017, two of the Company's subsidiaries, Carpathian Gold Limited and Samax Romania Limited, merged. The surviving company was named Samax Romania Limited. On April 19, 2017, Ore-Leave Capital (Barbados) Limited was continued into the British Virgin Islands from Barbados and was named Ore-Leave Capital Limited. On June 7, 2017, Ore-Leave Capital Limited and Samax Romania Limited merged, the surviving company is Samax Romania Limited and was continued into Cyprus from the British Virgin Islands on December 29, 2017.

2. Significant accounting policies (continued)

Translation of foreign currency

These consolidated financial statements are presented in U.S. dollars (the Company's presentation currency).

Items included in the consolidated financial statements of Euro Sun Mining Inc. (the "Parent") and each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of loss.

The functional currency of the Parent is the Canadian dollar and the functional currency of each of its subsidiaries is the U.S. dollar.

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

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories:

Fair value through profit or loss - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. The Company classifies its cash and amounts receivable as loans and receivables.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive (loss) income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive (loss) income and recognized through profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

2. Significant accounting policies (continued)

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities: This category consists of liabilities carried at amortized cost using the effective interest method, and includes accounts payable and accrued liabilities.

Financial assets and liabilities are offset and the net amount is recorded in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle on a net basis, or realize the asset and settle the liability simultaneously.

Revenue recognition

Revenues include sales of refined gold and silver and dore, which are generally physically delivered to the buyer in the period in which they are produced, with their sales price based on prevailing spot market metal prices. Revenue from metal sale is recognized when all of the following conditions have been satisfied:

- The significant risks and reward of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the sale will flow to the Company; and
- The costs incurred or to be incurred in respect of the sales can be reliably measured.

These conditions are generally satisfied when title passes to the customer.

Pre-production sales of refined gold and silver and dore are recognized as on offset to mine development assets.

Inventories

Gold production inventories, concentrate inventory and ore stockpiles are measured at the lower of weighted average production cost and net realizable value. Net realizable value is calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form and variable selling expenses. Mine supplies are measured at the lower of average purchase cost and net realizable value.

Production costs include the cost of materials, labour, mine site production overheads and depreciation to the applicable stage of processing.

The cost of ore stockpiles is increased based on the related current cost of production for the period, and decreases in stockpiles are charged to cost of sales using the weighted average cost per tonne.

Provisions are recorded to reduce the carrying amount of inventory to net realizable value to reflect changes in grades, quantity or other economic factors and to reflect current intentions for the use of redundant or slow-moving items. Provisions for redundant and slow-moving items are made by reference to specific items of inventory. The Company reverses write-downs where there is a subsequent increase in net realizable value and where the inventory is still on hand.

Spare parts, stand-by and servicing equipment and consumable material held are generally classified as inventories. Major capital spare parts are classified as a component of property, plant and equipment.

2. Significant accounting policies (continued)

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as assets held for sale if it is highly probable that the value of these assets will be recovered primarily through sale rather than through continuing use. They are recorded at the lower of carrying amount and fair value less cost of disposal. Impairment losses on initial classification as assets held for sale and subsequent gains and losses on re-measurement are recognized in the consolidated statement of comprehensive loss. Once classified as held-for sale, property, plant and equipment is no longer amortized. The assets and liabilities are presented as held for sale in the consolidated statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification.

A discontinued operation is a component of the Company that can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes, and the value of this component is expected to be recovered primarily through sale rather than continuing use.

Results of operations and any gain or loss from disposal are excluded from loss from continuing operations and are reported separately as (loss) income from discontinued operations.

Software licensing costs

Software licensing costs are stated at cost less accumulated amortization and accumulated impairment losses. The costs of assets are amortized over their useful life which is 2-10 years.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognized as interest expense in the consolidated statement of loss in the period in which they are incurred.

Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The Company has established a stock option plan to grant non-transferable equity settled options to purchase Common Shares to directors, officers, employees of and consultants to the Company. The number of Common Shares reserved for issuance will not exceed 10% of the total issued and outstanding Common Shares of the Company. The Company has the ability to grant for a maximum period of ten years from the date of grant.

Stock options vest over periods ranging from immediate to two years. The fair value of each option is measured at the date of grant using the Black-Scholes option pricing model and recorded as a compensation expense in the period the options are vested or the performance is complete. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

Any consideration paid on exercise of stock options is credited to share capital. On expiry, any amount related to the initial value of the stock option is recorded to deficit.

2. Significant accounting policies (continued)

Deferred share unit plan

Non-executive directors and executives are granted Deferred Share Units ("DSUs") under the terms of the Company's DSU Plan. The fair value of DSUs at the time of conversion or award, as applicable, is determined with reference to the weighted average trading price of the Company's common shares over the five trading days immediately preceding the date of conversion or award, as applicable. The fair value of the DSUs, which are settled in cash, is recognized as a share based compensation expense with a corresponding increase in liabilities, over the period from the grant date to settlement date. The fair value of the DSUs is marked to the quoted market price of the Company's common shares at each reporting date with a corresponding change recorded in the consolidated statement of (loss) income.

Deferred costs

Costs incurred to raise capital are written off as a charge to capital upon completion of each capital raising. Costs incurred on debt financings are netted against the carrying value of the loans and charged to the consolidated statement of loss over the term of the related loans. If the Company is in default, costs are immediately expensed to the consolidated statement of loss.

Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs of initial search for mineral deposits and performing a detailed assessment of deposits that have been identified as having economic potential.

Exploration and evaluation costs are expensed as incurred and included in the consolidated statement of loss and until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mine development assets. Exploration and evaluation costs include an allocation of administration and salary costs as determined by management.

Mine development assets

Mine development assets, a component of property, plant and equipment, are accumulated separately for each area of interest in which economically recoverable reserves have been identified. These assets are comprised of expenditures directly attributable to the construction of a mine and the related infrastructure.

General and administration costs are allocated to a development asset only to the extent that those costs can be related directly to development activities in the relevant areas of interest.

No amortization is recognized in respect of development properties until they are at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

2. Significant accounting policies (continued)

Production stage

A mine that is under construction is determined to enter the production stage when the project is in the location and condition necessary for it to be capable of operating in the manner intended by management.

When a mine development asset moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either capitalized to inventory or expensed, except for capitalizable costs related to property, plant and equipment additions or improvements, open pit stripping activities that provide a future benefit or expenditures that meet the criteria for capitalization in accordance with International Accounting Standard 16 (“IAS”) IAS 16 Property, Plant and Equipment.

Pre-production stripping costs are capitalized until an ”other than de minimis” level of mineral is extracted, after which time such costs are either expenses, capitalized to inventory or, if it qualifies as an open pit stripping activity that provides a future benefit, capitalized to property, plant and equipment. Various relevant criteria is considered to assess when an “other than de minimis” level of mineral is produced. Some of the criteria considered would include, but not limited to, the following:

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

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

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

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

2. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the consolidated statement of (loss) income during the period in which they are incurred.

The Company depreciates property, plant and equipment on the straight line depreciation method. The assets' useful lives are as follows:

Office Equipment	-	4-10 years
Computer Equipment	-	5-10 years
Machinery & Equipment	-	4-10 years
Vehicles	-	4-5 years
Leasehold Improvements	-	1-10 years

Investment in associates

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

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

2. Significant accounting policies (continued)

Income taxes

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

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

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

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

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

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

Cash and cash equivalents

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

Derivatives

The Company may enter into derivative instruments to mitigate economic exposures to commodity price and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as fair value through profit or loss and recorded at their fair value with realized gains or losses arising from changes in the fair value recorded in the consolidated statement of loss in the period they occur. Fair values for derivative instruments classified as fair value through profit or loss are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the consolidated statement of financial position at fair value and mark–to–market adjustments on these instruments are included in the consolidated statement of loss.

2. Significant accounting policies (continued)

(Loss) income per share

Basic (loss) income per share is calculated by dividing net (loss) income attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted income per share is calculated whereby the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive.

Provisions

(a) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense in the consolidated statement of loss.

(b) Decommissioning and site rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The liability incorporates consideration of risk by way of adjusting the cash flows and is discounted using a risk free discount rate. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation is generally considered to have been incurred when the mine assets are constructed or the environment is disturbed at the Company's operations. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased based on the unwind of the discount rate.

The periodic unwinding of the discount is recognized in the consolidated statement of loss as a finance cost. Additional disturbances or changes in rehabilitation costs attributable to development will be recognized as changes to the corresponding assets and rehabilitation liability when they occur.

Where a closure and environmental obligation arises from production activities, the costs are expensed as incurred because there are no associated economic benefits.

2. Significant accounting policies (continued)

Accounting changes

The Company adopted the following new standards and interpretation issued by the IASB or International Financial Reporting Interpretation Committee ("IFRIC") as of January 1, 2017.

IAS 7 – Statement of Cash Flows ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. There was no impact on the Company's consolidated financial statements upon adoption of IAS 7 on January 1, 2017.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. There was no impact on the Company's consolidated financial statements upon adoption of IAS 12 on January 1, 2017.

Future accounting standards issued but 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, 2018. 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.

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

2. Significant accounting policies (continued)

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

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

3. Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies regarding certain types of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements:

3. Critical accounting estimates and judgments (continued)

Estimated useful life of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for amortization of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at each reporting date and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

Fair value of derivatives

Management estimates the fair values of its derivatives using valuation techniques which determine their present value based on available market data including expected future gold prices, future exchange rates and interest rates.

Rehabilitation provisions

The Company records management's best estimate of the present value of the future cash requirements of any rehabilitation obligation as a long-term liability in the period in which the related environmental disturbance occurs based on the net present value of the estimated future costs. This obligation is adjusted at the each period end to reflect the passage of time and any changes in the estimated future costs underlying the obligation. In determining this obligation, management must make a number of assumptions about the amount and timing of future cash flows and discount rate to be used. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

Share-based payments

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

Investment in associate

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

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. See Note 17.

(Expressed in United States Dollars)

3. Critical accounting estimates and judgments (continued)

Mineral reserve estimates

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

Income, value added, withholding and other taxes

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

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

On April 29, 2016, the Company closed a transaction to dispose of its RDM 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 pre-consolidation 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$1,253,600) on a private placement basis.

(Expressed in United States Dollars)

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

As at December 31, 2016, the Restructuring has been completed and all the assets, liabilities and obligations related to the RDM Project have been disposed of. The income from discontinued operations for 2016 of $230,531,490 includes the revenues and expenses of the RDM Project up to the date of disposition of April 29, 2016, along with the gain on disposition of $230,628,958.

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

		Year ended December 31, 2016
Revenue	**$**	**20,275,211**
Expenses		
Costs and expenses of mining operations		
Operating costs and mine site administrative expenses		16,181,804
General and administrative		2,283,993
Employee compensation expense		714,122
Gain on disposition of MDRM		(230,628,958)
Impairment		1,132,558
Finance costs		
Accretion		87,740
Other (income)		(27,538)
Income from discontinued operations	**$**	**230,531,490**

The following table presents summarized consolidated statements of cash flows for the discontinued operations for the year ended December 31, 2016:

Year ended December 31,		**2016**
Cash flows from operating activities of discontinued operations	$	1,867,340
Cash flows from investing activities of discontinued operations		(5,017,459)
Cash flows from financing activities of discontinued operations		2,686,260
Effect of exchange rates on cash and cash equivalents		391,524
Decrease in cash and cash equivalents		(72,335)
Cash and cash equivalents at beginning of the year		72,335
Cash and cash equivalents at end of the year	$	-

5. Restricted Deposits

As at December 31, 2017, restricted cash consists of CAD$30,000 ($23,914) on deposit with the bank as security for the Company's corporate credit card (December 31, 2016 - CAD$30,000 ($22,343)).

(Expressed in United States Dollars)

6. Property, plant and equipment

	Leasehold improvements	Computers & office equipment	Machinery, equipment & vehicles	Total
Cost:				
At December 31, 2016	$ -	$ -	$ 32,436	$ 32,436
Additions	**205,988**	**-**	**24,156**	**230,144**
At December 31, 2017	**$ 205,988**	**$ -**	**$ 56,592**	**$ 262,580**
Depreciation:				
At December 31, 2016	$ -	$ -	$ -	$ -
Depreciation charge for the year	**-**	**-**	**7,695**	**7,695**
At December 31, 2017	**$ -**	**$ -**	**$ 7,695**	**$ 7,695**
Net book value:				
At December 31, 2017	**$ 205,988**	**$ -**	**$ 48,897**	**$ 254,885**
At December 31, 2016	$ -	$ -	$ 32,436	$ 32,436
Cost:				
At December 31, 2015	$ 177,839	$ 83,840	$ 15,770	$ 277,449
Effect of foreign exchange	11,046	9,807	1,163	22,016
Additions	-	-	32,436	32,436
Impairment	(188,885)	(93,647)	(16,933)	(299,465)
At December 31, 2016	$ -	$ -	$ 32,436	$ 32,436
Depreciation:				
At December 31, 2015	$ 123,811	$ 54,045	$ 14,773	$ 192,629
Effect of foreign exchange	9,515	7,736	1,117	18,368
Depreciation charge for the year	13,187	4,225	1,043	18,455
Impairment	(146,513)	(66,006)	(16,933)	(229,452)
At December 31, 2016	$ -	$ -	$ -	$ -
Net book value:				
At December 31, 2016	**$ -**	**$ -**	**$ 32,436**	**$ 32,436**
At December 31, 2015	$ 54,028	$ 29,795	$ 997	$ 84,820

As at December 31, 2017, the carrying value of property, plant and equipment is comprised of $nil in corporate and other (December 31, 2016 - nil), and $254,885 in Romania (December 31, 2016 - $32,436).

(Expressed in United States Dollars)

7. Investment in Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company engaged in the exploration and development of metals, for CAD$600,000 ($483,420). On the date of acquisition and as at December 31, 2017, the Company held a 27% ownership interest in Vilhelmina Minerals Inc. On September 28, 2017, Vilhelmina Minerals Inc. acquired a 33% ownership interest in Vilhelmina Mineral AB (“Vilhelmina”), a private company located in Sweden, and Mr. Scott Moore, an officer and director of the Company, became a director of Vilhelmina. Management has determined the Company has significant influence over Vilhelmina Minerals Inc. The investment is considered an associate and is accounted for using the equity method.

Changes in the investment in associate for the year ended December 31, 2017 were as follows:

December 31, 2016	$	-
Acquisiton of 600,000 shares at cost		483,420
Proportionate share of net loss from the date of acquisition		(19,270)
Effect of foreign exchange		(5,808)
December 31, 2017	$	458,342

The following is a summary of the consolidated financial information for Vilhelmina Minerals Inc. on a 100% basis as at and for the period of incorporation (July 13, 2017) to December 31, 2017.

As at December 31, 2017		
Cash	$	6,694
Total current assets		17,062
Non-current assets		872,772
Total current liabilities		6,377

For the year ended December 31, 2017		
Loss before items noted below	$	(13,442)
Loss from investment in associate		(56,450)
Loss on foreign exchange		(763)
Loss and comprehensive loss		(70,655)

8. Trade and other payables

		December 31, 2017		December 31, 2016
Trade payables	$	113,846	$	82,668
Accrued liabilities		480,916		748,068
Accrual of DSU (Note 9)		37,546		20,267
	$	632,308	$	851,003

(Expressed in United States Dollars)

9. Deferred share units

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

The following transactions occurred during the periods noted below:

		December 31, 2017		December 31, 2016
Number of DSUs outstanding, beginning of year		39,599		52,228
Redeemed		-		(12,629)
Number of DSUs outstanding, end of year		39,599		39,599
Liability, end of year, included in trade and other payables (Note 8)	$	37,546	$	20,267
Expense for the year	$	15,328	$	21,089

10. Share capital

(a) Authorized

Unlimited number of common shares, without par value.
Unlimited number of preference shares, without par value.

(b) Issued common shares

	Number of common shares		Stated value
Balance, December 31, 2015 (i)	38,216,784	$	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, December 31, 2016	**50,001,170**	**$**	**202,320,836**
Common shares issued in private placements (iv)(v)	7,574,291		8,456,207
Valuation of broker warrants (v)	-		(23,198)
Transaction costs incurred in private placement (v)	-		(148,742)
Balance, December 31, 2017	**57,575,461**	**$**	**210,605,103**

10. Share capital (continued)

(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 consolidated financial statements and accompanying notes.

(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 in the capital stock of the Company at a price of CAD$0.324 per share for aggregate gross proceeds of $1,000,000 (CAD$1,253,600) on a private placement basis (the "Brio Private Placement"). 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. The Brio Private Placement closed on May 2, 2016.

(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 would subscribe to a private placement (the "Forbes Private Placement") of units (the "Units") for a minimum amount of ten million dollars (CAD$10,000,000) to advance its Rovina Valley Project in Romania. On May 19, 2016, the Company closed the Forbes Private Placement whereby Forbes, Sulliden Mining Capital Inc. and Black Iron Inc. subscribed for 7,864,850 Units at a subscription price of CAD$1.27 per Unit for aggregate gross proceeds of $7,630,675 (CAD$10,000,000). Each Unit consisted 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 entitles 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 the Black-Scholes valuation model with the following assumptions: exercise price of CAD$2.18, risk-free rate of 0.61%, expected volatility of 382%, an expected life of two years and an expected 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 Forbes 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%, expected volatility of 382%, an expected life of two years and an expected dividend yield of 0%. $283,401 of the value of the broker warrants was allocated to share capital with the remaining allocated to warrants.

(iv) On October 6, 2017, the Company closed a non-brokered private placement financing of 6,144,291 common shares at a price of CAD$1.40 per share for gross proceeds of $6,854,735 (CAD$8,602,007).

(v) On October 10, 2017, the Company closed a brokered private placement financing of 1,430,000 common shares at a price of CAD$1.40 per share for gross proceeds of $1,601,472 (CAD$2,002,000). In connection with the financing, the Company paid cash commissions and other expenses of $148,742 (CAD$187,363) and issued 71,500 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at a price of CAD$1.43 for a period of one year from the date of issue. The value of the broker warrants was determined to be $23,198 using Black-Scholes valuation model with the following assumptions: exercise price of CAD$1.43, risk-free rate of 1.54%, expected volatility of 74.9% based on the historic volatility of the Company, an expected life of one year and an expected dividend yield of 0%.

(Expressed in United States Dollars)

10. Share capital (continued)

(c) Stock options

The following table shows the continuity of stock options for the years ended December 31, 2017 and 2016:

	Number of options	**Weighted average exercise price (CAD$)**
Balance, December 31, 2015	564,908	8.17
Exercised	(55,054)	0.59
Expired	(361,208)	8.77
Granted	4,704,969	1.36
Balance, December 31, 2016	4,853,615	1.54
Expired	(148,646)	7.27
Balance, December 31, 2017	**4,704,969**	**1.36**

As at December 31, 2017, 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
4,429,704	4,429,704	4,216,143	1.36	June 13, 2021	3.45
275,265	275,265	211,634	1.36	September 30, 2021	3.75
4,704,969	4,704,969	4,427,777			3.47

During the year ended December 31, 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% based on the historic volatility of the Company and a weighted average expected dividend yield of 0%.

No options were granted or exercised for the year ended December 31, 2017. During the year ended December 31, 2017, 148,646 options expired unexercised with a weighted average exercise price of CAD$7.27.

(Expressed in United States Dollars)

10. Share capital (continued)

(d) Common share purchase warrants

	Number of warrants	Weighted average exercise price (CAD$)
Balance, December 31, 2015	1,101,079	$ 7.27
Expired	(1,101,079)	7.27
Issued in private placement (Note 10(b)(iii))	3,932,425	2.18
Broker warrants (Note 10(b)(iii))	471,891	1.27
Balance, December 31, 2016	4,404,316	$ 2.08
Broker warrants (Note 10(b)(v))	**71,500**	**1.43**
Balance, December 31, 2017	**4,475,816**	**$ 2.07**

As at December 31, 2017, 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
71,500	23,198	1.43	October 10, 2018
4,475,816	$ 2,650,549	$ 2.07	

(Expressed in United States Dollars)

11. Expense breakdown

(a) General and administrative expenses

	Year ended December 31, 2017	2016
Professional fees	**$ 95,165**	$ 1,430,767
Investor relations and advertising	**608,084**	186,594
Travel, business and development	**399,311**	254,916
Office and general	**210,744**	165,600
	$ 1,313,304	$ 2,037,877

(b) Consulting and management expenses

	Year ended December 31, 2017	2016
Salaries, consulting and benefits	**$ 2,420,837**	$ 1,327,481
Share-based payments	**-**	4,429,151
Deferred share unit costs (Note 9)	**15,328**	21,089
	$ 2,436,165	$ 5,777,721

(c) Other income

	Year ended December 31, 2017	2016
Foreign exchange (gain) loss	**$ (682,507)**	$ 20,939
Interest income	**(22,085)**	(27,292)
	$ (704,592)	$ (6,353)

(Expressed in United States Dollars)

12. Exploration and evaluation expenditures

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

	Year ended December 31, 2017	2016
Consulting and labour	**$ 1,465,578**	$ 1,019,891
Surface rights	**199,773**	-
Environmental studies	**150,405**	-
Other exploration costs	**105,548**	122,424
Metallurgical testing	**279,507**	-
Field office and administration	**317,938**	267,100
Travel costs	**228,146**	64,584
	$ 2,746,895	$ 1,473,999

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 will come into effect once it is ratified by the Romanian Government. Once ratified, the mining license is valid for 20 years, renewable for periods of five years until all the resources have been mined. The project carries a 6% (gold) and 5% (copper) net smelter return "NSR" royalty payable to the Romanian state once in production. As at December 31, 2017, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

13. (Loss) income per share

Basic (loss) income per share is calculated based on the weighted average number of common shares issued and outstanding during the period. Basic and diluted weighted average shares for the year ended December 31, 2017 is 51,770,126 (2016 – 45,683,315). Stock options and warrants are considered anti-dilutive and therefore are excluded from the calculation of diluted (loss) income per share. For the year ended December 31, 2017 basic and diluted loss per share was $0.12 (December 31, 2016 – loss from continuing operations of $0.23 and income from discontinued operations of $5.05).

14. Related party transactions

Key management personnel compensation:

	Year ended December 31, 2017	Year ended December 31, 2016
Directors and officers compensation	**$ 2,262,120**	$ 1,318,469
Share-based payments	**-**	3,753,193
	$ 2,262,120	$ 5,071,662

Included in the above amounts is $469,990 (2016 - $158,419) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company of which Mr. Stan Bharti is the Executive Chairman, Mr. Matt Simpson is Chief Executive Officer and both of whom are directors of the Company. The Company paid consulting fees of $57,786 (2016: $nil) to Iron Strike Inc., a company controlled by Mr. Matt Simpson. The Company paid fees of $134,833 (2016 - $169,734) to Gedwal Management Inc., a company controlled by Mr. Guy Charette, a director of the Company. In addition, officers and directors had nil (2016 – 3,996,216) options vest with a value of $nil (2016 - $3,753,193) (Note 10).

As at December 31, 2017, the Company had $34,376 in accounts payable owing to related parties.

15. Financial risk factors

The Company’s financial instruments comprise cash and cash equivalents, restricted deposits, sundry receivables and trade and other payables.

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

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and show the impact on income or loss and shareholders' equity, where applicable. The sensitivity has been prepared for the years ended December 31, 2017 and 2016 using the amounts of other financial assets and liabilities held as at the consolidated statement of financial position date.

(a) Credit Risk

The Company’s exposure to credit risk is primarily relating to its financial assets consisting of cash and cash equivalents, restricted deposits and sundry receivables. Cash and cash equivalents consist of deposit accounts held at various Canadian and Romanian high credit quality financial institutions, from which management believes the risk of loss to be minimal.

(b) Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient funds to meet liabilities when due. As at December 31, 2017, the Company had a cash and cash equivalents balance of $5,906,115 (2016 - $5,511,102) to settle current liabilities of $632,308 (2016 - $851,003). Current liabilities consist of trade and other payables generally due within one year.

(Expressed in United States Dollars)

15. Financial risk factors (continued)

(c) Market Risk

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

(i) Interest rate risk

The Company has cash and cash equivalent balances as at December 31, 2017 and 2016. The Company considers interest rate risk to be minimal as cash is held on deposit at major financial institutions.

(ii) Foreign currency risk

The Parent's functional currency is the Canadian dollar. The Company is affected by currency transaction and translation risk primarily with respect to the U.S. dollar and Romanian Lei. Consequently, fluctuations in the U.S. dollar currency against the Romanian Lei could have a material impact on the Company's business, financial condition and results of operations. The Company does not engage in hedging activity to mitigate this risk.

The following summary illustrates the fluctuations in the exchange rates applied during the years ended December 31, 2017 and 2016:

	2017		2016	
	Average rate	Closing rate	Average rate	Closing rate
RON-USD	0.2468	0.2566	0.2464	0.2313
CAD-USD	0.7705	0.7971	0.7544	0.7448

A 1% strengthening or weakening of the US dollar against the Romanian Lei at December 31, 2017 would result in an increase or decrease in operating loss of approximately $1,430. A 1% strengthening or weakening of the US dollar against the Canadian would result in an increase or decrease in other comprehensive income of approximately $56,941.

(iii) Commodity price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments. As the Company is not in production, its exposure to commodity price risk is reduced.

(Expressed in United States Dollars)

16. Capital disclosures

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

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

The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2017 and 2016.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Toronto Stock Exchange (“TSX”) which requires adequate working capital or financial resources such that, in the opinion of TSX, the listed issuer will be able to continue as a going concern. TSX will consider, among other things, the listed issuer's ability to meet its obligations as they come due, as well as its working capital position, quick asset position, total assets, capitalization, cash flow and earnings as well as accountants' or auditors' disclosures in the consolidated financial statements regarding the listed issuer's ability to continue as a going concern.

The Company’s capital items are the following:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	$ 5,906,115	$ 5,511,102
Restricted deposits	23,914	22,343
Share capital	210,605,103	202,320,836
Warrants	2,650,549	2,627,351
Contributed surplus	4,427,777	4,679,005
	$ 223,613,458	$ 215,160,637

(Expressed in United States Dollars)

17. Commitments and contingencies

(a) Lease Commitment (Canada)

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) Lease Commitment (Romania)

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 ($9,184) 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 February 2018. As at December 31, 2017, the Company had paid a deposit equivalent to six months rent and services charges of $76,585.

		December 31, 2017	December 31, 2016
Within one year	$	**101,025**	-
After one year but not more than five years		**440,838**	-
More than five years		**9,184**	-
	$	**551,047**	-

(c) Lawsuits

During the year ended December 31, 2016, the Company settled three lawsuits with former officers of the Company for an aggregate of $1,321,963 (CAD$1,775,000). As at December 31, 2017, the Company owed $79,713 (CAD$100,000) payable in installments with the final installment due on March 1, 2018. The $77,795 discounted value of the outstanding settlement amount, calculated using a discount rate of 15%, has been accrued in the consolidated financial statements.

(d) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $4.5 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 $3.0 million pursuant to the terms of these contracts. As a triggering event has not taken place, these amounts have not been recorded in these consolidated financial statements.

(e) 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.

(Expressed in United States Dollars)

18. Income taxes

(a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2016 - 26.5%) were as follows:

		2017		2016
(Loss) income before income taxes	$	(6,243,881)	$	219,885,065
Expected income tax recovery based on statutory rate		(1,655,000)		(21,357,000)
Adjustment to expected income tax benefit:				
Share-based compensation		-		-
Non deductible items		(811,000)		3,985,000
Difference in tax rates		413,000		(7,238,000)
Change in benefit of tax assets not recognized		2,053,000		24,610,000
Deferred income tax provision (recovery)	$	-	$	-

(b) Deferred income taxes

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

		2017		2016
Non-capital loss carry-forwards		35,977,000		29,974,000
Share issue costs		435,000		595,000
Other		5,717,000		5,345,000
Capital loss carry-forwards		43,531,000		40,466,000
Total	$	85,660,000	$	76,380,000

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

As at December 31, 2017, the Company had estimated non-capital losses for Canadian income tax purposes of approximately $35,977,000 (2016 - $29,974,000) available to use against future taxable income. The non-capital losses expire between 2026 and 2037.

The Company's subsidary, SAMAX Romania SRL ("SAMAX"), was registered as a micro-company with the Romanian tax authorities until the third quarter of fiscal 2017, which effectively eliminates the corporate income tax on profits from certain mining activities. For SAMAX, this will reduce the corporate tax rate to 0% up until the time in which SAMAX can no longer qualify as a micro-company due to increased business activities. During the fourth quarter of fiscal 2017, SAMAX no longer qualfied as a micro-company and has become a taxable company as at December 31, 2017. As a result, any tax attributes accumulated prior to registration have effectively expired.

19. Subsequent events

Deferred share unit grant

On January 31, 2018, the Company granted 3,855,000 deferred share units to various officers and directors of the Company, vesting over a period of two years with one-third vesting immediately, one-third vesting on the first anniversary date and one-third vesting on the second anniversary date.

Management Discussion and Analysis

For the year ended December 31, 2017

(all amounts in U.S. dollars unless otherwise noted)

Date: March 23, 2018

This Management Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Euro Sun Mining Inc. ("Euro Sun" or the "Company") as at and for the year months ended December 31, 2017. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes as at and for the year ended December 31, 2017. The audited consolidated financial statements and related notes of Euro Sun have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all references to currency in this MD&A are in U.S. dollars.

Certain information contained in the MD&A is forward-looking which involves risks and uncertainties. The forward looking information is not based on historical fact, but is rather based on the current plans, objectives, goals, strategies, estimates, assumptions and projections about the Company's industry, business and future financial results. Actual results could differ materially from the results contemplated by this forward looking information due to a number of factors, including those set forth in this MD&A and under the "Cautionary Statement Regarding Forward Looking Information" and "Risk Factors" sections.

The MD&A was prepared in accordance with the requirements set out in National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

Joe Milbourne, is a qualified person as defined under National Instrument 43-101- *Standards of Disclosure for Mineral Projects* ("NI 43-101") guidelines and has reviewed the scientific and technical information except for the geology and resource section contained in this MD&A. The representation of geologic mineral resources presented in this MD&A have been reviewed and approved by Pierre Desautels, the author of the current mineral resource estimate and an independent Qualified Person as defined by NI 43-101.

Management is responsible for the information disclosed in this MD&A and the accompanying financial statements and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. The audit committee of the board of directors of the Company has reviewed this MD&A and the audited consolidated financial statements as at and for the year ended December 31, 2017, and Euro Sun's board of directors approved these documents prior to their release.

Company Overview

The Company is principally a mineral exploration and development company. Through its subsidiaries, the Company is currently focused on advancing its exploration and development plans on its 100%-owned Rovina Valley gold and copper project (the "Rovina Valley Project" or "RVP") located in north-central Romania. The Rovina Valley Project consists of three copper-gold porphyry systems referred to as Rovina, Colnic and Ciresata on which the Company has carried out extensive exploration programs. RVP is the second largest gold deposit in Europe holding measured and indicated mineral resources of 7.2 million ounces of gold and 1.4 billion lbs of copper.

Rovina Valley Project – History and Latest Developments

The Company holds the Rovina Valley Project through a mining licence which covers a total of 27.68 square kilometres (the "Rovina Licence") that is currently being ratified through a formal government process. This licence secures the mineral tenure and allows the Company to begin the permitting process. The Rovina Valley Project is the Company's sole exploration project in Eastern Europe and the main focus of its exploration efforts there since 2005. The property hosts three copper-gold porphyry systems or deposits: Rovina (the "Rovina Deposit"), Colnic (the "Colnic Deposit") and Ciresata (the "Ciresata Deposit"). The Colnic Deposit is located approximately 2.5 km south of the Rovina Deposit and the Ciresata Deposit is approximately 4 km south of the Colnic Deposit.

The area covered by the Rovina Licence has good road access, as well as proximity to nearby electric power and water supplies. The topography of the area is hilly with forest vegetation and an elevation of approximately 900 metres above sea-level.

A preliminary economic assessment for the Rovina Valley Project was completed in March 2010 (the "PEA"). In July 2011, a consortium of leading engineering groups and specialists, led by AGP Consultants Inc. ("AGP") was selected to complete a pre-feasibility study for the project that included all three mineral deposits (Rovina, Colnic and Ciresata). The pre-feasibility study was put on hold in 2013, given the decline in commodity prices and the negative equity markets sentiment towards large capital projects. The Company initiated a bankable feasibility study and metallurgical testing contract in September 2017 for a smaller scale operation than was envisioned in the PEA completed in March 2010.

There has been no previous commercial mining activity at the Rovina Valley Project and the proposed mine site footprint, as defined by its 2010 PEA, does not include any known protected heritage sites or archaeological occurrences and has been specifically designed to minimize the impact on nearby communities.

On July 17, 2012, the Company announced an updated NI 43-101 resource estimate ("2012 Resource Estimate"). This updated resource incorporated a total of 120,256 m of drilling database results from 241 drill holes. The 2012 Resource Estimate was completed by AGP, an independent engineering company. The 2012 Resource Estimate increased the previous measured plus indicated gold resource category by 134% to 7.19 million ounces and increased the measured plus indicated copper resource by 84% to 1,420 million pounds of copper. In addition, the measured plus indicated gold resource grade increased by 12.2% from the previous resource and the tonnage by 110%.

The 2012 resource update is shown below:

Resource Category	Tonnage (MM t)	Au (g/t)	Cu (%)	Gold (MM oz)	Copper (MM lbs)	Au eq* (MM oz)
Measured						
Rovina (open-pit)	31.8	0.36	0.30	0.37	209.0	0.91
Colnic (open-pit)	29.4	0.64	0.12	0.61	75.0	0.80
Ciresata (underground)	29.7	0.86	0.16	0.82	105.0	1.09
Total Measured	**90.9**	**0.62**	**0.19**	**1.80**	**389.0**	**2.80**
Indicated						
Rovina (open-pit)	73.5	0.27	0.23	0.64	370.0	1.59
Colnic (open-pit)	106.3	0.47	0.10	1.59	226.0	2.18
Ciresata (underground)	135.1	0.72	0.15	3.15	435.0	4.26
Total Indicated	**314.9**	**0.53**	**0.15**	**5.38**	**1,031.0**	**8.03**
Total Measured + Indicated	**405.8**	**0.55**	**0.16**	**7.18**	**1,420.0**	**10.83**
Comparison to 2008 Resource Estimate	+ 110%	+12.2%	-11.1%	+134%	+87%	+113%
Inferred						
Rovina (open-pit)	**13.4**	**0.19**	**0.20**	**0.08**	**60.0**	**0.24**
Colnic (open-pit)	**3.8**	**0.32**	**0.10**	**0.04**	**8.0**	**0.06**
Ciresata (underground)	**9.6**	**0.67**	**0.14**	**0.21**	**29.0**	**0.28**
Total Inferred	**26.8**	**0.38**	**0.16**	**0.33**	**97.0**	**0.58**
Comparison to 2008 Resource Estimate	-85%	-43.7%	-3.1%	-92%	-85%	-90%

- *Au eq. determined by using a gold price of $1,370 per ounce and a copper price of $3.52/lb. These prices are the 3-year trailing average as of July 10, 2012. Metallurgical recoveries are not taken into account for Au eq.
- Base case cut-off used in the table are 0.35 g/t Au eq. for the Colnic deposit and 0.25% Cu eq for the Rovina deposit, both of which are amenable to open pit mining and 0.65 g/t Au eq for the Ciresata deposit which is amenable to underground bulk mining.
- For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle shell model using gross metal values of $1,350/oz Au price and $3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of $1,313/oz Au and $2.57/lb Cu for Rovina and US$2.27/Ib Cu for Colnic.
- Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.

During 2012 and subsequent to the data closure date of the 2012 Resource Estimate update, the Company completed a total of 14,920 metres of drilling at the Rovina Valley Project, of which, 5,290 metres of drilling was for resource definition, 8,715 metres of exploration and satellite target drilling, predominantly at the Ciresata porphyry and 915 metres of geotechnical drilling.

Drilling activities on the Rovina Valley Project stopped on July 5, 2012 due to the impending expiry of the exploration licence on August 29, 2012 and closure of the work program for the submittal of final documentation for the conversion to a mining licence. In August 2012, the final exploration report was submitted to the Romanian National Agency for Mineral Resources ("NAMR") and accepted. Romanian mining law states that the holder of an exploration licence has the exclusive right to apply for a mining licence at any time or within 90 days after the expiration date of the exploration licence. The Company, through its wholly-owned subsidiary, SAMAX Romania SRL ("SAMAX") notified NAMR of its intention to exercise its exclusive statutory right to apply for a mining licence.

SAMAX subsequently and within the 90-day requirement, submitted the required mining licence application (the "MLA") documentation including the mining study, the waste management plan, an environmental assessment, various impact studies and a closure plan. In March 2013, NAMR approved and registered the MLA resources/reserves in the National Registry. In October 2013, NAMR approved the mining waste management plan.

Initially, the MLA was to be based on a large 40,000 tonne per day operation. However, due to the decline in commodity prices and increases in capital cost items since the filing of the PEA in 2010, the Company initiated a review of the scope of the project as a smaller and less capital intensive operation.

During the third quarter, 2014, the Company with a consortium of Romanian specialists completed a mining study for a 20,000 tonnes per day operation and associated environmental impact and risk studies which were submitted to NAMR in August 2014. In October 2014, NAMR approved the mining waste management plan as one of the key steps in the Mining Licence approval process. In addition, the Company continues to assess the scalability of a potential mining operation at the Rovina Valley Project with the goal to optimize return on investment.

On May 27, 2015, NAMR granted a 20-year mining licence for the Rovina Valley Project. The granting of the mining licence represents the first and most important step in the licensing process. Under Romanian law, the mining licence will come into effect upon final review by several government departments and its publication in the official gazette. The Company will now proceed with an update to the Preliminary Economic Assessment of 2010 which will outline revised project costs and evaluate scalability options. The granting of the Rovina mining licence represents the first time that Romania has granted a mining licence for metals without the involvement of a state-owned enterprise.

Following the conversion to a mining licence, approval to begin construction and mining operations will require a building authorization permit that will include land zoning and final environmental reviews and government approval resulting from a full Environmental Impact Assessment ("EIA") study. During the conversion process from an exploration licence to a mining licence, no disruptive physical field work (i.e., drilling, land clearing, etc.) can be carried out on the property until after the mining licence has been approved. In addition, there is uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of a mine in Romania.

Through its wholly-owned operating subsidiary, SAMAX, the Company continues to maintain its proactive local stakeholder engagement program. The program includes local community hall public meetings, a public information centre and partnership programs with local NGO's and community leaders to implement community-based projects. The good relations with the community have allowed unhindered surface access for drilling in the Rovina Valley Project area which requires permission from landowners. In addition, the Company continues with its long lead time work activities for both the EIA and SIA ("Social Impact Assessment") documentation that will be required for the permitting of the project.

Further information on the Rovina Valley Project, including NI 43-101 reports can be found on the Company's web site at www.eurosunmining.com.

All exploration activities undertaken by the Company in Romania must occur on valid exploration licences or prospecting permits issued by NAMR in Bucharest, which is responsible for the administration of all mining and exploration licences and prospecting permits. According to the regulations and standard practices in Romania, the Company must submit reports of work completed and follow-up work programs on an annual basis to NAMR.

Prior to initiation of any exploration activity, environmental approval of a proposed exploration program must be obtained from various land management agencies having local, county and/or regional jurisdiction. These local agencies are responsible for forestry, surface waters, archaeology and history, and are coordinated through the local environmental agency. The levels of environmental studies and approvals are determined by the local environmental agency following an approval template referred to as the 'urbanization certificate'. In practice, exploration activities, including drilling, are classified as low impact, and as such do not require comprehensive environmental impact studies.

Environmental permits for exploration are granted for one to two year periods, and all local agencies have the right to monitor and inspect environmental impacts to evaluate compliance with issued permits even though such monitoring tends to be minimal in scope and nature. Any changes to the exploration activity that result in a greater environmental impact require approval.

Since SAMAX is an exploration and evaluation stage company, the activities it conducts on its projects are largely restricted to drilling and ancillary activities associated with the drilling programs, such as access road and drill pad construction. As such, the reclamation costs in respect of drilling activities are not material to the Company and are factored into the Company's budgets for exploration programs. When the Company wishes to enter the production stage, it will need to prepare a feasibility study as well as extensive environmental impact assessments studies. These environmental impact assessments will provide the Company with a better idea of the future costs of compliance with applicable environmental requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life.

Fourth Quarter Highlights

Financing

On October 6, 2017, the Company closed a non-brokered private placement financing of 6,144,291 common shares at a price of CAD$1.40 per share for gross proceeds of $6,854,735 (CAD$8,602,007).

On October 10, 2017, the Company closed a brokered private placement financing of 1,430,000 common shares at a price of CAD$1.40 per share for gross proceeds of $1,601,472 (CAD$2,002,000). In connection with the financing, the Company paid cash commissions and other expenses of $148,742 (CAD$187,363) and issued 71,500 compensation options. Each compensation option entitles the holder to purchase one common share of the Company at a price of CAD$1.43 for a period of one year from the date of issue.

Permitting

The Company received a mining licence from the Romanian National Agency for Mineral Resources ("NAMR") in May 2015, signifying an important transitional milestone from the exploration stage to the exploitation phase. This mining licence requires the signatures of the Minister of Economy, Minister of Environment, Minister of Justice and Minister of Finance, and will be sent to the Secretary General of Parliament and to the Prime Minister for final signatures before being published in the official government Gazette. On August 3, 2017, the Company reported that NAMR issued an official notice to the Company announcing that the ratification process related to the mining licence of its Rovina Valley Project has been initiated. NAMR completed their review and recommendations in the form of an explanatory memorandum following the successful public audience held at their offices on June 26, 2017 which will be forwarded to the required ministers for endorsement.

To co-ordinate public relations going forward, the Company announced on August 29, 2017 that it recruited Mr. Eugen Popitiu, former advisor to the President of NAMR since January 2016 as Manager of Public Relations. A passionate professional about both public and business sectors, he brings strong experience with business development, brand communication, sales strategy and leadership in the oil & gas and mineral resource industry.

On October 30, 2017, NAMR publicly issued documents related to the Rovina Valley Project, including the draft government approval and a substantiation note for the mining licence approval. Furthermore, following the recent implementation of improved transparency policies, NAMR will be publishing all documents related to the mining licence, including the Company's environmental reform plan, the technical report related to the environmental reclamation, as well as the social impact study and the social impact assistance plan. The new president of NAMR has expressed full support for the Project, and the signatory stage of the mining licence ratification is expected to begin following a designated 10-day commentary period. No further public audiences are to be held.

Advisory Board

On August 30, 2017, the Company reported that renowned commodities expert, Mr. Jim Rogers, has joined its advisory board. Jim Rogers is a respected author and speaker actively promoting commodity investments globally.

Bankable Feasibility Study & Metallurgical Testing Contract

On September 14, 2017, the Company reported that it awarded the Bankable Feasibility Study contract for its Rovina Valley Project to SRK Consulting (Canada) Inc. ("SRK") and Ausenco Engineering Canada Inc. ("Auscenco"). SRK has been selected to provide expertise in geology, mining and financial modelling, and will oversee the geochemical and geotechnical work, as well as metallurgical test programs. Auscenco will be responsible for completing the design engineering for the project.

On September 15, 2017, the Company reported that the feasibility level metallurgical testing contract for its Rovina Valley Project has been awarded to Eriez Floatation Division, USA ("Eriez"). SRK will oversee the metallurgical test program at Eriez as part of the Bankable Feasibility Study. The test work will follow on the previous metallurgical results released in April 2017. The metallurgical test work is to employ column flotation technology to investigate the optimal grade and recovery relationship for copper and gold within both the Colnic and Rovina geo-metallurgical domains. A copper concentrate grade of 18-20% is targeted for treatment of all ores. Coarse floatation using the Eriez HydroFloat^{TM} will also be investigated in an effort to minimize the grinding requirements and maximize rejection of coarse clean tailings.

Investment in Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company, at a price of CAD$1.00 per share for a total of CAD$600,000 ($483,420). On the date of acquisition and as at December 31, 2017, the Company held a 27% ownership interest in Vilhelmina Minerals Inc. On September 28, 2017, Vilhelmina Minerals Inc. acquired a 33% ownership interest in Vilhelmina Mineral AB ("Vilhelmina"), a private company located in Sweden, and Mr. Scott Moore, an officer and director of the Company, became a director of Vilhelmina Mineral AB.

Subsequent events

Deferred share unit grant

On January 31, 2018, the Company granted 3,855,000 deferred share units to various officers and directors of the Company, vesting over a period of two years with one-third vesting immediately, one-third vesting on the first anniversary date and one-third vesting on the second anniversary date.

Outlook

The Company's primary focus is to advance the permitting process (as described above) with the regulatory bodies for its Rovina Valley Project and commence a feasibility study. Concurrently, environmental base line work and social programs will also continue on the Rovina Valley Project.

Selected Annual Information

	2017	2016	2015
Net (loss) income for the year from continuing operations	$(6,243,881)	$(10,646,424)	$ 5,579,220
Net income (loss) for the year from discontinued operations	-	230,531,490	(79,209,026)
Basic and diluted (loss) income per share from continuing operations*	(0.12)	(0.23)	0.15
Basic and diluted income (loss) per share from discontinued operations*	-	5.05	(2.07)
Total assets	$ 6,940,359	$ 5,735,803	$64,439,010
Total assets classified as held for sale	-	-	62,412,194
Total financial liabilities classified as held for sale	-	-	312,967,459
# weighted average shares	51,770,126	45,683,315	38,216,798

* 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 on the date of consolidation. The per share income (loss) for the comparative periods have been adjusted to reflect this change.

Selected Quarterly Financial Information

The following tables set out selected financial information for the last eight quarters:

For the quarters ended	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net loss for the period from continuing operations	$ (2,977,926)	$ (1,130,369)	$ (1,023,614)	$ (1,107,186)
Basic and diluted loss per share from continuing operations	(0.05)	(0.02)	(0.02)	(0.02)

For the quarters ended	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Net loss for the period from continuing operations	$ (2,013,907)	$ (2,213,522)	$ (211,783)	$ (6,207,212)
Net income (loss) for the period from discontinued operations	-	-	230,624,463	(92,973)
Basic and diluted loss per share from continuing operations*	(0.04)	(0.04)	-	(0.16)
Basic and diluted income per share from discontinued operations*	-	-	5.20	-

* 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 on the date of consolidation. The per share income (loss) for the comparative periods have been adjusted to reflect this change.

Results of Operations for the three months and year ended December 31, 2017

Selected financial information

	For the three months ended December 31, 2017	For the three months ended December 31, 2016	**For the year ended December 31, 2017**	For the year ended December 31, 2016
	$	$	**$**	$
Loss for the period	**(2,977,926)**	(2,013,907)	**(6,243,881)**	(10,646,424)
Loss per share	**(0.05)**	(0.04)	**(0.12)**	(0.23)
Expenses:				
General and administrative	**567,252**	420,747	**1,313,304**	2,037,877
Consulting and management expenses	**1,404,425**	438,775	**2,436,165**	5,777,721
Legal settlements	**264,254**	278,833	**425,144**	1,249,119
Depreciation and amortization	**7,695**	-	**7,695**	44,048
Impairment	**-**	-	**-**	70,013
Other (income) loss	**(84,427)**	255,771	**(704,592)**	(6,353)
Loss from investment in associate	**19,270**	-	**19,270**	-
	2,178,469	**1,394,126**	**3,496,986**	**9,172,425**
Exploration and evaluation expenditures:				
Consulting and labour	**421,904**	410,993	**1,465,578**	1,019,891
Surface rights	**39,857**	-	**199,773**	-
Environmental studies	**10,216**	-	**150,405**	-
Other exploration costs	**33,619**	107,737	**105,548**	122,424
Metallurgical testing	**168,791**	-	**279,507**	-
Field office and administration	**104,577**	97,323	**317,938**	267,100
Travel costs	**20,493**	3,728	**228,146**	64,584
	799,457	619,781	**2,746,895**	1,473,999

Results of Operations for the three months ended December 31, 2017 ("Q4 2017")

The net loss for Q4 2017 was $2,977,926 compared to a net loss from continuing operations of $2,013,907 for Q4 2016. The basic and diluted loss per share from continuing operations was $0.05 in Q4 2017 compared to a loss per share of $0.04 in Q4 2016.

The Company incurred investor relations and advertising expenses, included in general and administrative expenses of $366,750 in Q4 2017 compared with $134,898 in Q4 2016. The Company had increased investor relations activities related to private placement financings which closed in October 2017.

Consulting and management expense for the quarter was $1,404,425 compared to $438,775 in the comparative period. Q4 2017 consulting and management expense includes $591,937 in bonuses and $462,300 in consulting fees related to the share issuance.

Legal settlements of $264,254 during Q4 2017 and $278,833 during Q4 2016 relate to the amortization of the discount to net present value of amounts owed to former officers of the Company, as well as severance of $285,085 incurred during the period. See the Financial Commitments and Litigation section for details.

Other income in Q4 2017 includes a foreign exchange gain of $77,533 (Q4 2016 – loss of $269,313) and is mainly the result of the movement in the value of the Canadian dollar relative to the U.S. dollar.

The Company has increased its exploration & evaluation expenditure during the quarter to $799,457 from $619,781 in the comparative period reflecting the renewed focus on the Rovina Valley Project, with the increase primarily driven by the commencement of metallurgical testing in the current year. The majority of the exploration & evaluation expenditure was for project related consulting / labour and expenses related to Stanija exploration (mapping and surveying), surface rights acquisition, environmental studies and permitting efforts for its Rovina Valley Project.

Results of Operations for the year ended December 31, 2017 ("YTD 2017")

The net loss for YTD 2017 was $6,243,881 compared to a net loss from continuing operations of $10,646,424 for YTD 2016. The basic and diluted loss per share from continuing operations was $0.12 in YTD 2017 compared to a loss per share of $0.23 in YTD 2016.

The Company incurred professional fees, included in general and administrative expenses of $1,430,767 in YTD 2016. Most of the professional fees in the prior period were paid to a restructuring consultant and lawyers assisting with the process of disposing of MRDM which occurred in April 2016. Professional fees in YTD 2017 of $95,165 related to legal and audit fees incurred or accrued.

Consulting and management expense for the YTD 2017 was $2,436,165 compared to $5,777,721 in the comparative period. The YTD 2016 consulting and management expense includes $4,429,151 in share based compensation, a non-cash cost, as a result of the grant of 4,704,969 options to directors, officers, employees and consultants of the Company. No options were granted in the YTD 2017.

Legal settlements of $425,144 during YTD 2017 and $1,249,119 in YTD 2016 relate to the amortization of the discount to net present value of amounts owed to former officers of the Company, as well as severance relating to the current year. See the Financial Commitments and Litigation section for details.

In YTD 2016, a non-cash impairment charge of $70,013 was recognized against the carrying value of mainly leasehold improvements and some office equipment at the Company's former downtown Toronto office which was subleased during YTD 2016. The Company recorded $44,048 during YTD 2016 in depreciation and amortization on the related assets.

Other income in YTD 2017 includes a foreign exchange gain of $682,507 (YTD 2016 – loss of $20,939) and is mainly the result of the movement in the value of the Canadian dollar relative to the U.S. dollar.

The Company has increased its exploration & evaluation expenditure during the YTD 2017 to $2,746,895 from $1,473,999 in the comparative period reflecting the renewed focus on the Rovina Valley Project. The majority of the exploration & evaluation expenditure was for project related consulting / labour and expenses related to Stanija exploration (mapping and surveying) surface rights acquisition, environmental and permitting efforts for its Rovina Valley Project.

The net income from discontinued operation under MRDM for YTD 2016 was $230,531,490 or $5.05 per share resulting from the gain on disposition of $230,628,958. The Company completed the disposition of MRDM on April 29, 2016.

Liquidity and Capital Resources

The recovery of resource property related expenditures is dependent on the ability of the Company to obtain necessary financing to complete the development of its Rovina Valley Project or other potential projects and attain future profitable production. The Company's financial success will depend on its ability to raise financing to construct potential projects. At present, the Company has no established sources of income, and the success of its exploration and development programs will be contingent upon the Company's ability to raise sufficient equity financing on terms favourable to the Company. The Company does not expect to generate any internal cash flows to help finance the development costs of the Rovina Valley Project.

As at December 31, 2017, the Company had cash and cash equivalents of $5,906,115 ($5,511,102 – at December 31, 2016) and working capital of $5,518,239 ($4,852,364 as at December 31, 2016). The Company's cash flow needs are for funding the continuing operations of the exploration work in Romania, working capital requirements and corporate administration.

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 consolidated financial statements and accompanying notes.

On March 31, 2016, the Company announced that Brio had acquired from Macquarie all of Macquarie's rights and interests in MRDM's project loan facility, and on April 29, 2016, Brio acquired 100% of the Company's interest in MRDM in accordance with an amended and restated restructuring agreement. Additionally, upon closing of the restructuring, 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$0.324 per Share for aggregate gross proceeds of $1,000,000 (CAD$1,253,600) on a private placement basis. The Company closed this private placement on May 2, 2016.

On May 19, 2016, the Company closed a private placement financing whereby Forbes & Manhattan Inc., Sulliden Mining Capital Inc. and Black Iron Inc. subscribed to units (the "Units") at subscription price of CAD$1.27 per Unit for aggregate gross proceeds of $7,630,675 (CAD$10,000,000). Each Unit consisted 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 entitles 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 Company incurred total transaction costs of $496,929 and issued broker warrants with a fair value of $422,086 in connection with the private placement.

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Investment in Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company, at a price of CAD$1.00 per share for a total of CAD$600,000 ($483,420). On the date of acquisition and as at December 31, 2017, the Company held a 27% ownership interest in Vilhelmina Minerals Inc. On September 28, 2017, Vilhelmina Minerals Inc. acquired a 33% ownership interest in Vilhelmina Mineral AB ("Vilhelmina"), a private company located in Sweden, and Mr. Scott Moore, an officer and director of the Company, became a director of Vilhelmina Minerals AB.

Operating Segments

The Company has concluded that it has only one material operating segment, the development of its Romanian mining permit, for financial reporting purposes.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements, with the exception of operating leases noted below.

Financial Commitments and Litigation

Lease (Canada)

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.

Lease (Romania)

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 ($9,184) 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 February 2018. As at December 31, 2017, the Company had paid a deposit equivalent to six months rent and services charges of $76,585.

		December 31, 2017	December 31, 2016
Within one year	**$**	**101,025**	-
After one year but not more than five years		**440,838**	-
More than five years		**9,184**	-
	$	**551,047**	-

Lawsuits

During the year ended December 31, 2016, the Company settled three lawsuits with former officers of the Company for an aggregate of $1,321,963 (CAD$1,775,000). As at December 31, 2017, the Company owed $79,713 (CAD$100,000) payable in installments with the final installment due on March 1, 2018. The $77,795 discounted value of the outstanding settlement amounts has been accrued in the December 31, 2017 interim financial statements.

Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $4.5 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 $3.0 million pursuant to the terms of these contracts.

Related Party Transactions

During the year ended December 31, 2017, the Company entered into the following transactions with related parties not disclosed elsewhere:

The Company paid or accrued $2,262,120 (2016 - $1,318,469) of management compensation relating to officers and directors of the Company. Included in this amount is $469,990 (2016 - $158,419) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which of Mr. Stan Bharti is the Executive Chairman and Mr. Matt Simpson is Chief Executive Officer both of whom are directors of the Company. The Company paid consulting fees of $57,786 (2016: $nil) to Iron Strike Inc., a company controlled by Mr. Matt Simpson. The Company paid fees of $134,833 (2016 - $169,734) to Gedwal Management Inc. a company controlled by Mr. Guy Charette, a director of the Company. In addition, officers and directors had nil (2016 – 3,996,216) options vest with a value of $nil (2016 - $3,753,193).

See highlights section “Investment in Associate”.

Risk Factors

Investing in the Company involves risks that should be carefully considered. The business and operations of the Company as well as those of its subsidiaries are speculative due to their nature, the locations in which they operate, and their relative stages of development. Investors should be aware that there are various risks, that could have a material adverse effect on, among other things, title to the projects, permitting, the operating results, earnings, business and condition (financial or otherwise) of the Company. For a listing of risk factors, investors should refer to the Company’s Annual Information Form in respect of the year ended December 31, 2017 filed on SEDAR.

Additional Information and Continuous Disclosure

Additional information, including the Company’s press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com.

Outstanding Share Data

As at the date of this MD&A, the Company has:

a) 57,575,461 common shares outstanding;
b) 4,475,816 warrants and broker warrants outstanding with expiry dates between May 19, 2018 and October 10, 2018 and exercise prices ranging from CAD$1.27 to CAD$2.18. If all the warrants or broker were exercised, 4,475,816 shares would be issued for proceeds of CAD$9,273,673.
c) 4,704,969 stock options outstanding with expiry dates ranging from June 13, 2021 to September 30, 2021 with exercise prices of CAD$1.36. If exercised, 4,704,969 shares would be issued for proceeds of CAD$6,398,758.
d) 3,855,000 deferred share units with no fixed expiry.

Cautionary and non-GAAP Measures and Additional GAAP Measures

Note that for purposes of this section, GAAP refers to IFRS. The Company believes that investors use certain non-GAAP and additional GAAP measures as indicators to assess gold mining companies. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. Non-GAAP and additional GAAP measures do not have standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other companies.

Cautionary Statement Regarding Forward-Looking Information

Except for statements of historical fact relating to Euro Sun certain information contained herein constitutes forward-looking information within the meaning of applicable Canadian securities legislation which may include, but is not limited to, information with respect to the Company's expected production from, and further potential of, the Company's properties; the Company's ability to raise additional funds; the future price of minerals, particularly gold and copper; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Often, but not always, forward-looking statements/information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements/information is based on management's expectations and reasonable assumptions at the time such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration and development activities are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Euro Sun and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include: uncertainties of mineral resource estimates; the nature of mineral exploration and mining; variations in ore grade and recovery rates; cost of operations; fluctuations in the sale prices of products; volatility of gold and copper prices; exploration and development risks; liquidity concerns and future financings; risks associated with operations in foreign jurisdictions; potential revocation or change in permit requirements and project approvals; competition; no guarantee of titles to explore and operate; environmental liabilities and regulatory requirements; dependence on key individuals; conflicts of interests; insurance; fluctuation in market value of Euro Sun's shares; rising production costs; equipment material and skilled technical workers; volatile current global financial conditions; and currency fluctuations; and other risks pertaining to the mining industry. Although Euro Sun has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Euro Sun does not undertake to update any such forward-looking information, except in accordance with applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers are cautioned not to place undue reliance on forward-looking information.

EUROSUN MINING

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(Expressed in United States Dollars)

(UNAUDITED)

EURO SUN MINING INC.

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

As at:		**March 31, 2018**		December 31, 2017
Assets				
Current assets				
Cash and cash equivalents	**$**	**3,614,753**	$	5,906,115
Restricted deposits		**23,267**		23,914
Prepaid expenses and sundry receivables		**261,915**		220,518
Total current assets	**$**	**3,899,935**	$	6,150,547
Non-current assets				
Property, plant and equipment (Note 3)		**502,234**		254,885
Investment in associate (Note 4)		**434,140**		458,342
Deposits (Note 9)		**76,585**		76,585
Total assets	**$**	**4,912,894**	$	6,940,359
Liabilities				
Current liabilities				
Trade and other payables	**$**	**258,285**	$	594,762
Deferred share unit liability (Note 5)		**2,182,873**		37,546
Total current liabilities	**$**	**2,441,158**	$	632,308
Equity attributable to shareholders				
Share capital (Note 6)		**210,605,103**		210,605,103
Warrants		**2,650,549**		2,650,549
Contributed surplus		**4,427,777**		4,427,777
Accumulated deficit		**(214,833,780)**		(210,883,385)
Accumulated other comprehensive loss		**(377,913)**		(491,993)
Total equity	**$**	**2,471,736**	$	6,308,051
Total liabilities and equity	**$**	**4,912,894**	$	6,940,359

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 9)
Subsequent events (Notes 4, 10)

Approved by the Board of Directors on May 14, 2018:

"David Danziger", Director "*Stan Bharti*", Director

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

EURO SUN MINING INC.

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Expenses		
Consulting and management fees	$ **326,592**	$ 317,167
Professional fees	**29,408**	14,541
General office expenses	**70,617**	83,523
Travel expenses	**109,434**	118,874
Shareholder communications and filing fees	**19,978**	26,951
Loss from investment in associate (Note 4)	**12,027**	-
Stock-based compensation (Note 5)	**2,188,257**	1,551
Exploration and evaluation expense (Note 7)	**1,000,254**	538,304
Loss (gain) on foreign exchange	**194,399**	(59,001)
Interest income	**(571)**	(9,316)
Legal settlements	**-**	74,592
Net loss for the period	$ **(3,950,395)**	$ (1,107,186)
Other comprehensive gain		
Cumulative translation adjustments	**114,080**	(23,118)
Other comprehensive gain for the period	$ **114,080**	$ (23,118)
Total comprehensive loss for the period	$ **(3,836,315)**	$ (1,130,304)
Basic and diluted loss per share	$ **(0.07)**	$ (0.02)
Weighted average number of common shares outstanding - basic and diluted	**57,575,461**	50,001,170

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

EURO SUN MINING INC.

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

	Share capital	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive income (loss)	Shareholders' equity
Balance, December 31, 2016	$ 202,320,836	$ 2,627,351	$ 4,679,005	$ (204,890,732)	$ 148,340	$ 4,884,800
Net loss and comprehensive loss	-	-	-	(1,107,186)	(23,118)	(1,130,304)
Balance, March 31, 2017	$ 202,320,836	$ 2,627,351	$ 4,679,005	$ (205,997,918)	$ 125,222	$ 3,754,496
Balance, December 31, 2017	$ 210,605,103	$ 2,650,549	$ 4,427,777	$ (210,883,385)	$ (491,993)	$ 6,308,051
Net loss and comprehensive loss	-	-	-	(3,950,395)	114,080	(3,836,315)
Balance, March 31, 2018	$ 210,605,103	$ 2,650,549	$ 4,427,777	$ (214,833,780)	$ (377,913)	$ 2,471,736

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

EURO SUN MINING INC.

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

		Three months ended March 31, 2018		Three months ended March 31, 2017
Cash flows from operating activities				
Loss for the period	**$**	**(3,836,315)**	$	(1,130,304)
Adjustment for:				
Depreciation and amortization (Note 3)		**4,226**		1,622
Interest income		**(571)**		(9,316)
Loss from investment in associate (Note 4)		**12,027**		-
Deferred share units (Note 5)		**2,188,257**		1,551
	$	**(1,632,376)**	$	(1,136,447)
Prepaid expenses, sundry receivables and deposits		**(41,397)**		41,882
Trade and other payables		**(336,477)**		(463,987)
Net cash used in operating activities	**$**	**(2,010,250)**	$	(1,558,552)
Cash flows from investing activities				
Interest income		**571**		9,316
Acquisition of property, plant and equipment (Note 3)		**(251,575)**		-
Net cash (used in) provided by investing activities	**$**	**(251,004)**	$	9,316
Effect of exchange rate changes on cash and cash equivalents	**$**	**(30,108)**	$	(195)
NET CHANGE IN CASH AND CASH EQUIVALENTS		**(2,291,362)**		(1,549,431)
CASH AND CASH EQUIVALENTS, beginning of period	**$**	**5,906,115**	$	5,511,102
CASH AND CASH EQUIVALENTS, end of period	**$**	**3,614,753**	$	3,961,671

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

1. Nature of operations and going concern

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

The Company was incorporated under the federal laws of Canada (the *Canada Business Corporations Act*) on January 17, 2003, is domiciled in Canada and its common shares are currently posted for trading and listed on the Toronto Stock Exchange ("TSX") under the symbol "ESM". The address of its registered office is 65 Queen Street West, Suite 805, Toronto, Ontario, M5H 2M5.

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 three months ended March 31, 2018, the Company incurred a net loss of $3,950,395 and as at March 31, 2018, reported an accumulated deficit of $214,833,780 and working capital of $1,458,777 including $3,614,753 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. Management believes its working capital will be sufficient to support activities for the next twelve months and expects to raise additional funds when required and available.

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

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

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

(Expressed in United States Dollars)

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, 2017.

These condensed consolidated interim financial statements were approved by the Board of Directors on May 14, 2018.

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.

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 March 31, 2018:

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

On April 19, 2017, Ore-Leave Capital (Barbados) Limited was continued into the British Virgin Islands from Barbados and was named Ore-Leave Capital Limited. On June 7, 2017, Ore-Leave Capital Limited and Samax Romania Limited merged, the surviving company is Samax Romania Limited and was continued into Cyprus from the British Virgin Islands on December 29, 2017.

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, 2017, except for the adoption of the following new standards and interpretations issued by the IASB that were effective as of January 1, 2018.

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. There was no impact on the Company's interim financial statements upon adoption of IFRS 2 on January 1, 2018.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB as a complete standard in July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. There was no impact on the Company's interim financial statements upon adoption of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") replaces IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized.   There was no impact to the Company's interim financial statements on adoption of IFRS 15.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. There was no impact to the Company's interim financial statements on adoption of IFRIC 22.

(Expressed in United States Dollars)

3. Property, plant and equipment

	Leasehold improvements	Machinery, equipment & vehicles	Total
Cost:			
Balance, December 31, 2016	$ -	$ 32,436	$ 32,436
Additions	205,988	24,156	230,144
Balance, December 31, 2017	$ 205,988	$ 56,592	$ 262,580
Additions	**209,695**	**41,880**	**251,575**
At March 31, 2018	**$ 415,683**	**$ 98,472**	**$ 514,155**
Depreciation:			
At December 31, 2016	$ -	$ -	$ -
Effect of foreign exchange	-	-	-
Depreciation charge for the year	-	7,695	7,695
Balance, December 31, 2017	$ -	$ 7,695	$ 7,695
Depreciation charge for the year	**-**	**4,226**	**4,226**
Balance, March 31, 2018	**$ -**	**$ 11,921**	**$ 11,921**
Net book value:			
At December 31, 2017	$ 205,988	$ 48,897	$ 254,885
At March 31, 2018	**$ 415,683**	**$ 86,551**	**$ 502,234**

As at March 31, 2018, the carrying value of property, plant and equipment is comprised of $nil in corporate and other (December 31, 2017 – $nil) and $502,234 in Romania (December 31, 2017 - $254,885).

(Expressed in United States Dollars)

4. Investment in Vilhelmina Minerals Inc.

On September 26, 2017, the Company purchased 600,000 common shares of Vilhelmina Minerals Inc., a private company incorporated in Canada engaged in the exploration and development of metals, for CAD$600,000 ($483,420). On the date of acquisition and as at March 31, 2018, the Company held a 27% ownership interest in Vilhelmina Minerals Inc. On September 28, 2017, Vilhelmina Minerals Inc. acquired a 33% ownership interest in Vilhelmina Mineral AB ("Vilhelmina"), a private company located in Sweden, and Mr. Scott Moore, an officer and director of the Company, became a director of Vilhelmina. Management has determined the Company has significant influence over Vilhelmina Minerals Inc. The investment is considered an associate and is accounted for using the equity method.

Changes in the investment in associate for the three months ended March 31, 2018 were as follows:

Balance, December 31, 2016	$	-
Acquisiton of 600,000 shares at cost		483,420
Proportionate share of net loss		(19,270)
Effect of foreign exchange		(5,808)
Balance, December 31, 2017	$	458,342
Proportionate share of net loss		(12,027)
Effect of foreign exchange		(12,175)
Balance, March 31, 2018	$	434,140

The following is a summary of the consolidated financial information for Vilhelmina Minerals Inc. on a 100% basis as at and for the three months ended March 31, 2018.

As at March 31, 2018		
Cash	$	3,713
Total current assets		11,298
Non-current assets		806,156
Total current liabilities		1,163

For the period ended March 31, 2018		
Loss before items noted below	$	195
Loss from investment in associate		(43,828)
Loss on foreign exchange		(463)
Loss and comprehensive loss		(44,096)

Subsequent to March 31, 2018, the Company invested an additional CAD$1.2 million ($930,665) into Vilhelmina.

(Expressed in United States Dollars)

5. Deferred share units

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

The following transactions occurred during the periods noted below:

		March 31, 2018		December 31, 2017
Number of DSUs outstanding, beginning of period		39,559		39,559
Granted		3,855,000		-
Number of DSUs outstanding, end of period		3,894,559		39,559
Liability, end of period	$	2,182,873	$	37,546
Expense for the period	$	2,188,257	$	15,328

During the period ended March 31, 2018, 3,855,000 DSUs were granted, with one third vesting immediately, one third vesting in one year and one third vesting in two years.

6. Share capital

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

(b) Issued common shares

	Number of common shares		Stated value
Balance, December 31, 2016	50,001,170	$	202,320,836
Common shares issued in private placements (i)(ii)	7,574,291		8,456,207
Valuation of broker warrants (ii)	-		(23,198)
Transaction costs incurred in private placement (ii)	-		(148,742)
Balance, December 31, 2017and March 31, 2018	**57,575,461**	**$**	**210,605,103**

(i) On October 6, 2017, the Company closed a non-brokered private placement financing of 6,144,291 common shares at a price of CAD$1.40 per share for gross proceeds of $6,854,735 (CAD$8,602,007).

(ii) On October 10, 2017, the Company closed a brokered private placement financing of 1,430,000 common shares at a price of CAD$1.40 per share for gross proceeds of $1,601,472 (CAD$2,002,000). In connection with the financing, the Company paid cash commissions and other expenses of $148,742 (CAD$187,363) and issued 71,500 broker warrants. Each broker warrant entitles the holder to purchase one common share of the Company at a price of CAD$1.43 for a period of one year from the date of issue. The value of the broker warrants was determined to be $23,198 using Black-Scholes valuation model with the following assumptions: exercise price of CAD$1.43, risk-free rate of 1.54%, expected volatility of 74.9% based on the historic volatility of the Company, an expected life of one year and an expected dividend yield of 0%.

(Expressed in United States Dollars)

7. Exploration and evaluation expenditures

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

	Three months ended March 31, 2018	Three months ended March 31, 2017
Consulting and technical	**$ 538,328**	$ 316,712
Surface rights	**57,003**	54,079
Environmental studies	**96,451**	56,121
Other exploration costs	**116,722**	11,866
Metallurgical testing	**94,794**	4,464
Field office support and administration	**94,136**	71,856
Travel	**2,820**	23,206
	$ 1,000,254	$ 538,304

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 will come into effect once it is ratified by the Romanian Government. Once ratified, the mining license is valid for 20 years, renewable for periods of five years until all the resources have been mined. The project carries a 6% (gold) and 5% (copper) net smelter return "NSR" royalty payable to the Romanian state once in production. As at March 31, 2018, the Company has only one material segment for financial reporting purposes, which is the development of its Romanian mining permit.

8. Related party transactions

Key management personnel compensation:

	Three months ended March 31, 2018	Three months ended March 31, 2017
Directors and officers compensation	**$ 369,982**	$ 321,191
Share-based payments	**1,678,859**	-
	$ 2,048,841	$ 321,191

Included in the above amounts is $71,163 ($68,032 for the three months ended March 31, 2017) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company of which Mr. Stan Bharti is the Executive Chairman, Mr. Matt Simpson is Chief Executive Officer and both of whom are directors of the Company. During the three months ended March 31, 2017, the Company paid fees of $56,694 to Gedwal Management Inc., a company controlled by Mr. Guy Charette, a director of the Company during that period.

As at March 31, 2018, the Company had $33,861 (December 31, 2017 - $34,376) in accounts payable owing to related parties.

(Expressed in United States Dollars)

9. Commitments and contingencies

(a) Lease Commitment (Romania)

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 February 2018. As at March 31, 2018, the Company had paid a deposit equivalent to six months rent and services charges of $76,585.

		March 31, 2018	December 31, 2017
Within one year	$	**115,409**	101,025
After one year but not more than five years		**442,402**	440,838
More than five years		**-**	9,184
	$	**557,811**	551,047

(b) Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $4.4 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 $2.9 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.

(c) 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.

10. Subsequent event

Proposed Nevsun Resources Ltd. Acquisition

On April 30, 2018, the Company submitted a joint proposal (the "Proposal") with Lundin Mining Corporation ("Lundin Mining") to acquire all the outstanding common shares of Nevsun Resources Ltd. ("Nevsun") for consideration of CAD$5 per share or approximately CAD$1.5 billion ($1.2 billion) in aggregate.

Under the terms of the Proposal, Nevsun shareholders would receive CAD$2 in cash, funded by Lundin Mining; CAD$2 in shares of Lundin Mining; and CAD$1 in shares of the Company for each Nevsun share held. The Proposal would result in Lundin Mining owning the European assets of Nevsun, including the Timok project and the Company owning the remainder of the Nevsun assets, including the Bisha mine and Nevsun's cash balance.

This Proposal has been rejected by Nevsun but the Company and Lundin Mining jointly continue to attempt to engage Nevsun to conclude a mutually beneficial transaction between the three companies. There can be no assurance that the Proposal will be completed on the terms offered, or at all.

Extension of Outstanding Warrants

On May 7, 2018, the Company applied to the TSX to extend the expiry date of 3,932,425 outstanding common share purchase warrants that were originally issued on May 10, 2016 with an expiry of May 19, 2018. Each warrant is currently exercisable to acquire one common share of the Company at a price of $2.18 per common share.

Upon approval from the TSX, the expiry of the warrants will be extended by six months to November 19, 2018. At the Company's discretion, expiry could be accelerated if the trading price of the common shares on the TSX exceeds $2.72 for a period of 20 consecutive trading days. Under this circumstance, the Company has the right, but not the obligation, to accelerate the expiry date of the warrants to a date which is not less than 30 days after the date on which the Company gives notice of such accelerated expiry date to the holders of the warrants.

EURO SUN
MINING

Management Discussion and Analysis

For the three months ended March 31, 2018

(all amounts in U.S. dollars unless otherwise noted)

Date: May 14, 2018

This Management Discussion and Analysis ("MD&A") relates to the financial condition and results of operations of Euro Sun Mining Inc. ("Euro Sun" or the "Company") as at and for the three months ended March 31, 2018. This MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes as at and for the three months ended March 31, 2018 and its audited consolidated financial statements as at and for the year ended December 31, 2017. The unaudited condensed consolidated interim financial statements and related notes of Euro Sun have been prepared in accordance with IAS 34, Interim Financial Reporting. Unless otherwise noted, all references to currency in this MD&A are in U.S. dollars.

Certain information contained in the MD&A is forward-looking which involves risks and uncertainties. The forward-looking information is not based on historical fact, but is rather based on the current plans, objectives, goals, strategies, estimates, assumptions and projections about the Company's industry, business and future financial results. Actual results could differ materially from the results contemplated by this forward-looking information due to a number of factors, including those set forth in this MD&A and under the "Cautionary Statement Regarding Forward Looking Information" and "Risk Factors" sections.

The MD&A was prepared in accordance with the requirements set out in National Instrument 51-102 — *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

Joe Milbourne, is a Qualified Person as defined under National Instrument 43-101- *Standards of Disclosure for Mineral Projects* ("NI 43-101") guidelines and has reviewed the scientific and technical information except for the geology and resource section contained in this MD&A. The current NI 43-101 compliant geologic mineral resources presented in this MD&A were completed by the independent geology-engineering firm, APG Consultants (August 30th, 2012), and are represented here by Randall Ruff, a Qualified Person as defined by NI 43-101.

Management is responsible for the information disclosed in this MD&A and the accompanying financial statements and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. The audit committee of the board of directors of the Company has reviewed this MD&A and the unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2018, and Euro Sun's board of directors approved these documents prior to their release.

Company Overview

The Company is principally a mineral exploration and development company. Through its subsidiaries, the Company is currently focused on advancing its exploration and development plans on its 100%-owned Rovina Valley gold and copper project (the "Rovina Valley Project" or "RVP") located in west-central Romania. The Rovina Valley Project consists of three copper-gold porphyry systems referred to as Rovina, Colnic and Ciresata on which the Company has carried out extensive exploration programs. RVP is the second largest gold deposit in Europe holding measured and indicated mineral resources of 7.2 million ounces of gold and 1.4 billion pounds of copper.

Rovina Valley Project – History and Latest Developments

The Company holds the Rovina Valley Project through a mining licence which covers a total of 27.68 square kilometres (the "Rovina Licence") that is currently being ratified through a formal government process. This licence secures the mineral tenure and allows the Company to begin the permitting process. The Rovina Valley Project is the Company's sole exploration project in Eastern Europe and the main focus of its exploration efforts there since 2005. The property hosts three copper-gold porphyry systems or deposits: Rovina (the "Rovina Deposit"), Colnic (the "Colnic Deposit") and Ciresata (the "Ciresata Deposit"). The Colnic Deposit is located approximately 2.5 km south of the Rovina Deposit and the Ciresata Deposit is approximately 4 km south of the Colnic Deposit.

The area covered by the Rovina Licence has good road access, as well as proximity to nearby electric power and water supplies. The topography of the area is hilly with forest vegetation and an elevation of approximately 900 metres above sea-level.

A preliminary economic assessment for the Rovina Valley Project was completed in March 2010 (the "PEA"). In July 2011, a consortium of leading engineering groups and specialists, led by AGP Consultants Inc. ("AGP") was selected to complete a pre-feasibility study for the project that included all three mineral deposits (Rovina, Colnic and Ciresata). The pre-feasibility study was put on hold in 2013, given the decline in commodity prices and the negative equity markets sentiment towards large capital projects. The Company initiated a feasibility study and metallurgical testing contract in September 2017 for a smaller scale operation than was envisioned in the PEA completed in March 2010. The feasibility study activity has been focused on metallurgical testing to confirm flotation gold and copper recovery characteristics as well as grinding and gravity gold recovery characteristics. Additional testing is planned to further testing of the flotation tailings and concentrate as to their filtration and sedimentation characteristics. Ausenco SRK is providing guidance on field programs for developing additional geotechnical and hydrological design criteria.

There has been no previous commercial mining activity at the Rovina Valley Project and the proposed mine site footprint, as defined by its 2010 PEA, does not include any known protected heritage sites or archaeological occurrences and has been specifically designed to minimize the impact on nearby communities.

On July 17, 2012, the Company announced an updated NI 43-101 resource estimate ("2012 Resource Estimate"). This updated resource incorporated a total of 120,256 m of drilling database results from 241 drill holes. The 2012 Resource Estimate was completed by AGP, an independent engineering company. The 2012 Resource Estimate increased the previous measured plus indicated gold resource category by 134% to 7.19 million ounces and increased the measured plus indicated copper resource by 87% to 1,420 million pounds of copper. In addition, the measured plus indicated gold resource grade increased by 12.2% from the previous resource and the tonnage by 110%.

The 2012 resource update is shown below:

Resource Category	Tonnage (MM t)	Au (g/t)	Cu (%)	Gold (MM oz)	Copper (MM lbs)	Au eq* (MM oz)
Measured						
Rovina (open-pit)	31.8	0.36	0.30	0.37	209.0	0.91
Colnic (open-pit)	29.4	0.64	0.12	0.61	75.0	0.80
Ciresata (underground)	29.7	0.86	0.16	0.82	105.0	1.09
Total Measured	**90.9**	**0.62**	**0.19**	**1.80**	**389.0**	**2.80**
Indicated						
Rovina (open-pit)	73.5	0.27	0.23	0.64	370.0	1.59
Colnic (open-pit)	106.3	0.47	0.10	1.59	226.0	2.18
Ciresata (underground)	135.1	0.72	0.15	3.15	435.0	4.26
Total Indicated	**314.9**	**0.53**	**0.15**	**5.38**	**1,031.0**	**8.03**
Total Measured + Indicated	**405.8**	**0.55**	**0.16**	**7.18**	**1,420.0**	**10.83**
Comparison to 2008 Resource Estimate	+ 110%	+12.2%	-11.1%	+134%	+87%	+113%
Inferred						
Rovina (open-pit)	**13.4**	**0.19**	**0.20**	**0.08**	**60.0**	**0.24**
Colnic (open-pit)	**3.8**	**0.32**	**0.10**	**0.04**	**8.0**	**0.06**
Ciresata (underground)	**9.6**	**0.67**	**0.14**	**0.21**	**29.0**	**0.28**
Total Inferred	**26.8**	**0.38**	**0.16**	**0.33**	**97.0**	**0.58**
Comparison to 2008 Resource Estimate	-85%	-43.7%	-3.1%	-92%	-85%	-90%

- *Au eq. determined by using a gold price of $1,370 per ounce and a copper price of $3.52/lb. These prices are the 3-year trailing average as of July 10, 2012. Metallurgical recoveries are not taken into account for Au eq.
- Base case cut-off used in the table are 0.35 g/t Au eq. for the Colnic deposit and 0.25% Cu eq for the Rovina deposit, both of which are amenable to open pit mining and 0.65 g/t Au eq for the Ciresata deposit which is amenable to underground bulk mining.
- For the Rovina and Colnic porphyries, the resource is an in-pit resource derived from a Whittle shell model using gross metal values of $1,350/oz Au price and $3.00/lb Cu price, net of payable amounts after smelter charges and royalty for net values of $1,313/oz Au and $2.57/lb Cu for Rovina and US$2.27/lb Cu for Colnic.
- Rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.

During 2012 and subsequent to the data closure date of the 2012 Resource Estimate update, the Company completed a total of 14,920 metres of drilling at the Rovina Valley Project, of which, 5,290 metres of drilling was for resource definition, 8,715 metres of exploration and satellite target drilling, predominantly at the Ciresata porphyry and 915 metres of geotechnical drilling.

Drilling activities on the Rovina Valley Project stopped on July 5, 2012 due to the impending expiry of the exploration licence on August 29, 2012 and closure of the work program for the submittal of final documentation for the conversion to a mining licence. In August 2012, the final exploration report was submitted to the Romanian National Agency for Mineral Resources ("NAMR") and accepted. Romanian mining law states that the holder of an exploration licence has the exclusive right to apply for a mining licence at any time or within 90 days after the expiration date of the exploration licence. The Company, through its wholly-owned subsidiary, SAMAX Romania SRL ("SAMAX") notified NAMR of its intention to exercise its exclusive statutory right to apply for a mining licence.

SAMAX subsequently and within the 90-day requirement, submitted the required mining licence application (the "MLA") documentation including the mining study, the waste management plan, an environmental assessment, various impact studies and a closure plan. In March 2013, NAMR approved and registered the MLA resources/reserves in the National Registry. In October 2013, NAMR approved the mining waste management plan.

Initially, the MLA was to be based on a large 40,000 tonne per day operation. However, due to the decline in commodity prices and increases in capital cost items since the filing of the PEA in 2010, the Company initiated a review of the scope of the project as a smaller and less capital-intensive operation.

During the third quarter, 2014, the Company with a consortium of Romanian specialists completed a mining study for a 20,000 tonnes per day operation and associated environmental impact and risk studies which were submitted to NAMR in August 2014. In October 2014, NAMR approved the mining waste management plan as one of the key steps in the Mining Licence approval process. In addition, the Company continues to assess the scalability of a potential mining operation at the Rovina Valley Project with the goal to optimize return on investment.

On May 27, 2015, NAMR granted a 20-year mining licence for the Rovina Valley Project. The granting of the mining licence represents the first and most important step in the licensing process. Under Romanian law, the mining licence will come into effect upon final review by several government departments and its publication in the official gazette. The Company will now proceed with an update to the PEA of 2010 which will outline revised project costs and evaluate scalability options. The granting of the Rovina mining licence represents the first time that Romania has granted a mining licence for metals without the involvement of a state-owned enterprise.

Following the conversion to a mining licence, approval to begin construction and mining operations will require a building authorization permit that will include land zoning and final environmental reviews and government approval resulting from a full Environmental Impact Assessment ("EIA") study. During the conversion process from an exploration licence to a mining licence, no disruptive physical field work (i.e., drilling, land clearing, etc.) can be carried out on the property until after the mining licence has been approved. In addition, there is uncertainty as to whether the draft amended mining law in Romania will be passed enabling construction of a mine in Romania.

Through its wholly-owned operating subsidiary, SAMAX, the Company continues to maintain its proactive local stakeholder engagement program. The program includes local community hall public meetings, a public information centre and partnership programs with local NGO's and community leaders to implement community-based projects. The good relations with the community have allowed unhindered surface access for drilling in the Rovina Valley Project area which requires permission from landowners. In addition, the Company continues with its long lead time work activities for both the EIA and SIA ("Social Impact Assessment") documentation that will be required for the permitting of the project.

Further information on the Rovina Valley Project, including NI 43-101 reports can be found on the Company's web site at www.eurosunmining.com.

All exploration activities undertaken by the Company in Romania must occur on valid exploration licences or prospecting permits issued by NAMR in Bucharest, which is responsible for the administration of all mining and exploration licences and prospecting permits. According to the regulations and standard practices in Romania, the Company must submit reports of work completed and follow-up work programs on an annual basis to NAMR.

Prior to initiation of any exploration activity, environmental approval of a proposed exploration program must be obtained from various land management agencies having local, county and/or regional jurisdiction. These local agencies are responsible for forestry, surface waters, archaeology and history, and are coordinated through the local environmental agency. The levels of environmental studies and approvals are determined by the local environmental agency following an approval template referred to as the 'urbanization certificate'. In practice, exploration activities, including drilling, are classified as low impact, and as such do not require comprehensive environmental impact studies.

Environmental permits for exploration are granted for one to two-year periods, and all local agencies have the right to monitor and inspect environmental impacts to evaluate compliance with issued permits even though such monitoring tends to be minimal in scope and nature. Any changes to the exploration activity that result in a greater environmental impact require approval.

Since SAMAX is an exploration and evaluation stage company, the activities it conducts on its projects are largely restricted to drilling and ancillary activities associated with the drilling programs, such as access road and drill pad construction. As such, the reclamation costs in respect of drilling activities are not material to the Company and are factored into the Company's budgets for exploration programs. When the Company wishes to enter the production stage, it will need to prepare a feasibility study as well as extensive environmental impact assessments studies. These environmental impact assessments will provide the Company with a better idea of the future costs of compliance with applicable environmental requirements and will also provide a better estimate of the eventual costs of reclamation obligations at the end of the mine life.

First Quarter Highlights

Permitting

The Company received a mining licence from the Romanian National Agency for Mineral Resources ("NAMR") in May 2015, signifying an important transitional milestone from the exploration stage to the exploitation phase. This mining licence requires the signatures of the Minister of Economy, Minister of Environment, Minister of Justice and Minister of Finance, and will be sent to the Secretary General of Parliament and to the Prime Minister for final signatures before being published in the official government Gazette. On August 3, 2017, the Company reported that NAMR issued an official notice to the Company announcing that the ratification process related to the mining licence of its Rovina Valley Project has been initiated. NAMR completed their review and recommendations in the form of an explanatory memorandum following the successful public audience held at their offices on June 26, 2017 which will be forwarded to the required ministers for endorsement.

To co-ordinate public relations going forward, the Company announced on August 29, 2017 that it recruited Mr. Eugen Popitiu, former advisor to the President of NAMR since January 2016 as Manager of Public Relations. A passionate professional about both public and business sectors, he brings strong experience with business development, brand communication, sales strategy and leadership in the oil & gas and mineral resource industry.

On October 30, 2017, NAMR publicly issued documents related to the Rovina Valley Project, including the draft government approval and a substantiation note for the mining licence approval. Furthermore, following the recent implementation of improved transparency policies, NAMR will be publishing all documents related to the mining licence, including the Company's environmental reform plan, the technical report related to the environmental reclamation, as well as the social impact study and the social impact assistance plan. The new president of NAMR has expressed full support for the Project, and the signatory stage of the mining licence ratification is expected to begin following a designated 10-day commentary period. No further public audiences are to be held.

Solid progress continues towards ratification of the Company's Romanian mining licence continued in Q1 2018. On March 6, 2018, the Ministry of Economy, Ministry of Environment and Ministry of Water and Forests initiated their endorsement procedures for the ratification of the Company's mining license in Romania.

Management

On February 7, 2018, the Company appointed Lisa Doddridge to the position of Vice President, Investor Relations and Corporate Communications.

Subsequent events

Proposed Nevsun Resources Ltd. Acquisition

On April 30, 2018, the Company submitted a joint proposal (the "Proposal") with Lundin Mining Corporation ("Lundin Mining") to acquire all the outstanding common shares of Nevsun Resources Ltd. ("Nevsun") for consideration of CAD$5 per share or approximately CAD$1.5 billion in aggregate.

Under the terms of the Proposal, Nevsun shareholders would receive CAD$2 in cash, funded by Lundin Mining; CAD$2 in shares of Lundin Mining; and CAD$1 in shares of the Company. The Proposal would result in Lundin Mining owning the European assets of Nevsun, including the Timok project and the Company owning the remainder of the Nevsun assets, including the Bisha mine and Nevsun's cash balance.

This Proposal has been rejected by Nevsun but the Company and Lundin Mining jointly continue to attempt to engage Nevsun to conclude a mutually beneficial transaction between the three companies.

Extension of Outstanding Warrants

On May 7, 2018, the Company applied to the TSX to extend the expiry date of 3,932,425 outstanding common share purchase warrants that were originally issued on May 10, 2016 with an expiry of May 19, 2018. Each warrant is currently exercisable to acquire one common share of the Company at a price of $2.18 per common share.

Upon approval from the TSX, the expiry of the warrants will be extended by six months to November 19, 2018. At the Company's discretion, expiry could be accelerated in the event that the trading price of the common shares on the TSX exceeds $2.72 for a period of 20 consecutive trading days. In this circumstance, the Company has the right, but not the obligation, to accelerate the expiry date of the warrants to a date which is not less than 30 days after the date on which the Company gives notice of such accelerated expiry date to the holders of the warrants.

Selected Quarterly Financial Information

The following tables set out selected financial information for the last eight quarters:

For the quarters ended	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Net loss for the period	$ (3,950,395)	$ (2,982,712)	$ (1,130,369)	$ (1,023,614)
Basic and diluted loss per share	(0.07)	(0.05)	(0.02)	(0.02)

For the quarters ended	March 31, 2017	December 31, 2016	September 30, 2016	June 30, 2016
Net loss for the period from continuing operations	$ (1,107,186)	$ (2,013,907)	$ (2,213,522)	$ (211,783)
Net income (loss) for the period from discontinued operations	-	-	-	230,624,463
Basic and diluted loss per share from continuing operations*	(0.02)	(0.04)	(0.04)	-
Basic and diluted income per share from discontinued operations*	-	-	-	5.20

* 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 on the date of consolidation. The per share income (loss) for the comparative periods have been adjusted to reflect this change.

Results of Operations for the three months ended March 31, 2018

Selected financial information

	For the three months ended March 31, 2018	For the three months ended March 31, 2017
	$	$
Loss for the period	**(3,950,395)**	(1,107,186)
Loss per share	**(0.07)**	(0.02)
Expenses:		
Consulting and management fees	**326,592**	317,167
Professional fees	**29,408**	14,541
General office expenses	**70,617**	83,523
Stock-based compensation	**2,188,257**	1,551
Travel expenses	**109,434**	118,874
Shareholder communications and filing fees	**19,978**	26,951
Loss from investment in associate	**12,027**	-
	2,756,313	**562,607**
Exploration and evaluation expenditures:		
Consulting and technical	**538,328**	316,712
Surface rights	**57,003**	54,079
Environmental studies	**96,451**	56,121
Other exploration costs	**116,722**	11,866
Metallurgical testing	**94,794**	4,464
Field office support and administration	**94,136**	71,856
Travel	**2,820**	23,206
	1,000,254	538,304

Results of Operations for the three months ended March 31, 2018 (“Q1 2018”)

The net loss for Q1 2018 was $3,950,395 compared to a net loss of $1,107,186 for Q1 2017. The loss per share was $0.07 in Q1 2018 compared to a loss per share of $0.02 in Q1 2017.

Stock-based compensation for the quarter was $2,188,257 compared to $1,551 in the comparative period. This increase was primarily due to the grant of 3,855,000 DSUs on January 31, 2018.

Q1 2018 includes a foreign exchange loss of $194,399 (Q1 2017 – gain of $59,001) and is mainly the result of the movement in the value of the Canadian dollar relative to the U.S. dollar.

The Company has increased its exploration and evaluation expenditure during the quarter to $1,000,254 from $538,304 in the comparative period reflecting the renewed focus on the Rovina Valley Project, with the increase primarily driven by the commencement of metallurgical testing in the current year. The majority of the exploration and evaluation expenditure was for project related consulting / labour and expenses related to Stanija exploration (mapping and surveying), surface rights acquisition, environmental studies and permitting efforts for its Rovina Valley Project.

Liquidity and Capital Resources

The recovery of resource property related expenditures is dependent on the ability of the Company to obtain necessary financing to complete the development of its Rovina Valley Project or other potential projects and attain future profitable production. The Company's financial success will depend on its ability to raise financing to construct potential projects. At present, the Company has no established sources of income, and the success of its exploration and development programs will be contingent upon the Company's ability to raise sufficient equity financing on terms favourable to the Company. The Company does not expect to generate any internal cash flows to help finance the development costs of the Rovina Valley Project.

As at March 31, 2018, the Company had cash and cash equivalents of $3,614,753 (December 31, 2017 - $5,906,115) and working capital of $1,458,777 (December 31, 2017 - $5,518,239). The Company's cash flow needs are for funding the continuing operations of the exploration work in Romania, working capital requirements and corporate administration.

On October 6, 2017, the Company closed a non-brokered private placement financing of 6,144,291 common shares at a price of CAD$1.40 per share for gross proceeds of $6,854,735 (CAD$8,602,007).

On October 10, 2017, the Company closed a brokered private placement financing of 1,430,000 common shares at a price of CAD$1.40 per share for gross proceeds of $1,601,472 (CAD$2,002,000). In connection with the financing, the Company paid cash commissions and other expenses of $148,742 (CAD$187,363) and issued 71,500 compensation options. Each compensation option entitles the holder to purchase one common share of the Company at a price of CAD$1.43 for a period of one year from the date of issue.

Subsequent to March 31, 2018, the Company invested an additional CAD$1.2 million ($930,665) into Vilhelmina Minerals Inc.

Operating Segments

The Company has concluded that it has only one material operating segment, the development of its Romanian mining permit, for financial reporting purposes.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements, with the exception of operating leases noted below.

Financial Commitments and Litigation

Lease (Romania)

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 February 2018. As at March 31, 2018, the Company had paid a deposit equivalent to six months rent and services charges of $76,585.

		March 31, 2018	December 31, 2017
Within one year	**$**	**115,409**	101,025
After one year but not more than five years		**442,402**	440,838
More than five years		**-**	9,184
	$	**557,811**	551,047

Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately $4.4 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 $2.9 million pursuant to the terms of these contracts.

Related Party Transactions

During the three months ended March 31, 2018, the Company entered into the following transactions with related parties not disclosed elsewhere:

The Company paid or accrued $369,982 ($321,921 for the three months ended March 31, 2017) of management compensation relating to officers and directors of the Company. Included in this amount is $71,163 ($68,032 for the three months ended March 31, 2017) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which of Mr. Stan Bharti is the Executive Chairman and Mr. Matt Simpson is Chief Executive Officer both of whom are directors of the Company. During the three months ended March 31, 2017, the Company paid fees of $134,833 to Gedwal Management Inc., a company controlled by Mr. Guy Charette, a director of the Company during that period.

On January 31, 2018, the Company granted 3,065,000 DSUs to various officers and directors of the Company with a vested value at March 31, 2018 of $2,171,806.

Risk Factors

Investing in the Company involves risks that should be carefully considered. The business and operations of the Company as well as those of its subsidiaries are speculative due to their nature, the locations in which they operate, and their relative stages of development. Investors should be aware that there are various risks, that could have a material adverse effect on, among other things, title to the projects, permitting, the operating results, earnings, business and condition (financial or otherwise) of the Company. For a listing of risk factors, investors should refer to the Company's Annual Information Form in respect of the year ended December 31, 2017 filed on SEDAR.

Additional Information and Continuous Disclosure

Additional information, including the Company's press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Outstanding Share Data

As at the date of this MD&A, the Company has:

a) 57,575,461 common shares outstanding;
b) 4,475,816 warrants and broker warrants outstanding with expiry dates between May 19, 2018 and October 10, 2018 and exercise prices ranging from CAD$1.27 to CAD$2.18. If all the warrants or broker were exercised, 4,475,816 shares would be issued for proceeds of CAD$9,273,673.
c) 4,704,969 stock options outstanding with expiry dates ranging from June 13, 2021 to September 30, 2021 with exercise prices of CAD$1.36. If exercised, 4,704,969 shares would be issued for proceeds of CAD$6,398,758.
d) 3,855,000 deferred share units with no fixed expiry.

Cautionary and non-GAAP Measures and Additional GAAP Measures

Note that for purposes of this section, GAAP refers to IFRS. The Company believes that investors use certain non-GAAP and additional GAAP measures as indicators to assess gold mining companies. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. Non-GAAP and additional GAAP measures do not have standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other companies.

Cautionary Statement Regarding Forward-Looking Information

Except for statements of historical fact relating to Euro Sun certain information contained herein constitutes forward-looking information within the meaning of applicable Canadian securities legislation which may include, but is not limited to, information with respect to the Company's expected production from, and further potential of, the Company's properties; the Company's ability to raise additional funds; the future price of minerals, particularly gold and copper; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Often, but not always, forward-looking statements/information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements/information is based on management's expectations and reasonable assumptions at the time such statements are made. Estimates regarding the anticipated timing, amount and cost of exploration and development activities are based on assumptions underlying mineral reserve and mineral resource estimates and the realization of such estimates are set out herein.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of Euro Sun and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include: uncertainties of mineral resource estimates; the nature of mineral exploration and mining; variations in ore grade and recovery rates; cost of operations; fluctuations in the sale prices of products; volatility of gold and copper prices; exploration and development risks; liquidity concerns and future financings; risks associated with operations in foreign jurisdictions; potential revocation or change in permit requirements and project approvals; competition; no guarantee of titles to explore and operate; environmental liabilities and regulatory requirements; dependence on key individuals; conflicts of interests; insurance; fluctuation in market value of Euro Sun's shares; rising production costs; equipment material and skilled technical workers; volatile current global financial conditions; and currency fluctuations; and other risks pertaining to the mining industry. Although Euro Sun has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Euro Sun does not undertake to update any such forward-looking information, except in accordance with applicable securities laws. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers are cautioned not to place undue reliance on forward-looking information.

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