

# EURO SUN MINING INC.

## Rovina Valley Ready to Advance, Time to Buy

### INVESTMENT THESIS

Rovina Valley is Europe's largest copper resource and second largest gold resource. Located in the "Golden Quadrilateral" in West-Central Romania, recently the country's National Agency for Mineral Resources ("NAMR") officially endorsed the project and initiated the ratification process related to the mining license. The Rovina Valley mining license requires signatures from various Ministers (discussed in detail later in this report) and we believe this process will likely be concluded in the next 30-60 days. This would be the single largest positive de-risking event in the history of the company and the project. As such, we believe Euro Sun is a stock to own now. We are initiating coverage with a Buy rating and C\$2.10/share target.

### VALUATION

ESM trades at 0.51x our very conservative NAVPS, and as such, our target has a significant bias to the upside. Relative to its peers, the company is inexpensive by any and all metrics.

### FOCUS POINTS

- **Now is the Time to Buy** – Euro Sun Mining will re-rate materially higher when the mining license ratification process is complete. We believe this is imminent.
- **Permitting to Commence Shortly** – Once the mining license is ratified, the Environmental and Social Impact Assessment ("ESIA") study will commence. The project is being designed to minimize the environmental footprint, with no cyanide to be used in the metallurgical process, and a dry stacked tailings facility.
- **Project Economics** – Rovina Valley, when up and running, will be Europe's largest gold and copper mine in terms of resources. A feasibility study showcasing the robust economics is scheduled for completion in H2/18.

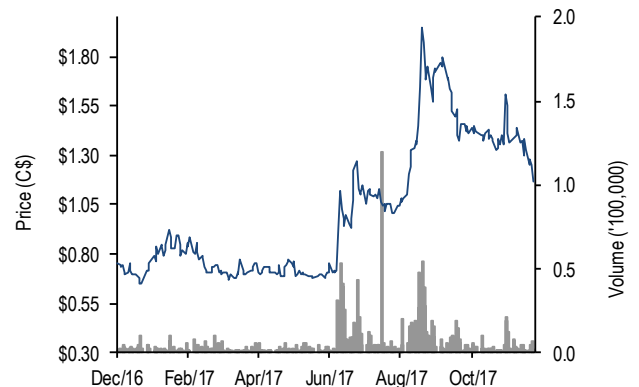
### Recommendation:

**BUY**

Symbol/Exchange:	ESM/TSX
Sector:	Metals & Mining
<i>All dollar values in US\$ unless otherwise noted.</i>	
Current price:	C\$1.08
One-year target:	C\$2.10
Return to Target:	94.4%
Cash on hand:	C\$13.3 MM

### Financial summary

Shares O/S (M)	57.6	52-week range	C\$0.62 - C\$2.02		
Market cap (C\$M)	C\$98	Avg. weekly vol. (MM)	0.10		
Market float (C\$M)	C\$94	Fiscal year-end	31-Dec		
<b>Rovina Valley</b>	<b>MMt</b>	<b>g/T Au</b>	<b>% Cu</b>	<b>MMoz Au</b>	<b>BBlb Cu</b>
P&P	-	-	-	-	-
M&I (incl. P&P)	406	0.55	0.16%	7.18	1.42
Inferred	27	0.38	0.16%	0.33	0.10
<b>Total Resource</b>	<b>433</b>	<b>0.54</b>	<b>0.16%</b>	<b>7.51</b>	<b>1.52</b>



**Company profile:** Euro Sun is advancing its 100%-owned Rovina Valley Au-Cu project in Romania. The new president of the National Agency for Mineral Resources ("NAMR") has expressed full support for the project, and the mining license ratification process is expected to be completed in the very short term.

**Mike Kozak**  
mike.kozak@cantor.com  
(416) 350-8152

**Associate: Michael Wichterle, MBA, CAIA**  
mwichterle@cantor.com  
(416) 849-5005

**Sales/Trading — Toronto:** (416) 363-5757, (866) 442-4485

See disclosure and a description of our recommendation structure at the end of this report.

## SUMMARY AND RECOMMENDATION

We are initiating coverage of Euro Sun Mining Inc. (ESM-TSX) with a Buy recommendation and a C\$2.10/share target price based on a target multiple of 1.00x NAVPS<sub>10.0%</sub> (rounded, financed, diluted) driven via a metal price deck of \$1,300/oz Au and \$2.80/lb Cu. There are a number of conservatisms layered into our DCF-based NAVPS, all of which are discussed in detail later in the report. As such, our target has a material bias to the upside. Our initial target of C\$2.10/share represents our best estimate as to where the stock should trade over the very short term, immediately upon completion of the mining license ratification process. We believe this is achievable within the next 30-60 days. Over the medium term, and longer-term, as the project continues to de-risk, we expect the stock to trade materially higher than our initial target. We believe that Euro Sun Mining represents an excellent “catalyst driven” near-term trade, and also a compelling “buy and hold” investment over the medium and longer terms. Investment highlights include:

- **Ratification of the Mining License:** The mining license at Rovina Valley was originally granted to the project’s previous owner in May 2015, but has only recently (August 3, 2017) begun the process of ratification (the delay in this process is discussed later in the report). The completion of the process we believe is achievable in the next 30-60 days, at which point the Rovina Valley concessions will officially be designated as land for exploitation as opposed to just exploration. When this occurs, Euro Sun will be the first non-state-owned entity to have a ratified Mining License. This would be the single most important and positive de-risking event in the company’s history.
- **New Ownership and Management Team:** Euro Sun Mining acquired Rovina Valley in May 2016 by completing a C\$10 MM private placement into the project’s previous owner, Carpathian Gold, and taking control of the company in the process. Carpathian was rebranded as Euro Sun and the new management team is focused solely on Romania (as opposed to Rovina’s previous owners) and has significantly more construction, operating, and financing experience. Moreover, Euro Sun’s presence in Romania is elevated via its association with the Forbes & Manhattan group and its significant previous experience developing projects in Eastern Europe and Russia. We note that from 2005-2015 Carpathian had spent approximately \$51 MM exploring, drill defining, and completing a PEA (2010) on the project.
- **Background on Romania, Rovina Valley is NOT a Rosia Montana:** The sizeable valuation disparity of Euro Sun relative to its NAVPS and its Au-Cu counterparts can almost entirely be contributed to the constant comparison of Rovina Valley to Rosia Montana. To associate Euro Sun Mining with Gabriel Resources (GBU-TSX, Not Covered) is unequivocally incorrect. Absolutely none of the many issues that have plagued the latter; apply to the former. As evidenced by the mining license ratification process, Euro Sun is a company that will get permits, and Rovina Valley is a project that can get built.
- **Project Economics Will Surprise to the Upside:** The reality is once investors come to accept that Rovina Valley is a project that will get permitted, there is very little debate as to how robust the economics are. Rovina Valley is a large, highly scalable, and low cost gold and copper

project. At an eventual scaled-up throughput rate, we estimate the mine could produce ~150Koz Au and 50 MMlb Cu per annum at AISC, net of <\$100/oz Au (Cantor estimate) over a multi-decade mine life. The company has commissioned SRK and Ausenco to conduct a feasibility study, targeted for completion in H2/18.

- **Environmental Permitting:** Once the Mining License is ratified (30-60 days), the Rovina Valley concessions become designated for exploitation. This will trigger the initiation of the ESIA permitting process that is expected to take ~18-months and cost \$5 MM. Land acquisition is expected to cost an additional \$6 MM.
- **Size and Scale to Attract JV Partners and/or M&A Interest:** Rovina Valley has the size, scale, and grades that are attractive to large-tier and mid-tier gold and copper miners. It has the potential to be advanced in a JV-structure (similar to the recent Caspiche-Cerro Casale deal) or, should the valuation disparity persist, Euro Sun could represent an excellent takeover candidate. We note that in 2014, Barrick Gold (ABX-TSX, NYSE) purchased an 8% stake at a 10% premium to market in Rovina Valley's previous owner, Carpathian Gold.
- **Leverage to Metal Prices:** The Rovina Valley project has considerable leverage to metal prices. A 10% move in Au and Cu prices alters the project NPV<sub>10.0%</sub> by 21.1%, and 27.0% respectively.
- **Current Valuation:** Euro Sun currently trades at 0.51x NAVPS<sub>10.0%</sub> which includes many conservative assumptions on financing options, project operating costs, CAPEX, throughput rates, etc. As the company continues to de-risk Rovina Valley through ratification of the Mining License and completion of a feasibility study, we will likely reduce our discount rates, and fine-tune (lower) our cost inputs. As such, our initial target price has a material bias to the upside. Relative to its Au-Cu development stage peers, ESM trades at \$4.15/oz AuEq (M&I), materially lower than its closest comparables at \$4.92/oz AuEq. This is despite the fact that on a gold- or copper-equivalent basis, Rovina Valley has above average grades relative to its porphyry development peers.

### Exhibit 1. Share Performance



Source: Bloomberg

## POLITICAL OVERVIEW OF ROMANIA

Legislative elections were held in Romania on December 11, 2016 with a majority coalition government being formed between the Social Democrat party (“PSD”) and the Alliance of Liberals and Democrats for Europe party (“ALDE”). Shortly thereafter, the alliance between PSD party leader, Liviu Dragnea, and the newly appointed Prime Minister, Sorin Grindeanu, quickly deteriorated leading to a no-confidence motion on June 21, 2017. The motion was passed by Parliament and on June 29, 2017, Mihai Tudose of the PSD party was sworn in as Romania’s new Prime Minister. The next legislative election will be held in 2020. On October 5, 2017, Mr. Gigi Dragomir was appointed as the President of Romania’s National Association for Mineral Resources (“NAMR”). He has publically expressed his full support of Rovina Valley. We note that any and all permitting activities take place at the Federal level in Bucharest, where Euro Sun has recently established an office, as opposed to locally.

## ROVINA VALLEY IS NOT ROSIA MONTANA

Gabriel Resource’s Rosia Montana project is the largest gold resource in Romania, with Rovina Valley being the second. The similarities between the two projects, and companies, ends here. The reality is that to associate Euro Sun Mining with Gabriel Resources is unequivocally incorrect. Absolutely none of the many issues that have plagued the latter (local opposition, social issues, environmental concerns, NGO opposition, legal issues, etc.), apply to the former. As evidenced by the mining license ratification process, Euro Sun is a company that will get permits, and Rovina Valley is a project that can get built. We point to the following differences between the two projects and companies:

### Exhibit 2. Gabriel and Euro Sun Comparison

	<b>Gabriel Resources Rosia Montana</b>	<b>Eurosun Mining Rovina Valley</b>
Location:	proposed UNESCO World Heritage site	private land
Tailings:	valley fill, thickened	dry stack
Cyanide Usage	yes, CIL process	no, Cu-Au concentrator
Current Site Status	populated	forest, uninhabited
Historical Archaeology Sites:	yes	none
Village Relocation:	required	none
Other Relocation:	yes, churches, cemeteries	none
Movement of Infrastructure:	required	minor, insignificant
Current Acid Rock Drainage:	yes, from historical mining	none
Public Protests:	yes, many	none
Local Opposition:	yes, significant	none
Provincial Opposition:	yes, significant	none
NGO Opposition:	yes, Alburnus Maior, others	minor, insignificant
Government Opposition:	yes, significant	none

Source: Cantor Fitzgerald

## RATIFICATION OF THE MINING LICENSE

The mining license at Rovina Valley was originally granted to the project’s previous owner (Carpathian Gold) in May 2015, when the company was on the brink of bankruptcy due to operational failures at its second asset in Brazil, and the secured project debt associated with it. As such, essentially no work was done

in 2015 on advancing Rovina Valley until Euro Sun Mining acquired it in May 2016. Following the December 2016 legislative elections in Romania, a new President of the National Association of Mineral Resources (“NAMR”) was appointed. Euro Sun began a dialogue shortly thereafter, and thus far, has been very successful expediting the ratification process:

- June 14, 2017: NAMR publishes the official draft of governmental approval related to ratifying the Rovina Valley Mining License. Mr. Aurel Gheorge, President of NAMR expresses full support of the project.
- June 26, 2017: In accordance with Romania’s public transparency laws, NAMR hosts a public meeting to discuss the draft Government decision to approve (ratify) the mining license originally issued in 2015.
- August 3, 2017: Rovina Valley mining license is endorsed by NAMR, initiating the ratification process.
- October 5, 2017: Mr. Gigi Dragomir is appointed as the new President of NAMR, and continues full support of the project.
- October 30, 2017: NAMR publicly issues documents related to the Rovina Valley project including the draft government approval and all documents related to the mining license. These include the Company’s environmental reform plan, the social impact study, and the technical report related to environmental reclamation.

The Mining License now requires signatures from five ministers, in the following order: Economy, Environment, Forest & Water, Justice, and Finance. It will then be sent to the Secretary General of Parliament and ultimately to the Prime Minister for two final signatures before being published in the official government Gazette. Euro Sun’s management has attempted to expedite this process as much as possible, and we believe all signatures will be obtained in the next 30-60 days, at which point the Mining License becomes ratified, and permitting activities can commence.

## **ENVIRONMENTAL PERMITTING PROCESS**

Once the Mining License is ratified (30-60 days), the Rovina Valley concessions become designated for exploitation. This will trigger the initiation of the ESIA permitting process, expected to take ~18-months and cost \$5 MM with an additional \$6 MM budgeted for land acquisition. The process is outlined below:

- General Urbanization Plan (“PUG”): land use approval for new categories on a local and regional area basis (includes public meetings for feedback and approval).
- Zonal Urbanization Plan (“PUZ”): land use approval for industrial zones including detailed development plans (includes public meetings for feedback and approval).
- Environmental procedure requirements through local environmental protection agency.
- Approval by the local County Council.
- Environmental License.
- Environmental and Social Impact Assessment approval (“ESIA”)
- Closure and Remediation plan
- Technical Authorization Committee (“TAC”) approval. The TAC is comprised of experts and interested parties from recognized institutions.
- Public hearings for feedback.

- TAC and company review of public feedback (as per the Equator Principles).
- Approval from the Regional Environmental Agency.
- Construction Permit issuance, allows construction to begin.
- Operational License.

### PROJECT HISTORY, NEW OWNERSHIP, MANAGEMENT

Carpathian Gold spent approximately \$51 MM exploring, drill defining, and completing a PEA (2010) on Rovina Valley. The current 43-101 compliant resource (2012) was based on 138,000m of drilling completed by Carpathian over the period 2005-2014. While previous management did an excellent job in Romania (delineating the project and originally obtaining the mining license), its second asset in Brazil (the RDM mine) diluted its focus away from Rovina Valley. A combination of operational failures at RDM in its ramp-up phase, and the secured project debt associated with it, forced the mine into receivership. Yamana Gold (YRI-TSX, AUY-NYSE; Not Covered) has since acquired RDM, and Carpathian, on the brink of bankruptcy, struck the deal with Euro Sun in a competitive process. Euro Sun, and an entirely new management team and board of directors, are now wholly focused on Romania/Rovina Valley, and have completely recapitalized and cleaned-up the capital structure of the company. The new management team has significantly more construction, operating, and financing experience. Moreover, Euro Sun's presence in Romania is now elevated via its association with the Forbes & Manhattan group and its previous experience developing projects in Eastern Europe and Russia

### Exhibit 3. Rovina Valley Project Location



Source: Euro Sun Mining Inc.

### PROJECT LOCATION, OVERVIEW

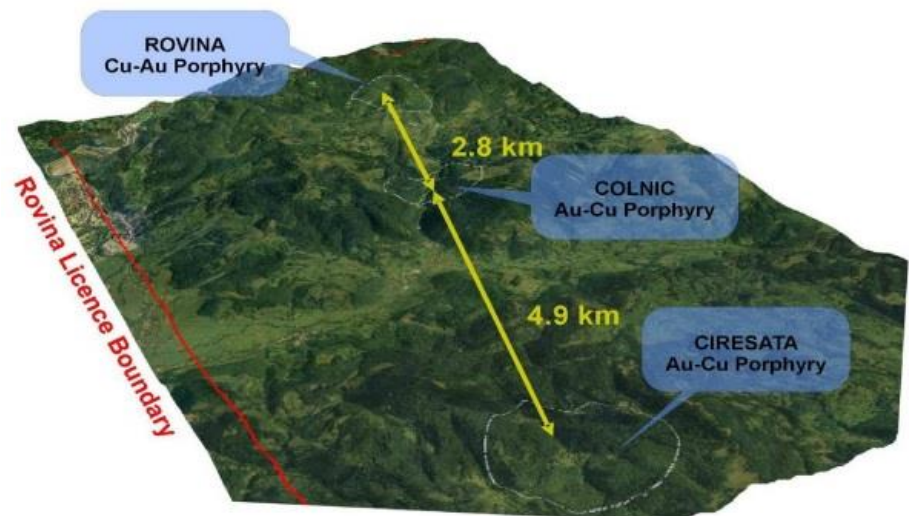
Rovina Valley is located in Hunedoara County, west-central Romania, within a mining district known as the “Golden Quadrilateral” which hosts numerous past

producing mines, as well as some of the largest undeveloped gold and/or copper deposits in Europe (Rosia Montana, Certej, Rosia Poieni, etc.) Historically, the Golden Quadrilateral region has produced +55 MMoz Au over a period of more than 2,000 years, predating the Roman occupation. Locally, Rovina Valley is located 7km west of the small historical mining town of Brad (with excellent infrastructure, discussed later in report), 25km north of the small city of Deva, and 300km northwest of the capital city of Bucharest. The total Rovina Valley property consists of one Exploration License (soon to be converted into an Exploitation License) covering a contiguous area of approximately 9,351 hectares.

## GEOLOGICAL OVERVIEW

The Rovina Valley project is comprised of three discrete porphyry deposits; Colnic, Rovina, and Ciresata located 3-5 km from each other along a north-south trend. All three deposits share many basic geological attributes including association with subvolcanic intrusives and similar alteration types. The mineralized porphyries at Colnic, Rovina, and Ciresata display strong quartz stockwork veining, and moderate to intense potassic hydrothermally altered cores. The Colnic and Ciresata deposits can be classified as more gold rich, whereas Rovina tends to be slightly more copper rich. The Au-Cu mineralization in all three porphyries occurs as stockwork veining and disseminations of pyrite and chalcopyrite centered on subvolcanic-intrusive diorites that are hornblende and plagioclase rich. Mineralogical studies indicate that chalcopyrite is the sole copper bearing mineral with gold occurring in chalcopyrite, pyrite, and the silicate gangue. Colnic, Rovina and Ciresata all exhibit many of the typical features of Au-Cu porphyries including dioritic, calc-alkaline stockwork and abundant magnetite alteration. No significant porphyry-related epithermal gold-silver or skarn mineralization has been identified on the Rovina Valley concession, nor has any significant weathering oxidation of the hypogene sulphides been observed at Colnic, Rovina, or Ciresata.

### Exhibit 4. Aerial Perspective View



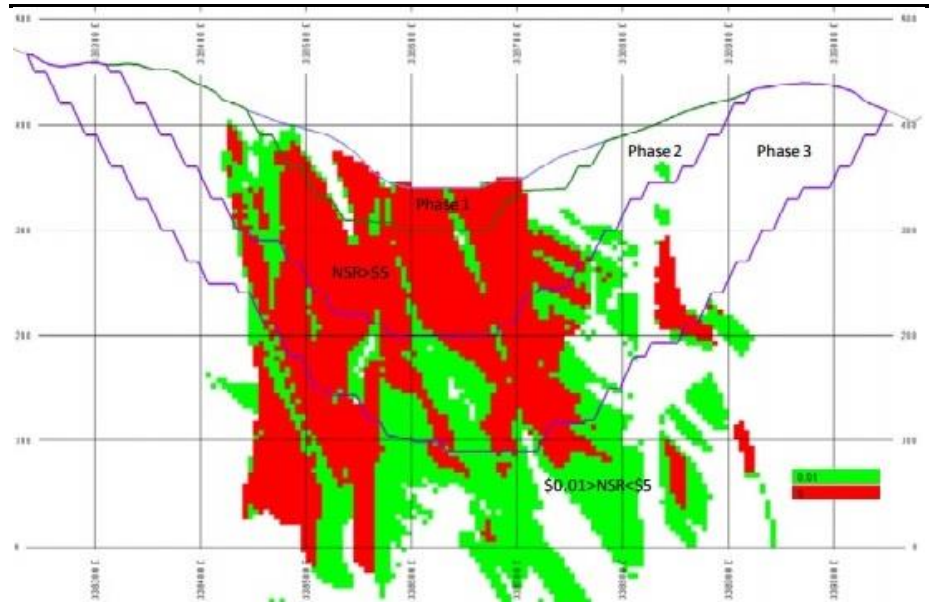
Source: Euro Sun Mining

## COLNIC DEPOSIT OVERVIEW

The host porphyries at Colnic are horizontally lobed, with mineralization decreasing with depth and a phyllic-altered cap locally preserved. Mineralization

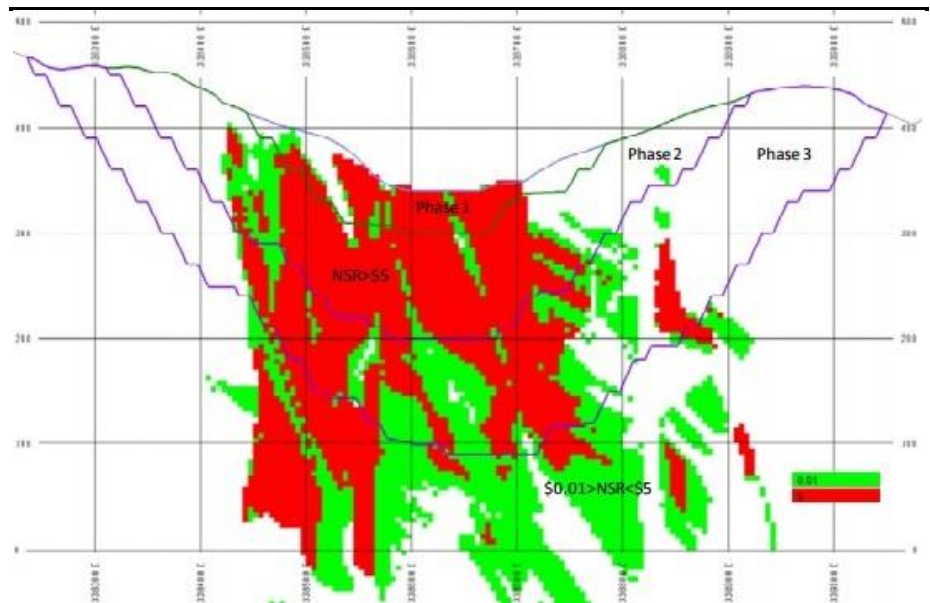
outcrops at surface in the Rovina Valley and is exposed in several road-cuts in the valley bottom over a distance of approximately 400m. Au-Cu mineralization at Colnic is hosted in multiple composite plagioclase-hornblende porphyritic subvolcanic intrusives. Two mineralized porphyries (Rovina Valley and F-2 Hill) comprise Colnic, with a combined alteration halo of 2,000m x 1,700m. The two porphyries are lobed, with a wider horizontal dimension than vertical extent. Au-Cu mineralization is associated with pyrite-chalcopyrite-magnetite occurring in veinlet stockworks and as disseminated grains. No significant oxide cap or supergene-enriched horizons have been encountered. The Colnic porphyries strike over a length of 400m to the northeast over a width of 200m, extending down to a depth of 500m.

**Exhibit 5. Colnic Block Model**



Source: Euro Sun Mining

**Exhibit 6. Rovina Block Model**



Source: Euro Sun Mining



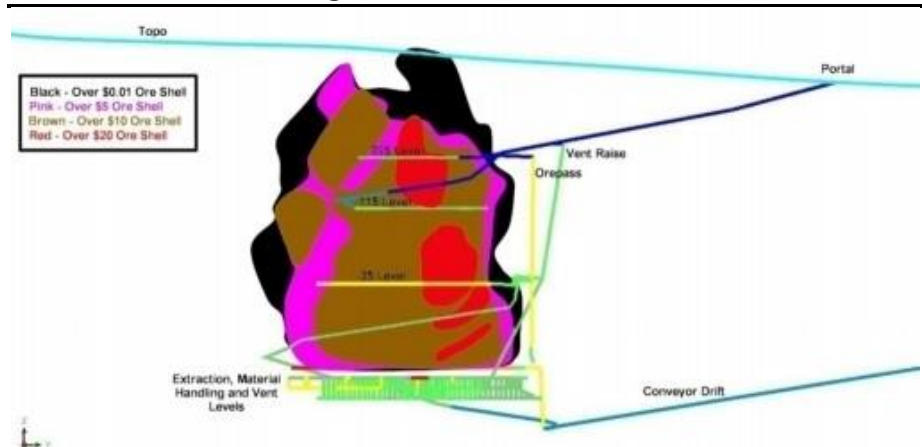
## ROVINA DEPOSIT OVERVIEW

The host porphyries at Rovina are cylindrical and vertical, generally reaching the surface, and outcropping in one instance/location. Multiple composite plagioclase-hornblende porphyritic subvolcanic intrusives host the majority of Cu-Au mineralization. Five mineralized porphyries comprise Rovina, with a combined alteration halo of 1,000m x 600m. Recognized alteration types associated with the mineralization include early potassic biotite+Kfeldspar, magnetite, and magnetite-propylitic. Similar to Colnic, Cu-Au mineralization is associated with pyrite-chalcopyrite-magnetite occurring in veinlet stockworks and as finely disseminated grains. There is only minimal oxidation present in one area of Rovina (the Baroc Valley). The Rovina porphyries combined strike 600m to the northwest over a width of 350m, extending down to a depth of 600m.

## CIRESATA DEPOSIT OVERVIEW

The host porphyries at Ciresata are centered on a relatively narrow subvolcanic "neck" with a significant amount of mineralization hosted in adjacent honfels and sediments. While this deposit contains the highest gold grades of the three zones comprising the Rovina Valley project, it is also the deepest and can only be mined via block cave methods (discussed later in the report). A neogene subvolcanic intrusive "neck" and adjacent honfelsed cretaceous sediments host the majority of Au-Cu mineralization. Mineralization begins at approximately 150m below surface, with the "neck" ballooning out to its widest extent at approximately 400m below surface. Similar to Colnic and Rovina, mineralization is associated with pyrite-chalcopyrite-magnetite occurring in veinlet stockworks and as disseminated grains. Ciresata is geologically and structurally more simple than both of its counterparts. The current mineralized envelope strikes 450m to the northwest over a width of 300m, extending down to a depth of 500m. However, we note that Ciresata remains open at depth, and previous deep drilling has intersected mineralization down to approximately 1,000m below surface (hole RGD-68 returned 103m @ 0.38g/T Au and 0.18% Cu at a downhole depth of approximately 1,300m).

### Exhibit 7. Ciresata Underground Grade Shells



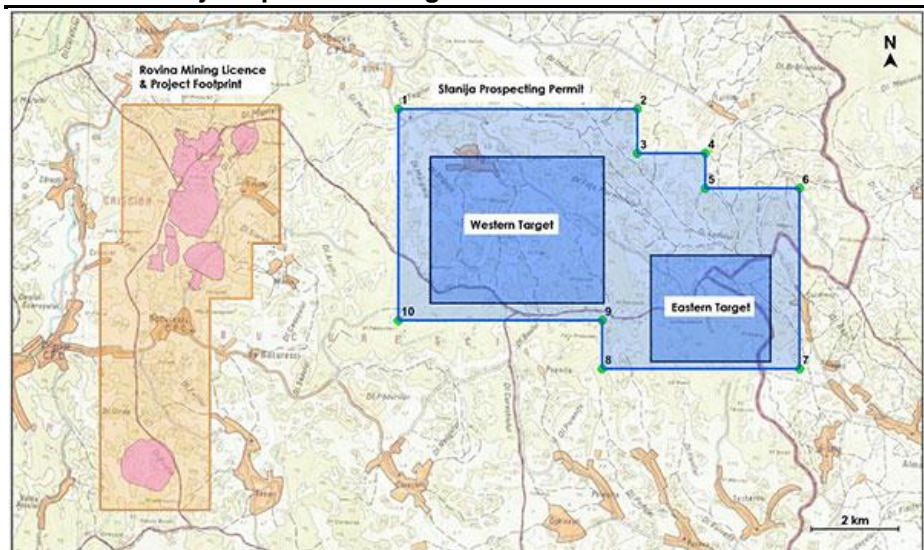
Source: Euro Sun Mining

## RESOURCE UPSIDE, OTHER TARGETS

In terms of resource size, Rovina Valley's three porphyries have far more than the critical mass needed to support a long-life large-scale mining operation, but

opportunities do exist for resource expansion. The mineralized extents of both Colnic and Rovina have been identified, and Ciresata remains open for expansion at depth. Additionally, in October 2016, Euro Sun obtained a new prospecting permit from NAMR for the nearby Stanija area, located approximately 3 km east of the Rovina Valley project. The Stanija concessions cover approximately 42 km<sup>2</sup> of highly prospective ground that has seen some past exploration work conducted by European Goldfields and Carpathian Gold. Previous work done on the Stanija West target included surface trenches, outcrop rock chip sampling and minor RC and DDH drilling. Three prospective areas have been identified at this target and detailed geological mapping and rock chip sampling is currently underway. Previous work done on the Stanija East target included trenching, core and RC drilling, with indications of near-surface epithermal vein-style mineralization and associated porphyry system at depth. Euro Sun will conduct discrete soil geochemistry on Stanija East supported by detailed surface mapping, rock chip sampling and additional geophysics.

### Exhibit 8. Stanija Exploration Target



Source: Euro Sun Mining

### RESOURCE ESTIMATE

The current 43-101 compliant resource estimate was completed by AGP Mining Consultants in July 2012, and was based on a total of 120,256m of drilling completed by Carpathian. The resource at Colnic and Rovina was constrained with a Lerchs-Grossman pit shell using operating costs and metallurgical recoveries from the April 2010 PEA. Metal prices of \$1,350/oz Au and \$3.00/lb Cu were used. Cut-off grades of 0.35g/T AuEq and 0.25% CuEq were used at Colnic and Rovina, respectively. The Ciresata resource was based on underground block caving methods at a cut-off grade of 0.65g/T AuEq. Approximately 95% of the in-situ mineral inventory resides in the Measured & Indicated categories. At present, the current 43-101 compliant resource across all categories stands at 432.6 MMt grading 0.54g/T Au and 0.16% Cu containing 7.5 MMoz Au and 1.5 BBlb Cu.

**Exhibit 9. Rovina Valley Resource Inventory**

	Tonnage (MMt)	Au (g/t)	Cu (%)	Gold (MMoz)	Copper (MMlb)	Gold Eq. (MMoz)	AuEq (g/t)
<b>Measured &amp; Indicated</b>							
Rovina open-pit	105.3	0.30	0.25%	1.01	579	2.26	0.67
Colnic open-pit	135.7	0.51	0.10%	2.20	301	2.85	0.65
Ciresata underground	164.8	0.75	0.15%	3.97	540	5.13	0.97
<b>Total M&amp;I</b>	<b>405.8</b>	<b>0.55</b>	<b>0.16%</b>	<b>7.18</b>	<b>1,420</b>	<b>10.24</b>	<b>0.78</b>
<b>Inferred</b>							
Rovina open-pit	13.4	0.19	0.20%	0.08	60	0.21	0.49
Colnic open-pit	3.8	0.32	0.10%	0.04	8	0.06	0.47
Ciresata underground	9.6	0.67	0.14%	0.21	29	0.27	0.88
<b>Total Inferred</b>	<b>26.8</b>	<b>0.38</b>	<b>0.16%</b>	<b>0.33</b>	<b>97</b>	<b>0.54</b>	<b>0.63</b>
<b>Combined Total</b>							
Rovina open-pit	118.7	0.29	0.25%	1.09	639	2.47	0.65
Colnic open-pit	139.5	0.50	0.10%	2.24	309	2.91	0.65
Ciresata underground	174.4	0.74	0.15%	4.18	569	5.41	0.96
<b>Combined Total</b>	<b>432.6</b>	<b>0.54</b>	<b>0.16%</b>	<b>7.51</b>	<b>1,517</b>	<b>10.78</b>	<b>0.77</b>

Source: Cantor Fitzgerald, Euro Sun Mining

**Exhibit 10. Railroad, Low Cost Power, Paved Highways**



Source: Euro Sun Mining

**INFRASTRUCTURE OVERVIEW**

Rovina Valley is approximately a 1.5 hour drive via paved road to each of the cities of Timisoara, Sibiu and Cluj, all of which have international airports. The largest of these, Timisoara, provides the best access to the property via a paved two-lane highway to the historical gold mining town of Brad, followed by a secondary paved road eastward for 7km to the property. Access to the property via paved roads is possible year-round. Romania is a net-exporter of hydroelectric power, and Rovina Valley can be connected to the low-cost grid (~\$0.10/kWh). We note that a new hydroelectric dam is currently being built approximately 3km northwest of proposed plant location at the project. A railspur is located 7km

from the project, in Brad, supporting low cost transportation and concentrate shipping.

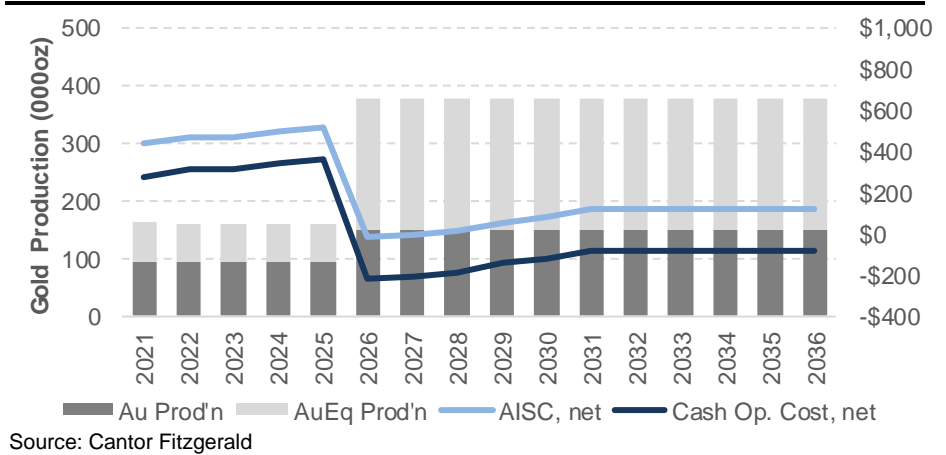
## **MINING OPERATIONS OVERVIEW**

It is important to note that the PEA completed by Carpathian in 2010 is both out of date, and in no way indicative of the size/scale that Euro Sun intends to build and operate the Rovina Valley project. As such, the production profile estimates, cost projections, and project inputs that drive our DCF-based NAVPS are based on first principles, information that is in the public domain, as well as input from management. We envisage Rovina Valley being built and operated in a staged approach, with the initial focus being to construct a relatively straightforward conventional truck-shovel open-pit operation with a manageable upfront capital requirement. Once up and running, throughput could then be scaled up and materially blended from any combination of the three zones. We estimate initial CAPEX of \$300 MM, and a 2.5 year construction timeline (from completion of permitting), to put Rovina Valley into production at the initial throughput rate of 20,000tpd (Phase I). Based on discussions with management, surface operations would begin at Colnic initially, followed by Rovina. We are not including Ciresata in the mining sequence at present, as it would be developed as a block cave many years in the future. We regard Ciresata as a “free option.” For the purposes of our production profile and DCF-based NAVPS, we project initial production at 20,000tpd from Colnic in 2021, before a doubling of plant throughput capacity after year five, at which point additional open-pit production would be sourced from Rovina (Phase II). At that point, the combined 40,000tpd operation would be producing ~150Koz Au and ~50 MMlb Cu per annum over a +15 year mine life. We estimate unit mining costs of \$2.25/t, a strip ratio of 1.6:1 at Colnic and 2.4:1 at Rovina.

## **PROCESSING OVERVIEW, UPGRADED RECOVERIES**

The metallurgical flowsheet has also been materially upgraded from the outdated 2010 PEA. Earlier this year, Euro Sun commissioned Eriez Flotation Division, a leading flotation consultant, to re-evaluate certain aspects of the processing design. The most notable changes being the elimination of the cyanide circuit and the utilization of a column flotation circuit in lieu of the typical cleaner/re-cleaner flotation banks. While the elimination of the cyanide circuit will mean that dore will no longer be produced on site, it will be helpful in smoothing the permitting process. The addition of a column flotation circuit had a materially positive impact on over metallurgical recoveries in the testwork completed by Eriez. While there will be a modest CAPEX increase for the bank of column cells, gold recoveries to concentrate increased from 72% to 82% (copper recoveries were unchanged at 88%). More importantly, the concentrate grade increased materially from 19% Cu to 21% Cu, making it much more desirable to smelters worldwide. The concentrate itself is very clean with no deleterious elements. Over the life of both Colnic and Rovina, we incorporate metallurgical recoveries of 82% (Au) and 88% (Cu) in our DCF. Ore from both deposits can be classified as moderate to slightly above moderate in terms of hardness as measured by the Bond Work Index (17 kWh/t) but low cost grid power to site will counterbalance this. We estimate unit processing costs of \$7.50/t milled and site G&A costs of an additional \$1.00/t milled.

**Exhibit 11. Production and Cost Profile**



**PRODUCTION AND COST PROFILE**

At the initial throughput rate of 20,000tpd, we estimate the Rovina Valley project should initially be capable of production ~100Koz Au and ~15 MMLb Cu per annum (Phase I, Colnic standalone) at unit operating costs of \$13.50/t milled equating to cash operating costs of \$320/oz Au (net Cu) or \$760/oz AuEq. For Phase I, we estimate sustaining CAPEX of \$15 MM, and resultant AISC of \$480/oz (net Cu) or \$860/oz AuEq. We estimate the Phase II (Colnic + Rovina) expansion to cost \$200 MM, and reach steady-state throughput of 40,000 tpd in year 6, at which point consolidated production would total ~150Koz Au and ~50 MMLb Cu. Life-of-mine, we estimate AISC of \$67/oz and \$836/oz on a net Cu and AuEq basis respectively. On a Phase I and Phase II basis, we project a total mine life of 21 years (based on M&I resources) excluding a potential block cave component at Ciresata in the future.

**TAILINGS DAM OVERVIEW**

Another significant alteration from the outdated 2010 PEA is Euro Sun’s decision to employ dry stack tailings as opposed to previous management’s valley fill (thickened) approach. Similar to the column flotation addition, the dry stack method will come with an incremental added operating cost, but it will not only come with a far higher factor of safety in terms of engineering and design, but should also help expedite the permitting process. All testwork conducted thus far by Euro Sun as well as by past management has indicated that ore from all three deposits comprising the Rovina Valley project will be non-acid generating.

**TAXATION RATES, ROYALTIES, PAYABILITIES, ETC.**

The corporate taxation rate in Romania stands at 16% and in addition, Rovina Valley will be subject to a 6.0% net smelter royalty (“NSR”) payable to the State. This royalty applies to all hard rock mining in the country. We estimate transportation/treatment costs, refining costs, and costs associated with playabilities approximating 7.5% of revenues life-of-mine. Euro Sun pays approximately \$9,000/km<sup>2</sup> per annum to maintain the surface rights at the project.

## MANAGEMENT AND BOARD OF DIRECTORS

**G. Scott Moore, President, CEO & Director:** Mr. Moore is a business executive with over 25 years of experience in the resource and durable goods sectors. He is the former President and CEO of Dacha Strategic Metals and is currently the Chairman of the Board of Directors of Copper One and the Chief Operating Officer of Forbes & Manhattan. Mr. Moore holds a Bachelor of Arts degree from the University of Toronto and an MBA from the Kellogg School of Management.

**Paul Bozoko, CFO –** Mr. Bozoki has over 20 years of accounting, tax and corporate finance experience in Canada and Europe. He is the former CFO of CD Capital Partners, a privately held real estate development firm focused on developing mixed use retail and office real estate in Russia, Ukraine and Romania, and former CFO of MAVA Investment Ltd., a private equity firm based in Budapest, Hungary with two funds under management and \$110 million of committed capital. Mr. Bozoki is experienced in matters of international taxation and foreign capital markets and began his career at Ernst & Young LLP where he spent six years auditing clients in mining and other industries in Canada, Australia and Hungary.

**Joe Milbourne, VP – Technical Services –** Mr. Milbourne is a metallurgist with over 40 years of experience in the development, design, construction and management of mineral processing projects in North America, South America and overseas. Mr. Milbourne is the former Vice-President of Technical Services and Operations for Sulliden Gold Corp., which was acquired by Rio Alto in 2014. Prior to that, he was Technical Director AMEC Mining and Metals where he oversaw process engineering and has international experience with BHP, Eldorado and Cominco. He has a B.S. in Metallurgical Engineering from New Mexico Institute of Mining and Technology and a M.S. in Metallurgy from the University of Utah. Mr. Milbourne is a fellow of the Australasian Institute of Mining and Metallurgy and a registered member of SME.

**Les Kwasik, Senior VP – Romanian Operations –** Mr. Kwasik previously worked with INCO Limited Canada (VALE Canada Limited), Xstrata Columbia, BE&K Group, Inter Invest Sp Company, NESMA Company Saudi Arabia, Maple Minerals Corporation Canada and Archipelago Resources Singapore. His tenures have included international postings in Russia, Poland, Indonesia, Colombia and Eritrea in leadership roles ranging from General Manager to COO. Mr. Kwasik is an industrial engineer and a graduate of the Opole University of Technology in Poland. He holds B.Sc. in Industrial Electrotechnology Engineering. Mr. Kwasik will be primarily based at site in Brad, Romania

**Randall Ruff, VP – Exploration –** Mr. Ruff has over 20 years of experience in mineral exploration. Mr. Ruff is currently based in Brad, Romania, and has worked in Eastern Europe for Euro Sun (formerly Carpathian Gold, and its private precursor) since 1998. Mr. Ruff holds a M.Sc. From the New Mexico Institute of Mining and Technology in Geochemistry.

**Brad Humphrey, VP – Corporate Development –** Mr. Humphrey has over 20 years of international mining experience, predominantly as a precious metals analyst. Mr. Humphrey formerly worked for Morgan Stanley Research as an Executive Director and North American Precious Metals Analyst, where he was responsible for growing Morgan Stanley's North American Gold research

coverage. Prior to joining Morgan Stanley he was a Managing Director and Head of Mining Research at Raymond James and covered precious metals equities at CIBC World Markets and Merrill Lynch. Before starting his equity research career, Mr. Humphrey held a variety of roles from Corporate development to contract underground miner. Mr. Humphrey holds a Bachelor of Commerce from the University of Guelph.

**Caroline Arsenault, Corporate Communications** – Ms. Arsenault has been managing Investor Relations and Corporate Communications for various mining companies since 2008. From 2009-2014 she was Manager of Investor Relations for Sulliden Gold Corp., a publicly traded gold development company with projects in Peru and Quebec. She has also provided consulting services to several other mining companies, including Central Sun Mining, Mason Graphite, Copper One, and Dacha Strategic Metals. She holds a Bachelor of Industrial Design from OCAD University in Toronto

**Peter Tagliamonte, Chairman** – Mr. Tagliamonte is a professional mining engineer with over 25 years of progressive managerial experience building and operating mines. He was formerly the CEO and a Director of Sulliden Gold Corp. (acquired by Rio Alto Mining), President and CEO of Central Sun Mining Inc. (acquired by B2Gold) and Chief Operating Officer of Desert Sun Mining Corp. (acquired by Yamana) where he was responsible for the development of the Jacobina Mine in Brazil into a 4,200-tonne-per-day mining operation. In 2005, Mr. Tagliamonte received the Mining Journal's "Mine Manager of the Year" award in recognition for his work in the mining sector. Mr. Tagliamonte obtained his Mining Engineering degree at Laurentian University in Sudbury, Ontario; he also holds an MBA from the Richard Ivey School of Business at the University of Western Ontario.

**Stan Bharti, Director** – Mr. Bharti has worked for over 30 years in the mining industry as an engineer, manager, executive and entrepreneur. He has served as CEO, Director, Chairman and/or founder for more than 30 public mining and resource companies over the past 15 years, as well as numerous private companies. Before entering the public markets Mr. Bharti founded and ran BLM Engineering, a large, privately-held mining engineering services business. He earned a Masters Degree in Engineering from the University of London and has worked as a mining engineer in Europe, Africa and North and South America.

**David Danziger, Director** – Mr. Danziger is a Chartered Accountant with 30 yrs of experience in audit, accounting and management consulting and +10 yrs experience specific to the mineral resource sector. He is currently a senior assurance partner at MSCM LLP, Chartered Accountants with a practice that specializes in public company work. He is a director of American Apparel Inc. (NYSE), Eurotin Inc. (TSX-V, Not Covered), Renforth Resources Inc. and is also on the Board's of two Capital Pool Companies that he initiated. Mr. Danziger is a member of the Small and Medium Enterprises Committee formed to advise Ontario Securities Commission staff.

**Guy Charette, Director** – Mr. Charette is a Corporate Finance and Securities Lawyer with +25 yrs experience in the business structuring and financing of domestic and international mining and exploration projects. He has acted as Chairman, CEO, and Director for several public-traded mining companies. From 1993 to 2000, Mr. Charette was CEO of Bay Merchant Group. He subsequently

co-founded Charette-Nantel Attorneys LLP, a corporate finance law firm located in Montreal, Quebec, Canada which merged with a major national law firm in 2006. Mr. Charette left the practice of law in 2010 to join Carpathian on a full time basis.

**Matthew Simpson, Director** – Mr. Simpson is a professional mining engineer and current CEO of Black Iron Inc. He previously worked for the Iron Ore Company of Canada (“IOC”), a subsidiary of Rio Tinto plc. At IOC he held several progressive roles in Business Evaluation, Operations Planning, Continuous Improvement and for the past three years as Mine General Manager. His work with the IOC primarily took place at their Carol Lake iron ore deposit in Labrador. Prior to joining IOC, Mr. Simpson worked as a process engineer for Hatch Ltd. designing and debottlenecking metallurgical refineries around the world. Mr. Simpson has extensive experience in mine design, operations and project management. He holds a Master of Business Administration as well as a Bachelor of Science in Chemical Engineering both from Queen’s University.

**Justin Reid, Director** – Mr. Reid is a geologist and capital markets executive with over 20 years of experience focused exclusively in the mineral resource space. He is currently CEO of Sulliden Mining Capital. He formerly held senior positions at Paladin Energy and National Bank Financial, where he directed the firm’s sales and trading in the mining sector.

## **OWNERSHIP & SHARE STRUCTURE**

Euro Sun exited Q3/17 with \$0.7 MM in cash but subsequently completed a ~C\$12 MM bought-deal financing at C\$1.40/share. The company currently has no debt. Approximately \$51 MM has been spent on the Rovina Valley Project to date (the vast majority by Carpathian) and we estimate the upcoming feasibility study and permitting process to cost \$5 MM over the next 9-18 months, with land acquisition costing an additional \$6 MM. There are 57.6 MM shares issued and outstanding shares along with 9.3 MM options and warrants of which the vast majority are effectively “at the money” with the potential to raise gross proceeds of C\$18.3 MM. Insiders, management, and Forbes & Manhattan related companies hold approximately 11.5 MM shares representing 20% of the common shares outstanding.



**Exhibit 12. NAVPS Breakdown, Fully Financed, Fully Diluted**

<b>Asset</b>		<b>Value (\$MM)</b>	<b>\$ Per Share</b>	<b>% of NAV</b>
Rovina, Colnic - 100%	DCF-10.0%	\$382.1	\$1.80	91%
Ciresata - 100%	\$5/oz	\$27.0	\$0.13	6%
<b>Total Mining Assets</b>		<b>\$409.1</b>	<b>\$1.93</b>	<b>114%</b>
<b>Total Mining Assets (C\$)</b>		<b>C\$511.4</b>	<b>C\$2.41</b>	<b>114%</b>
Cash (exit 2017E)		\$10.0	\$0.05	2%
Cash from ITM options/warrants		\$0.0	\$0.00	0%
Debt (exit 2017E)		\$0.0	\$0.00	0%
Cash fully financed		\$120.0	\$0.56	
Debt fully financed		-\$180.0	-\$0.85	
<b>Net Asset Value, fully diluted</b>		<b>\$359.1</b>	<b>\$1.69</b>	
Net Asset Value, fully diluted		C\$448.9	C\$2.11	
P/NAV			0.51x	

Source: Cantor Fitzgerald

**P/NAV VALUATION**

Euro Sun currently trades well below intrinsic value (as measured via our DCF) of 0.51x NAVPS of C\$2.11/share. The Rovina Valley project itself has an after-tax IRR of 21.9%. As previously stated, our initial target of C\$2.10/share represents our best estimate as to where the stock should trade (at ~1.0x NAVPS) over the very short term, immediately upon completion of the mining license ratification process. We believe this is achievable within the next 30-60 days. Over the medium term, and longer-term, as the project continues to de-risk, our NAVPS will likely increase along with our target price. A number of conservatisms are layered into our NAVPS including:

- **Discount rate:** At present we employ a 10.0% discount rate to our DCF given the project stage. When the mining license is ratified, and permitting is underway, we will likely look to lower this to 7.5%, in-line with development Au-Cu peers in the Cantor coverage universe. When it is apparent that Rovina Valley is fully financed, our discount rate would be further reduced. Refer to Exhibit 15 for our sensitivities to discount rate. Note that at a 7.5% discount rate our NAVPS increases to C\$3.30/share.
- **Production profile:** The Phase I throughput rate of 20,000tpd is based on management guidance. Our Phase II expansion date and rate are our conservative estimates. We note that even a 40,000tpd throughput rate is suboptimal for the Colnic and Rovina deposits. It is likely that mine operations will eventually be scaled up beyond this rate and likely earlier in the production schedule relative to our current estimates.
- **Unit operating costs:** Given the low cost grid power available to the process plant, our \$7.50/t unit processing cost is likely to prove conservative. This will be confirmed in the upcoming feasibility study (H2/18).
- **Ciresata resource:** At present we ascribe only “option value” for Ciresata of \$5/oz in-situ equating to \$0.13 of our C\$2.11 company-wide NAVPS. We note that Ciresata rivals both Colnic and Rovina combined in terms of size and on a DCF-basis, the value of a potential block cave at this zone would be materially higher than the value we currently place

on it. A \$5/oz in-situ valuation is in-line with the gold-copper porphyry peer group.

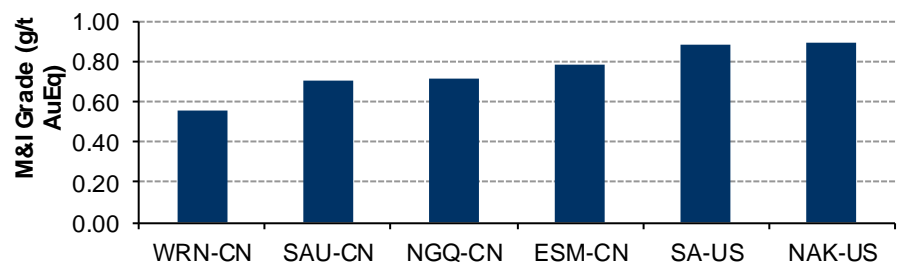
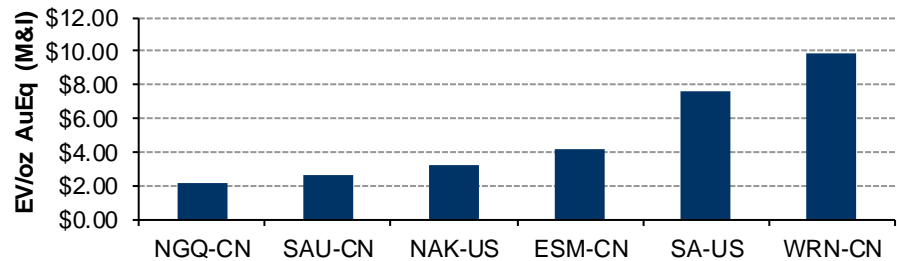
- **Financing assumptions:** Our NAVPS is calculated on a fully financed and fully diluted basis, and as such, we have had to make several assumptions on future financings. To fund the initial CAPEX of ~\$300 MM, we have assumed a debt/equity ratio of 60/40 with all equity being raised at ~C\$1.10/share, a ~10% discount to current prices. The reality is that when the Mining License at Rovina Valley is ratified, a feasibility study is completed, and permitting sufficiently advanced, we would expect Euro Sun to be able to finance the equity component at materially higher share price levels. This would significantly reduce the amount of dilution in our NAVPS estimate and materially increase our target as a result. Moreover, given the size and scale of Rovina, we believe there is an excellent opportunity for Euro Sun to attract a number of mid or large-tier mining companies that could potentially advance the project in a JV-structure on more accretive terms.

### EV/OZ VALUATION

Relative to its single asset gold-copper porphyry peers, Euro Sun trades at a material discount in terms of EV/M&I Resources despite the fact that Rovina has slightly above average gold and copper grades, and does not have the same capital intensity as most of its peers. At present, ESM trades at \$4.15/oz AuEq (M&I) relative to its peer group average of \$4.92/oz. Rovina Valley grades 0.78g/T AuEq (M&I) relative to the peer group average of 0.75g/T AuEq.

**Exhibit 13. EV/oz Relative Valuation, Porphyry Comps**

Company	Asset	Own Location	MMoz Au	BBib Cu
NGEx Resources	Los Helados	60% Chile	10.8	15.0
St. Augustine Gold	King-King	25% Philippines	2.6	1.4
Northern Dynasty	Pebble	100% Alaska	56.8	56.8
Eurosun Mining	Rovina Valley	100% Romania	7.2	1.4
Seabridge	KSM	100% Canada	49.8	13.6
Western Copper & Gold	Casino	100% Yukon	7.9	4.7



Source: Cantor Fitzgerald

## RECENT M&A IN THE GOLD-COPPER PORPHYRY SPACE

On March 28, 2017, Goldcorp announced a multi-faceted deal whereby it would acquire 100% of Exeter Resources for C\$247 MM in stock (\$185 MM) and 25% of the Cerro Casale project from Kinross (K-TSX, KGC-NYSE; Not Covered) for \$260 MM in cash, plus commitments to earn into another 25% currently owned by Barrick. The deal has since been completed. Exeter Resources owned 100% of the Caspiche Au-Cu project, located approximately 10km from Cerro Casale. Goldcorp and Barrick (ABX-TSX, Not Covered) effectively consolidated these two projects (located in the Atacama Region of Northern Chile) and will develop them on a 50/50 JV basis. Geologically, Caspiche and Cerro Casale are very similar to Rovina Valley, and in terms of development, are both at the feasibility stage. Granted, in terms of size both Caspiche and Cerro Casale materially eclipse Rovina Valley, but in terms of grades, all three projects are in the same tier and we argue that in terms of infrastructure, Rovina Valley is far superior. We note that Caspiche was acquired for C\$247 MM (\$185 MM) in stock, equating to \$4.67/oz AuEq (total resource), and Cerro Casale was acquired for \$260 MM in cash, equating to \$19.48/oz AuEq (Kinross' 25% interest). Applying these acquisition metrics to Rovina Valley, which is a similar project in many respects, would imply a relative valuation for Euro Sun of C\$0.93/share based on Exeter (100%-Caspiche) and C\$4.41/share based on Kinross (25%-Cerro Casale). In our view, the former represents a strong "support level" for the stock, and the latter represents fair value over the longer-term (as Rovina Valley de-risks).

### Exhibit 14. Rovina Valley Relative to Caspiche and Cerro Casale

	Tonnes (MMt)	Grades			Contained Metal				
		Au (g/T)	Cu (%)	Ag (g/T)	AuEq (g/T)	Au (MMoz)	Cu (BBlb)	Ag (MMoz)	AuEq (MMoz)
<b>Cerro Casale (100%)</b>									
Proven & Probable	1,198	0.60	0.22	1.52	0.95	23.2	5.8	58.7	36.7
Measured & Indicated	297	0.35	0.16	1.07	0.62	3.4	1.1	10.2	5.9
Inferred	495	0.38	0.19	1.04	0.68	6.0	2.1	16.5	10.8
<b>Total</b>	<b>1,990</b>	<b>0.51</b>	<b>0.20</b>	<b>1.33</b>	<b>0.84</b>	<b>32.6</b>	<b>9.0</b>	<b>85.4</b>	<b>53.4</b>
<b>Caspiche (100%)</b>									
Proven & Probable	-	-	-	-	-	-	-	-	-
Measured & Indicated	1,404	0.51	0.19	1.20	0.81	23.0	5.9	54.2	36.6
Inferred	198	0.29	0.12	0.91	0.47	1.8	0.5	5.8	3.0
<b>Total</b>	<b>1,602</b>	<b>0.48</b>	<b>0.18</b>	<b>1.16</b>	<b>0.77</b>	<b>24.8</b>	<b>6.4</b>	<b>60.0</b>	<b>39.6</b>
<b>Rovina Valley (100%)</b>									
Proven & Probable	-	-	-	-	-	-	-	-	-
Measured & Indicated	406	0.55	0.16	-	0.79	7.2	1.4	-	10.3
Inferred	27	0.38	0.16	-	0.63	0.3	0.1	-	0.5
<b>Total</b>	<b>433</b>	<b>0.54</b>	<b>0.16</b>	<b>-</b>	<b>0.78</b>	<b>7.5</b>	<b>1.5</b>	<b>-</b>	<b>10.8</b>

Source: Cantor Fitzgerald, Company Reports

## SENSITIVITIES

### Exhibit 15. NAVPS Sensitivities

Long-term Copper Price (\$/lb)						
NAVPS	\$2.40	\$2.60	\$2.80	\$3.00	\$3.20	\$3.40
2.5%	\$5.60	\$6.63	\$7.67	\$8.70	\$9.74	\$10.77
5.0%	\$3.56	\$4.30	\$5.04	\$5.78	\$6.52	\$7.27
7.5%	\$2.21	\$2.75	\$3.30	\$3.84	\$4.38	\$4.93
10.0%	\$1.30	\$1.71	<b>\$2.11</b>	\$2.52	\$2.93	\$3.34
12.5%	\$0.67	\$0.99	\$1.30	\$1.61	\$1.92	\$2.23

Long-term Gold Price (\$/oz)						
NAVPS	\$1,000	\$1,100	\$1,200	\$1,300	\$1,400	\$1,500
2.5%	\$5.36	\$6.13	\$6.90	\$7.67	\$8.44	\$9.21
5.0%	\$3.32	\$3.89	\$4.47	\$5.04	\$5.62	\$6.19
7.5%	\$1.98	\$2.42	\$2.86	\$3.30	\$3.74	\$4.18
10.0%	\$1.09	\$1.43	\$1.77	<b>\$2.11</b>	\$2.46	\$2.80
12.5%	\$0.49	\$0.76	\$1.03	\$1.30	\$1.57	\$1.84

Operating Costs		Cu, Au Grades		Cu, Au Recoveries		
NAVPS	+10%	-10%	+10%	-10%	+10%	-10%
2.5%	\$6.41	\$8.93	\$10.12	\$5.22	\$10.12	\$5.22
5.0%	\$4.13	\$5.96	\$6.83	\$3.26	\$6.83	\$3.26
7.5%	\$2.61	\$3.98	\$4.63	\$1.96	\$4.63	\$1.96
10.0%	\$1.59	\$2.63	\$3.13	\$1.10	\$3.13	\$1.10
12.5%	\$0.89	\$1.70	\$2.09	\$0.51	\$2.09	\$0.51

Source: Cantor Fitzgerald

### Exhibit 16. IRR Sensitivities

Gold (\$/oz)	IRR (%)	Copper (\$/lb)	IRR (%)	Operating Metric	IRR (%)
\$1,000	16.6%	\$2.40	18.3%	Op. Costs+10%	19.5%
\$1,100	18.4%	\$2.60	20.1%	Op. Costs -10%	24.1%
\$1,200	20.2%	<b>\$2.80</b>	<b>21.9%</b>	Cu, Au Grades+10%	26.2%
<b>\$1,300</b>	<b>21.9%</b>	\$3.00	23.5%	Cu, Au Grades -10%	17.0%
\$1,400	23.5%	\$3.20	25.0%	Cu, Au Recoveries+10%	26.2%
\$1,500	25.2%	\$3.40	26.5%	Cu, Au Recoveries -10%	17.0%

Source: Cantor Fitzgerald

## INVESTMENT THESIS, TARGET, RATING

We believe that Euro Sun Mining represents an excellent “catalyst driven” near term trade, and also a compelling “buy and hold” investment over the medium and longer terms. Investment highlights include:

- **Ratification of the Mining License:** The completion of the Mining License process we believe is achievable in the next 30-60 days, at which point the Rovina Valley concessions will officially be designated as land for exploitation as opposed to just exploration. This would be the single most important and positive de-risking event in the company’s history. When this occurs, Euro Sun will be able to enter the permitting process and complete a feasibility study.
- **New Ownership and Management Team:** The new management at Euro Sun is focused solely on Romania (as opposed to Rovina’s previous

owners) and has significantly more construction, operating, and financing experience. Moreover, Euro Sun's presence in Romania is elevated via its association with the Forbes & Manhattan group and its significant previous experience developing projects in Eastern Europe and Russia.

- **Background on Romania, Rovina Valley is NOT a Rosia Montana:** To associate Euro Sun Mining with Gabriel Resources is unequivocally incorrect. Absolutely none of the many issues that have plagued the latter, apply to the former. As evidenced by the mining license ratification process, Euro Sun is a company that will get permits, and Rovina Valley is a project that can get built.
- **Project Economics Will Surprise to the Upside:** Rovina Valley is a large, highly scalable, and low cost gold and copper project. At an eventual scaled-up throughput rate, we estimate the mine could produce ~150Koz Au and 50 MMlb Cu per annum at AISC, net of <\$100/oz Au (Cantor estimate) over a multi-decade mine life. The company has commissioned SRK and Ausenco to conduct a feasibility study, targeted for completion in H2/18.
- **Environmental Permitting:** Once the Mining License has been ratified (30-60 days), the Rovina Valley concessions become designated for exploitation. This will trigger the initiation of the ESIA permitting process, expected to take ~18-months and cost \$5 MM. Land acquisition is expected to cost an additional \$6 MM.
- **Size and Scale to Attract JV Partners and/or M&A Interest:** Rovina Valley has the size, scale, and grades that are attractive to large-tier and mid-tier gold and copper miners. It has the potential to be advanced in a JV-structure (similar to the recent Caspiche-Cerro Casale deal) or, should the valuation disparity persist, Euro Sun could represent an excellent takeover candidate.
- **Leverage to Metal Prices:** The Rovina Valley project has considerable leverage to metal prices. A 10% move in Au and Cu prices alters the project NPV<sub>10.0%</sub> by 21.1%, and 27.0% respectively.
- **Current Valuation:** Euro Sun currently trades at 0.51x NAVPS<sub>10.0%</sub> which includes many conservative assumptions on financing options, project operating costs, CAPEX, throughput rates, etc. As the company continues to de-risk Rovina Valley through ratification of the Mining License and completion of a feasibility study, we will likely reduce our discount rates, and fine-tune (lower) our cost inputs. As such, our initial target price has a material bias to the upside. Relative to its Au-Cu development stage peers, ESM trades at \$4.15/oz AuEq, materially lower than its closest comparables at \$4.92/oz AuEq.

Based on a target multiple of 1.0x NAVPS<sub>10.0%</sub> (rounded), we are initiating coverage of Euro Sun Mining with a Buy rating and a 52-week target price of C\$2.10/share. There are a number of conservatisms layered into our DCF-based NAVPS and as such, our target has a material bias to the upside. Our initial target of C\$2.10/share represents our best estimate as to where the stock should trade over the very short term, immediately upon completion of the mining license ratification process. We believe this is achievable within the next 30-60 days. Over the medium term, and longer-term, as the project continues to de-risk, we expect the stock to trade materially higher than our initial target.

## INVESTMENT RISKS

Investing in mining and exploration companies is inherently risky. Commodity, geological, operational, regulatory, or financing risks on projects could result in delays in development or production, impact economics or disrupt shipment schedules.

### *Commodity Risk*

The Company is not in production. There is a risk that gold and copper prices could decline in the interim as a result of rising interest rates, the global geopolitical outlook, strength in the financial sector, election outcomes, etc. Should the price of gold or copper decline significantly, the Company could choose to delay or cancel development and be required to write down any assets in order to reflect the weaker price environment. Any delay or termination of project operation could have an adverse impact on the future financial position and profitability of the Company.

### *Geologic Risk*

Results of drilling at Rovina Valley could prove to be disappointing and thus negatively affect the viability the project. The lack of future exploration success may impact upside potential of the company.

### *Regulatory Risk*

In accordance with applicable Federal and Provincial laws and regulations, Euro Sun Mining Inc. is required to obtain the proper permits and licenses in order to conduct exploration activities, develop its projects, and ultimately mine and process ore. We believe that Euro Sun Mining Inc. has been and will continue to be diligent in its preparation of the applications for the required permits and licenses for its projects; however, the regulatory review period could take longer than expected.

### *Political Risk*

We believe that the Federal and State levels of government will continue its favourable view towards mining at the Rovina Valley project. However, any local opposition could impede exploration/development efforts as a result of additional public review/comment periods or debate and possibly even potential litigation.

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The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of Euro Sun Mining Inc.

The analyst responsible for this report *has* visited the material operations (Rovina Valley) of Euro Sun Mining Inc. No payment or reimbursement was received for the related travel costs.

### *Analyst certification*

The research analyst whose name appears on this report hereby certifies that the opinions and recommendations expressed herein accurately reflect his personal views about the securities, issuers or industries discussed herein.

### *Definitions of recommendations*

**BUY:** The stock is attractively priced relative to the company's fundamentals and we expect it to appreciate significantly from the current price over the next 6 to 12 months.

**BUY (Speculative):** The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

**HOLD:** The stock is fairly valued, lacks a near term catalyst, or its execution risk is such that we expect it to trade within a narrow range of the current price in the next 6 to 12 months. The longer term fundamental value of the company may be materially higher, but certain milestones/catalysts have yet to be fully realized.

**SELL:** The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

**TENDER:** We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

**UNDER REVIEW:** We are temporarily placing our recommendation under review until further information is disclosed.

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