Sunmetals

Sun Metals Corp.
(formerly North Bluff Capital Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

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(formerly North Bluff Capital Corp.)
Management's Discussion and Analysis
For the year ended December 31, 2018

This Management's Discussion and Analysis (the "**MD&A**"), dated as of March 26, 2019, is for the year ended December 31, 2018 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 of Sun Metals Corp. (also referred to as "**Sun Metals**", or the "**Company**", or "**we**", or "**our**", or "**its**" or "**us**" within this MD&A), including the related notes thereto (together, the "**Annual Financial Statements**").

This MD&A contains forward looking statements that involve numerous risks and uncertainties. The Company continually seeks to minimize its exposure to business risks, but by nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, including those set forth in this MD&A under the headings "Cautionary Notes Regarding Forward-Looking Statements" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

The written disclosure of technical information in this MD&A has been approved by Ian Neill, P.Geo, Vice President, Exploration of the Company and a Qualified Person ("**QP**") for the purposes of National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"). Readers are directed to the section entitled "Scientific and Technical Disclosure" included within this MD&A.

Company Overview

The Company's head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company's records office and registered office address is Suite 2600, 1066 West Hastings St., Vancouver, British Columbia, Canada, V6E 3X1.

The Company is listed on the TSX Venture Exchange ("**Exchange**") in Canada under the symbol "SUNM". All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

Reverse Takeover Transaction

On May 2, 2018, North Bluff Capital Corp. ("**North Bluff**"), a newly incorporated wholly-owned subsidiary of North Bluff ("**Subco**"), and Sun Metals Corp., a private company incorporated under the Business Corporations Act (British Columbia) on June 23, 2017 ("**Privco**"), completed a transaction (the "**Transaction**") whereby Subco and Privco amalgamated and the resulting company became a wholly-owned subsidiary of the Company named Tsayta Resources Corporation ("**Tsayta**"). As a result of the Transaction, the Company issued to the shareholders of Privco one common share (a "**Share**") for each common share they held in Privco. The Transaction constituted a reverse takeover under the policies of the Exchange and a reverse acquisition for accounting purposes, with Privco deemed to have been the acquiror.

In connection with the Transaction, the Company closed a non-brokered private placement, for aggregate gross proceeds of $6,477,100 (the "**Offering**"). The Offering involved the issuance of 25,788,400 subscription receipts (the "**Subscription Receipts**") at a price of $0.25 per Subscription Receipt. The proceeds of the Offering were held in escrow pending the Company receiving all applicable regulatory approvals and completing the Transaction.

As a result of the closing of the Transaction, the following events occurred:

i. The proceeds of the Offering were released from escrow. Upon satisfaction of the escrow conditions, each Subscription Receipt was automatically converted into one Unit (defined below) for no additional consideration. Each Unit consists of one Share and one Share purchase warrant, with each Share purchase warrant entitling the holder to acquire one additional Share at a price of $0.35 per Share until May 2, 2023, subject to acceleration in certain circumstances. Following conversion of the Subscription Receipts, the Company paid $293,250 in finder's fees and issued 1,173,000 finder's warrants. The finder's warrants entitle the holder to acquire one additional Share at a price of $0.30 per share until May 2, 2019.

ii. The Company acquired, on a one for one basis, all of the issued and outstanding shares of Privco in exchange for a total of 34,780,001 Shares, of which 21,745,001 Shares are subject to escrow restrictions over a period of three years, 11,140,000 Shares are subject to Seed Share Resale Restrictions ("**SSRR**") over a period of one year, and 1,895,000 Shares were subject to SSRR over a period of 4 months.

iii. All of the existing directors of the Company resigned and were replaced by nominees of Sun Metals.

iv. Upon receiving final acceptance from the Exchange, the Company changed its name to Sun Metals Corp. and began trading on the Exchange as a Tier 2 Issuer under the symbol "SUNM".

Additional Highlights and Recent Events

In addition to the events associated with the Reverse Takeover Transaction discussed above, highlights for the year and subsequent period to date are as follows:

- On February 4, 2019 the Company and Lorraine Copper Corp. ("**Lorraine**") announced they had entered into an arrangement agreement providing for the indirect merger of the companies (the "**Arrangement Agreement**"). Pursuant to the Arrangement Agreement, the Company will acquire all of the issued and outstanding common shares of Lorraine. Following the expected completion of the merger in April 2019, Sun Metals will own 100% of the Stardust property ("**Stardust**" or the "**Stardust Project**") and any obligations of the Company under the Option Agreement (as defined herein) will terminate.

  For additional details, please see the "Proposed Transactions" section of this MD&A.

- On December 20, 2018, the Company completed a private placement for gross proceeds of $5.2 million. In connection with the private placement, the Company issued 12,500,000 common shares on a flow-through basis (the "**FT Shares**"), at a price of $0.413 per FT Share.

- Teck Resources Limited ("**Teck**") invested in Sun Metals as the end acquirer of the common shares issued in connection with the December 2018 private placement. As a result, Teck holds 12,500,000 Shares of Sun Metals, which was equal to approximately 13.8% of Sun Metals' issued and outstanding Shares at the time of the acquisition. Sun Metals has agreed to give Teck the right to maintain this shareholding in Sun Metals subject to certain conditions.

- Successfully completed the 2018 drilling program at Stardust in September 2018. Drilling highlights include[1]:

  - 100.00 metres grading 2.51% copper, 3.03 grams per tonne ("g/t") gold and 52.5 g/t silver for a 4.99% copper equivalent (CuEq) from diamond drill hole DDH18-SD-421; and
  - 14.40 metres grading 1.32% copper, 1.03 g/t gold 22.9 g/t silver and 2.12% zinc for a 3.05% CuEq from diamond drill hole DDH18-SD-411.

- In July 2018, consultation with Takla First Nation ("**Takla**") resulted in the signing of a cooperative exploration agreement (the "**Exploration Agreement**").

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[1] See press releases dated October 25, 2018, October 26, 2018, November 14, 2018 and December 19, 2018, available on the Company's website at www.sunmetals.ca or the Company's profile on SEDAR at www.sedar.com for further details of exploration results.

Exploration Activities

Outlook

Sun Metals expects to continue exploring Stardust with the intent to identify additional mineralization and increase shareholder value through discovery.

The Company's principal 2019 objective is to continue to advance exploration at Stardust in order to determine if the project hosts mineralization with the potential to be exploited economically. The Company plans to focus its efforts on additional diamond drilling to follow up on the results of diamond drill hole DDH18-SD-421[2].

The Company has developed a budget of $5.4 million for the 2019 exploration program, which includes:

- Controlled, directional diamond drilling
- Ground based geophysics
- Structural Geology study (continuing)
- Mapping and prospecting.

The Company expects the 2019 field season at Stardust to begin in May 2019.

In July 2018, consultation with Takla resulted in the signing of an Exploration Agreement to facilitate the exploration activities to be undertaken at Stardust, which is located within the claimed traditional territory of Takla. The Exploration Agreement expires at the end of December 2019. The Company plans to have discussions with Takla regarding an extension to the Exploration Agreement or potentially a new agreement for a period beyond the end of 2020.

Exploration Project

<u>Stardust Project, British Columbia, Canada</u>

Following the expected completion of the Arrangement (defined below in the "Proposed Transactions" section) in April 2019, Sun Metals will own 100% of Stardust, and any obligations of the Company under the Option Agreement (as defined herein) will terminate.

On September 7, 2017, the Company, through its wholly-owned subsidiary Tsayta, entered into an option agreement (the "**Option Agreement**") with Lorraine, as amended May 2, 2018, December 17, 2018, and March 26, 2019, pursuant to which the Company has the sole and exclusive option to acquire a 100% interest in the Stardust Project, subject to a 2% net smelter return royalty ("NSR") on all precious metals, and a 1% NSR on all other minerals.

Prior to the December 17, 2018 amendment, the option to acquire a 100% interest in the Stardust Project was exercisable by issuing 2,500,000 Shares, paying a total of $375,000, and incurring aggregate exploration expenditures of $6,000,000 associated with the Stardust Project. Further, upon completion of its minimum commitments in the Option Agreement and upon exercise of the option, the Company was required to issue a number of Shares to Lorraine such that Lorraine holds 30% of the then issued and outstanding Shares of the Company, calculated on a non-diluted basis, as a percentage of the number of the Company's Shares issued and outstanding.

Under the second amendment to the Option Agreement, effective December 17, 2018, the Company's option to acquire a 100% interest in the Stardust Project is exercisable by issuing an additional 500,000 Shares and making payment of $75,000 to Lorraine by December 31, 2018, issuing 31,529,315 Shares

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[2] See press releases dated October 25, 2018 and October 26, 2018 available on the Company's website at www.sunmetals.ca or the Company's profile on SEDAR at www.sedar.com.

within 5 business days of March 31, 2019, and assuming all obligations under Lorraine's $50,000 reclamation bond currently posted with the Province of British Columbia. Subsequent to the exercise of the option, the Company is required to incur aggregate exploration expenditures of $1,721,469 by September 30, 2019, and if the expenditures are not incurred by such date, the Company has agreed to make a cash payment to Lorraine of any remaining unspent amount on or before November 30, 2019.

Under the third amendment to the Option Agreement, effective March 26, 2019, the Company must issue the 31,529,315 Shares within 5 business days of June 1, 2019. All other terms and provisions of the Option Agreement remain the same and in full force and effect.

Under the Option Agreement, the Company may purchase from Lorraine at any time 50% of the precious metals NSR, equal to a 1% NSR, for a total amount of $1,500,000. The Company may also purchase 50% of the other minerals NSR, equal to a 0.5% NSR, for a total amount of $1,500,000.

Jurisdiction and Infrastructure

The Stardust Project is located in British Columbia, Canada, an area ranked #2 by international publication the Mining Journal in their World Risk Report 2017[3]. In addition to a strong rating for legal, governance and social categories, infrastructure is a strong contributor to British Columbia's ranking and this is particularly true at Stardust. The project is located 38 km east of a rail spur which connects to Prince George, British Columbia, and is located the same distance from a single phase power grid. A 230 kV power line, which connects the currently closed Kemess mine to the BC power grid, is located approximately 80 km northeast of the project. The project is accessible by road, and is an approximately two hour drive north from Fort St James on maintained Forest Service Roads. Climate conditions are also favorable in the area with moderate precipitation in both summer and winter, meaning year-round road access to Stardust is possible.

Exploration at Stardust for the year ended December 31, 2018

During the year ended December 31, 2018, the Company executed the field season portion of the 2018 exploration program, with the objective of further exploring and expanding mineralization identified in a 2.2 kilometre corridor of polymetallic Carbonate Replacement System mineralization through a combination of airborne surveying, mapping and prospecting, soil sampling, drill core relogging and resampling, and diamond drilling. Field work, consisting of mapping, prospecting and soil sampling was initiated in early June 2018, while the VTEM and Magnetic survey was completed in July. The drilling portion of the program began in August, with a second drill arriving on site in mid-August.

Following the completion of drilling and the field season in September, the Company continued to evaluate all of the data collected in the 2018 field season. The Company also began reviewing in deeper detail the historic data available on the property, to further refine existing targets and identify new targets.

The Company completed a total of 6,838 metres of drilling from surface.

For the year ended December 31, 2018 the Company spent a total of $3.3 million exploring Stardust, compared to a budget of $5.1 million. The variance was primarily due to fewer metres of diamond drilling completed than originally budgeted for the year as the Company focussed on drilling high priority targets early on in the season, which, in addition to early snowfall in September, led to the decision to demobilize the drills at the end of September, as well as lower than anticipated costs of the program due to ease of road access.

The Company intends to apply for the 20% British Columbia Mining Exploration Tax Credit and the enhanced tax credit of an additional 10% for Mountain Pine Beetle affected areas, on qualified mining exploration expenditures incurred during the year ended December 31, 2018. The potential refund of up

[3] See the report entitled "World Risk Report 2017" available online at www.mining-journal.com/static/world-risk-report-2017.

to $0.9 million will be recorded as a reduction in exploration and evaluation expenditures in the period when such claim has been submitted, assessed and approved by the relevant provincial authorities.

Mineral Resources

On January 8, 2018 the Company announced an updated mineral resource estimate on the Canyon Creek Skarn Zone of Stardust completed by QP for the purposes of NI 43-101, Ronald G. Simpson, P.Geo. of GeoSim Services Inc.[4] Grade estimation was based on analytical data from 106 drill holes completed between 1997 and 2017. The estimate includes only skarn mineralization identified in the Canyon Creek zone, and has not included drilling information from the manto, vein or porphyry zones due to a lack of sufficient information in those areas.

Fourteen mineralized skarn zones were modeled using a minimum width of 1.5 metres. Composite grades were capped at 15 g/t Au and 200 g/t Ag. Zn grades above 6% were limited to a 25 metre range. Block model grades were estimated by the inverse distance cubed method using dynamic anisotropy to simulate the individual zone geometries.

The Canyon Creek deposit is estimated to contain an indicated mineral resource of 985,000 tonnes grading 1.34% Cu, 0.62% Zn, 1.59 g/t Au and 36.8 g/t Ag. An additional inferred mineral resource contains 1,985,000 tonnes averaging 1.24% Cu, 0.14% Zn, 1.72 g/t Au and 30.5 g/t Ag.

The mineral resource estimate is presented in the following table at a range of cut-off grades with the base case of 1.5% copper equivalent in boldface.

Table 1 - Canyon Creek mineral resource estimate – effective date of January 8, 2018[5]

INDICATED						
Cutoff Cu Equiv (%)	**Tonnes**	**% Cu**	**% Zn**	**g/t Au**	**g/t Ag**	**%Cu Eq**
1.00	1,336,000	1.16	0.48	1.350	30.6	2.48
1.25	1,146,000	1.25	0.55	1.470	33.8	2.70
1.50	**985,000**	**1.34**	**0.62**	**1.590**	**36.8**	**2.92**
1.75	827,000	1.43	0.72	1.720	39.8	3.16
2.00	681,000	1.53	0.84	1.880	43.3	3.44

INFERRED						
Cutoff Cu Equiv (%)	**Tonnes**	**% Cu**	**% Zn**	**g/t Au**	**g/t Ag**	**%Cu Eq**
1.00	2,968,000	1.05	0.11	1.380	25.0	2.19
1.25	2,477,000	1.14	0.13	1.530	27.6	2.40

[4] See the technical report entitled "Stardust Project NI 43-101 Technical Report Omineca Mining Division, British Columbia", effective January 8, 2018, filed under the Company's profile on SEDAR at www.sedar.com.

[5] Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. Copper equivalent (Cu Eq. calculations reflect total gross metal content using US$ of $3.00/lb Cu, $1.25/lb Zn, $1,300/oz Au, and $18/oz Ag and have not been adjusted to reflect metallurgical recoveries. A cut-off grade of 1.5% Cu equivalent represents an in-situ metal value of approximately $100/tonne which is believed to represent a reasonable break-even cost for underground mining and processing. For further details, see technical report entitled "Stardust Project NI 43-101 Technical Report Omineca Mining Division, British Columbia", effective January 8, 2018, filed under the Company's profile on SEDAR at www.sedar.com.

1.50	**1,985,000**	**1.24**	**0.14**	**1.720**	**30.5**	**2.65**
1.75	1,540,000	1.35	0.16	1.960	33.7	2.95
2.00	1,229,000	1.45	0.18	2.180	36.3	3.22

Selected Financial Information

Management is responsible for the Annual Financial Statements referred to in this MD&A, and provided officers' disclosure certifications filed with the Canadian provincial securities commissions. Although the Company's Audit Committee reviews the Annual Financial Statements and MD&A and makes recommendations to the Company's Board of Directors, (the "**Board**'), it is the Board which has final approval of the Annual Financial Statements and MD&A.

The Annual Financial Statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("**IFRS**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**") as issued by the International Accounting Standards Board ("**IASB**"). Our significant accounting policies are presented in Note 3 of the Annual Financial Statements; we followed these accounting policies consistently throughout the year.

Details of new accounting standards, effective for the reporting period beginning January 1, 2018, and their effect on the financial information are discussed within this MD&A in the section entitled "Changes in Accounting Policies and New Pronouncements". The Company's policy is to expense all exploration and evaluation expenditures, relating to our mineral exploration property interests, until such time as the viability of the mineral interest is determined.

The financial data presented below for the current and comparative periods was derived from the financial statements prepared in accordance with IFRS. Sun Metals raises its financing and incurs head office expenses in Canadian dollars and therefore, it has been determined to have a Canadian dollar functional currency.

The Company conducts its business in a single operating segment which is the mineral exploration business in Canada. The Company's exploration and evaluation asset is located in Canada.

Results of Operations

The following financial data are derived from our Annual Financial Statements for the year ended December 31, 2018, and the period June 23, 2017 (date of incorporation of Privco) to December 31, 2017. The comparative period is comprised of Privco's results of operations for the period June 23, 2017 to December 31, 2017.

	For the year ended December 31, 2018	**For the period June 23, 2017 to December 31, 2017**
Total Revenue	**$ -**	**$ -**
Exploration and evaluation expenditures	**$ 3,323,555**	**$ 621,951**
Net loss for the period attributable to shareholders	**$ 7,892,443**	**$ 953,583**
Total comprehensive loss for the period	**$ 7,893,443**	**$ 953,583**
Basic and Diluted Loss per Share	**(0.12)**	**(0.03)**

Net losses totalled $7.9 million for the year ended December 31, 2018, and $1.0 million for the period June 23, 2017 to December 31, 2017 respectively. The significant contributors to the losses for the year ended December 31, 2018 and the period June 23, 2017 to December 31, 2017 were as follows:

(i) Exploration and evaluation expenditures of $3.3 million for the year ended December 31, 2018. Expenditures for the year included drilling and assaying expenses of $0.9 million, geological consulting and surveying of $1.1 million, field expenses of $0.7 million, and salaries of $0.4 million.

Exploration and evaluation expenditures of $0.6 million for the period June 23, 2017 to December 31, 2017 were primarily comprised of geological consulting of $0.4 million, and field expenses of $0.1 million.

(ii) Non-cash share-based compensation expense of $0.9 million for the year ended December 31, 2018. Share-based compensation expense which relates to grants from the current year in which stock options were granted to directors, employees, and consultants. During the year ended December 31, 2018, the Company granted 8.8 million stock options with a weighted average exercise price of $0.26. During the period June 23, 2017 to December 31, 2017 the Company did not grant any stock options. Stock options granted to employees and consultants were subject to vesting restrictions over a three-year period with the corresponding share-based compensation expense being recognized over this period, while director grants vest immediately on grant with the corresponding expenses recognized at the time of grant.

Generally, share-based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period. In determining the fair market value of share-based compensation granted to directors, employees, and consultants management makes significant assumptions and estimates. These estimates have an effect on the share-based compensation expense recognized and the equity reserves balance on our statements of financial position. Management has made estimates of the life of the options, the expected volatility and the expected dividend yields that could materially affect the fair market value of this type of security. The estimates were chosen after reviewing the historical life of the options and analyzing share price history from that of a peer group to determine volatility.

(iii) Salaries and director fees, of $0.8 million for the year ended December 31, 2018, and $41,845 for the period June 23, 2017 to December 31, 2017.

(iv) As a result of the Transaction, for the year ended December 31, 2018 the Company incurred a non-cash, non-recurring listing expense of $2.2 million relating to the accounting treatment of the reverse takeover.

Additional disclosure concerning Sun Metals' general and administrative expenses and exploration and evaluation expenses is provided in the Company's Statement of Loss and Comprehensive Loss contained in the Company's Annual Financial Statements for the year ended December 31, 2018 which are available on the Company's website at www.sunmetals.ca or on its profile on SEDAR at www.sedar.com.

Financial Position

	As at December 31, 2018	As at December 31, 2017
Total assets	**$ 7,814,202**	**$ 763,302**
Current liabilities	**$ 2,687,417**	**$ 310,870**
Non-current liabilities	**$ 131,678**	**$ -**
Cash dividends declared	**$ -**	**$ -**

Total assets are primarily comprised of cash of $6.9 million, prepaid expenses of $0.1 million, amounts receivable of $0.1 million, and exploration and evaluation asset acquisition costs of $0.5 million, consisting of the cash and fair value of Shares paid to Lorraine and the capitalized provision for closure and reclamation.

Total assets of Privco at December 31, 2017 were primarily comprised of cash of $0.5 million, and exploration and evaluation asset acquisition costs of $0.2 million.

Total assets increased by $7.1 million as at December 31, 2018 in comparison to December 31, 2017 due primarily to net proceeds of the Offering of $6.0 million, net proceeds of the December 2018 private placement of $5.2 million, and cash acquired as part of the Transaction of $0.3 million, partially offset by cash operating expenditures of $4.9 million.

We have not yet completed feasibility studies to determine whether Stardust contains resources that are economically recoverable. The fair value of all cash and non-cash consideration paid in relation to the acquisition of the Company's mineral property interests are capitalized as incurred. All exploration and evaluation expenditures incurred are expensed in the Company's statement of loss and comprehensive loss. If a property proceeds to development, any costs then incurred would become part of pre-production and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related acquisition costs are written off.

Current liabilities increased to $2.7 million at December 31, 2018 in comparison to $0.3 million at December 31, 2017 due to the recognition of a flow-through premium liability of $2.4 million in regards to the December 2018 private placement. Accounts payable and accrued liabilities remained consistent.

Non-current liabilities increased by $0.1 million between December 31, 2018 and December 31, 2017 due to the recognition of a provision for closure and reclamation in regards to Stardust.

Summary of Quarterly Results

	For the three months ended			
	December 31, 2018	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**
Total revenue	**$ -**	**$ -**	**$ -**	**$ -**
Exploration and evaluation expenditures	**$ 406,266**	**$ 2,267,584**	**$ 547,926**	**$ 101,779**
Net loss for the period attributable to shareholders	**$ 1,388,658**	**$ 2,752,121**	**$ 3,479,118**	**$ 272,546**
Total comprehensive loss for the period	**$ 1,388,658**	**$ 2,752,121**	**$ 3,479,118**	**$ 272,546**
Basic and diluted loss per Share	**(0.02)**	**(0.04)**	**(0.06)**	**(0.01)**

No quarterly results were prepared by Privco for quarters ended prior to March 31, 2018. Results for the three months ended March 31, 2018 are those of Privco. Results for the three months ended June 30, 2018 are comprised of Privco's results for the period April 1, 2018 to May 1, 2018, Tsayta's results of operations and cash flows for the period May 2, 2018 (the date of amalgamation) to June 30 2018, and the Company's consolidated results of operation and cash flows for the period May 2, 2018 (the closing date of the Transaction) to June 30, 2018.

The Company's net loss for the quarter ended December 31, 2018 decreased by $1.4 million compared to the net loss for the quarter ended September 30, 2018, primarily due to the decrease in exploration and evaluation expenses of $1.9 million. The decrease in exploration and evaluation expenses during the quarter ended December 31, 2018 is primarily due to the completion of 2018 field work at Stardust in September 2018.

The Company's net loss for the quarter ended September 30, 2018 decreased by $0.8 million compared to the net loss for the quarter ended June 30, 2018, while exploration and evaluation expenses increased by $1.7 million. The increase in exploration and evaluation expenses during the quarter ended September 30, 2018 is primarily due to increased exploration activity relating to 2018 field work, including the commencement of diamond drilling. The net loss for the three months ended June 30, 2018 also included a listing expense of $2.2 million relating to the accounting treatment of the reverse takeover.

The Company's net loss for the quarter ended June 30, 2018 increased by $3.2 million compared to the net loss for the quarter ended March 31, 2018, while exploration and evaluation expenses increased by $0.4 million. The increase in exploration and evaluation expenses during the quarter ended June 30, 2018 is primarily due the commencement of the 2018 field program. The net loss for the three months ended June 30, 2018 included a listing expense of $2.2 million relating to the accounting treatment of the reverse takeover.

Fourth Quarter Results

During the quarter ended December 31, 2018, the Company incurred a loss of $1.4 million. The most significant items contributing to this loss were exploration and evaluation expenditures of $0.4 million; salaries and director fees of $0.3 million, non-cash share-based compensation expense of $0.4 million, and investor relations expenses of $0.1 million.

Shareholders' Equity

The Company's authorized capital consists of an unlimited common shares (the "**Shares**") without par value.

During the year ended December 31, 2018, the Company issued Shares as follows:

(i) On February 1, 2018, the Company issued a purchase option to acquire 500,000 Shares at a price of $0.10 to an employee. The purchase option was exercised on March 22, 2018 for total proceeds of $50,000.

(ii) On May 2, 2018, concurrent with the closing of the Transaction, the gross proceeds of the Offering of $6.4 million were released from escrow. Upon satisfaction of the escrow conditions, the 25,788,400 Subscription Receipts were automatically converted into units (the "**Units**") for no additional consideration. Each Unit consists of one Share and one Share purchase warrant, with each Share purchase warrant entitling the holder to acquire one additional Share at a price of $0.35 per Share until May 2, 2023, subject to acceleration in certain circumstances. Following conversion of the Subscription Receipts, the Company paid $0.3 million in finder's fees and issued 1,173,000 finder's warrants. The finder's warrants entitle the holder to acquire one Share at a price of $0.30 per Share until May 2, 2019. The Company incurred additional cash share issuance costs of $0.1 million.

(iii) On July 24, 2018, the Company issued a total of 500,000 units (the "**Takla Units**") pursuant to the Exploration Agreement between the Company and Takla. The Takla Units are comprised of one Share and one non-transferable Share purchase warrant (each, a "**Takla Warrant**"). Each Takla Warrant entitles Takla to acquire one additional Share at a price of $0.35 until January 24, 2020.

(iv) On December 20, 2018, the Company completed a private placement of 12,500,000 FT Shares, at a price of $0.413 per FT Share for aggregate gross proceeds of $5.2 million. In connection with the private placement the Company paid legal fees and filing fees totaling $0.1 million.

(v) On December 21, 2018 the Company issued 500,000 Shares to Lorraine pursuant to the terms of the Option Agreement.

Outstanding Share Data

As at March 26, 2019 the following Shares, stock options and Share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Shares	92,533,151	N/A	N/A
Stock Options	4,550,000 4,100,000	$0.25 $0.28	May 2, 2023 Dec 24, 2023
Warrants	25,098,400 398,250 500,000	$0.35 $0.30 $0.35	May 2, 2023 May 2, 2019 January 24, 2020
Fully Diluted	110,079,801		

Capital Resources

Sun Metals considers the items included in the statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements. Sun Metals' objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to explore its mineral property interests and continue its operations for the benefit of its shareholders. There has been no change to the Company's approach during the year ended December 31, 2018.

Liquidity

Cash provided by financing activities was $11.5 million during the year ended December 31, 2018, primarily related to the Offering and the December 2018 private placement described above under 'Shareholder's Equity'.

Cash used in operating activities was $4.9 million during the year ended December 31, 2018, primarily related to cash exploration and evaluation expenditures of $3.3 million, salaries and director fees of $0.8 million, and investor relations expenses of $0.4 million.

Cash used in investing activities during the year ended December 31, 2018 was $0.2 million, primarily related to collateral required for the Company's reclamation bond.

As at the date of this MD&A, the Company has approximately $6.8 million in cash. The Company's working capital balance (defined as current assets less current liabilities) as at the date of this MD&A is approximately $6.8 million.

As at December 31, 2018, the Company has no source of positive operating cash flows, and has not yet achieved profitable operations. The Company has incurred negative cash flows from operations of $4.9 million for the year ended December 31, 2018 and expects to incur further losses in carrying out its planned business objectives. The Company's ability to continue operations is dependent upon successfully obtaining additional financing, entering into a merger or other business combination transaction involving a third party, the successful development or sale of the Company's mineral property interests or a combination thereof. With the completion of the December 2018 private placement, the Company has sufficient funds to continue exploration work at Stardust and fund general and administrative expenditures through 2019. There can be no assurances that the Company will obtain the additional financial resources necessary and/or achieve profitability or positive cash flows in the future.

Proposed Transactions

On February 4, 2019 the Company and Lorraine announced they had entered into an Arrangement Agreement providing for the indirect merger of the companies. Pursuant to the Arrangement Agreement, the Company will acquire, through its subsidiary Tsayta, all of the issued and outstanding common shares of Lorraine by way of a statutory plan of arrangement under the Business Corporations Act (British Columbia) (the "**Arrangement**"). Pursuant to the terms of the Arrangement, shareholders of Lorraine will receive 0.54 of a Share of Sun Metals for every Lorraine common share held. As at March 26, 2019, this represents approximately 28 million Shares of Sun Metals, and will result in the former shareholders of Lorraine holding approximately 23.2% of Sun Metals issued and outstanding Shares.

The Arrangement is expected to be completed in April 2019, subject to a number of conditions being satisfied or waived by one or both of Sun Metals and Lorraine at or prior to closing of the Arrangement, including: approval of Lorraine securityholders and Lorraine shareholders excluding certain specified parties, and receipt of all necessary regulatory and court approvals and the satisfaction of certain other closing conditions customary for a transaction of this nature.

Pursuant to the Arrangement Agreement, in the event that the mailing of Lorraine shareholder materials for the Lorraine shareholder meeting has been completed but the Arrangement has not closed by March 31, 2019, Lorraine has agreed to extend the timeframe of the Option Agreement, as amended, for a period of not less than 60 days.

On March 26, 2019, the Company and Lorraine agreed to amend the Option Agreement to extend the date on which the Company is to issue 31,529,315 Shares to Lorraine to within 5 business days of June 1, 2019. All other terms and provisions of the Option Agreement remain the same and in full force and effect.

At present, there are no other proposed transactions before the Board for consideration.

Related Party Transactions

Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

Oxygen Capital Corp ("Oxygen")

Oxygen is a private company owned by three directors of the Company and provides technical and administrative services to the Company (the "**Oxygen Agreement**") at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at December 31, 2018, Oxygen holds a refundable security deposit of $19,500 on behalf of the Company, equal to an estimated amount of three months of services (December 31, 2017 - $19,500). During the year ended December 31, 2018 a total of $0.5 million was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company (June 23, 2017 to December 31, 2017 - $27,486). As at December 31, 2018, the Company has a payable amount to Oxygen of $0.1 million (December 31, 2017 – $14,096). This amount was paid subsequent to December 31, 2018.

Compensation of key management personnel

Key management includes members of the Board, the Special Advisor to the Board, the President and Chief Executive Officer, the Chief Financial Officer, and the Vice President, Exploration. The aggregate total compensation, paid or payable to key management for services directly or via Oxygen is as follows:

Name	Nature of Compensation	Year ended December 31, 2018	June 23, 2017 to December 31, 2017
President and Chief Executive Officer	Salary	$ 357,000	$ 33,168
Chief Financial Officer	Salary	86,005	-
Vice President, Exploration	Salary	233,000	-
Directors	Directorship	193,333	-
Directors	Consulting Fee	-	100,000
Special Advisor	Consulting Fee	23,333	-
Total		**$ 892,671**	**$ 133,168**

Share-based compensation issued to key management personnel during the year ended December 31, 2018 totalled $0.7 million (June 23, 2017 to December 31, 2017 - $nil). Share-based compensation is the fair value of options granted and vested to key management personnel. These amounts have not been included in the table above and should be considered as additional compensation.

Contractual Obligations

Technical and Administrative Services Agreement

The Company's general and administrative costs, including rent, with respect to its head office premises are paid by Oxygen pursuant to the Oxygen Agreement, and may be terminated by either party giving at least 180 days' prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative monthly costs incurred under the Oxygen Agreement for the previous six month period, any employee termination fees due under the Oxygen Agreement as a result of the termination as such term is defined under the Oxygen Agreement, and the Company's share of any contractual obligations entered into on its behalf by Oxygen.

Flow-Through Obligation

As at December 31 2018, the Company is committed to incur, on a best-efforts basis, qualifying resource expenditures pursuant to the December 2018 private placement. At December 31, 2018, the Company had incurred no material qualifying resource expenditures relating to the FT Shares. The Company must therefore incur the balance of $5.2 million in qualifying resource expenditures before January 1, 2020. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2018 or as at the date hereof.

Changes in Accounting Policies and New Pronouncements

New, Amended and Future IFRS Pronouncements

The Company prepares its consolidated financial statements in accordance with IFRS and interpretations of the IFRIC as issued by the IASB. The effects of the adoption of new, amended and future IFRS pronouncements are discussed below:

IFRS 9 – Financial Instruments

On January 1, 2018 the Company adopted IFRS 9 – Financial Instruments ("**IFRS 9**") which replaced IAS 39, Financial Instruments: Recognition & Measurement. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected credit loss" impairment model. The standard became effective for annual periods beginning on or after January 1, 2018, which is the date the Company adopted IFRS 9.

The adoption of IFRS 9 had no impact on the carrying value of the Company's financial instruments at the transition date.

The new accounting policies for financial assets under IFRS 9 are described in Note 3 of the Annual Financial Statements.

The Company completed an assessment of its financial instruments as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification under IAS 39	New Classification under IFRS 9
Cash	Loans and receivables – amortized cost	Amortized cost
Amounts receivable	Loans and receivables – amortized cost	Amortized cost
Deposits	Loans and receivables – amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities – amortized cost	Amortized cost

IFRS 16 – Leases

IFRS 16 - Leases specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company plans to adopt IFRS 16 at the date it becomes effective and has selected the modified retrospective transition approach. The optional exemptions to not recognize certain short-term and low value leases will be applied. The Company and does not expect the standard to have a material impact on the consolidated statements of loss and comprehensive loss.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Further information on management's judgments, estimates and assumptions and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

i) Review of Asset Carrying Values and Impairment Assessment

In accordance with the Company's accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the higher of value in use and fair value less costs to sell. The most significant assets the Company assesses for impairment are exploration and evaluation assets and property, plant and equipment. Judgements involved in assessing impairment of exploration and evaluation assets are discussed below.

ii) Exploration and Evaluation Asset and Expenditures

The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies and there is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

For the year ended December 31, 2018, there were no indicators of impairment on the Company's exploration and evaluation assets, or the Company's other assets.

iii) Determination of the Fair Value of Share-based Payments

The fair value of stock options granted and warrants issued is computed to determine the relevant charge to equity reserves and the statement of income (loss) and related obligation as applicable. In order to compute this fair value, the Company uses the Black-Scholes option pricing model; this inherently requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility, risk-free rate and forfeiture rates. Changes in any of these inputs could cause a significant change in the share-based compensation expense charged in the statement of income (loss) and to equity reserves in a given period. Management believes that the estimates involving its share-based payments are reasonable.

iv) Decommissioning, Restoration and Similar Liabilities

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations, and are measured at the present value of discounted cash flows for the estimated liabilities.

Carrying value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration and similar liabilities that may occur upon decommissioning of certain of the Company's assets. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Financial instruments and fair value measurement

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are described below:

> Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
>
> Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
>
> Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial assets and liabilities measured and recognized the statement of financial position at fair value.

At December 31, 2018, the carrying amounts of cash, amounts receivable, deposits, accounts payable and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

Risks associated with financial instruments

The Company's activities expose it to a variety of financial instrument related risks. The Board provides oversight for the Company's risk management processes. The type of risk exposure and the way in which such exposure is managed is explained as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, amounts receivable and deposits. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

The Company deposits its cash with high credit quality major Canadian financial institutions as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses.

To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

The Company's deposit is held by a related party and is not considered to be subject to credit risk.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At December 31, 2018, the Company had cash of $6.9 million (December 31, 2017 - $0.5 million) to settle current liabilities of $2.7 million ($0.3 million excluding the flow-through premium liability of $2.4 million) (December 31, 2017 - $0.3 million).

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash balance is deposited in an account which earns a variable interest rate. For the year ended December 31, 2018, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash by approximately $12,000.

Business Risks and Uncertainties

Additional information on risks and uncertainties related to Sun Metals' business is provided in North Bluff Capital Corp.'s Filing Statement dated March 31, 2018 under the heading "Risk Factors".

Legal Matters

Sun Metals is not currently, and was not at any time during the year ended December 31, 2018, party to, nor has any of its property interests been the subject of, any material legal proceedings or regulatory actions.

Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying Annual Financial Statements, MD&A and all financial information in the Annual Financial Statements are the responsibility of management and have been approved by the Board of Directors following the report and recommendation of the Audit Committee. The financial statements have been prepared in accordance with IFRS. Financial statements by nature are not precise since they include amounts based upon estimates and judgments. When alternative treatments exist, management has chosen those it deems to be the most appropriate in the circumstances.

Subsequent Events Not Otherwise Described Herein

Other than disclosed above, the following items of significance occurred after December 31, 2018:

i. During the period January 1 to March 26, 2019, 774,750 common share purchase warrants with an exercise price of $0.30, and 690,000 common share purchase warrants with and exercise price of $0.35 were exercised for total proceeds of $0.5 million.

ii. A total of 75,000 stock options with an exercise price of $0.46 per Share were granted to a consultant on March 26, 2019. The options will vest one third in six months from the grant date, one third in one year from the grant date and one third in eighteen months from the grant date.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure controls and procedures ("**DC&P**") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("**ICFR**") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

Venture Issuer companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, Annual filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a Venture Issuer (as defined in NI 52-109) to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Controls and Procedures

In connection with National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**") the CEO and CFO of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Annual Financial Statements and respective accompanying MD&A as at December 31, 2018 (together the "**Annual Filings**").

In contrast to the certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

Scientific and Technical Disclosure

The Company's only exploration project is the Stardust Project.

Unless otherwise indicated, Sun Metals has prepared the technical information in this MD&A ("**Technical Information**") based on information contained in the following technical report:

“Stardust Project NI 43-101 Technical Report Omineca Mining Division, British Columbia”, effective January 8, 2018, filed under the Company’s profile on SEDAR at www.sedar.com (the “**Stardust Technical Report**”).

Technical Information was also based on information contained in news releases (collectively the “**Disclosure Documents**”) available under Sun Metals’ company profile on SEDAR at www.sedar.com. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Our Disclosure Documents were in part prepared by or under the supervision of an independent QP. Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral resource estimates relating to Stardust are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified mineral resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. Although there has been no economic analysis summarized in this MD&A relating to the Stardust Technical Report, readers are cautioned that the Stardust Technical Report is preliminary in nature and includes inferred and indicated mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this will indeed occur. Further studies, including engineering and economics, are required (typically as a Feasibility Study) with regards to infrastructure and operational methodologies.

Ian Neill, P.Geo, Sun Metals’ VP of Exploration, is the Company’s QP for the purposes of NI 43-101, and has reviewed and validated that the scientific or technical information contained in this MD&A related to the Stardust Technical Report, is consistent with that provided by the QPs responsible for preparing the Stardust Technical Report, and has reviewed and verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Mr. Neill has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

Cautionary Notes Regarding Forward-Looking Statements

This MD&A, contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning, the timing and benefits of the Arrangement; the timing and availability of refunds related to various tax credits; future financial or operating performance of Sun Metals and its business, operations, properties and the future price of copper, zinc, gold, silver and other metal prices; the potential quantity and/or grade of minerals; the potential size of a mineralized zone or potential expansion of mineralization; proposed exploration and development of Sun Metals’ exploration property interests; the timing and amount of estimated future production, costs of production and mine life of the various mineral projects of Sun Metals; the interpretation and actual results of historical production at certain of our exploration properties, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by third parties; the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital; completion of expenditure obligations under the Option Agreement and any option and earn-in agreements to which the Company is a party; government regulation of exploration and mining operations; environmental risks and reclamation expenses, other claims or existing, pending or threatened litigation or other proceedings; title disputes; the ability to maintain exploration licences for its properties in accordance with the requirements of applicable mining laws in Canada; limitations of insurance coverage, future issuances of Shares to satisfy obligations under the Option Agreement and any option and earn-in agreements or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters; and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Sun Metals to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “will”, “projects”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Statements relating to mineral reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves and resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the resources.

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, assumptions about future prices of copper, zinc, gold, silver, and other metal prices, changes in the worldwide price of other commodities such as coal, fuel and electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, anticipated costs and expenditures and our ability to achieve our goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of Sun Metals and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others: uncertainties with respect to obtaining all required approvals for the Arrangement; risks of potential failure to meet all contractual obligations to successfully carrying out the Arrangement and other contractual risks and liabilities associated with the Arrangement; risks with respect to meeting applicable tax credit criteria; continued availability of applicable tax credit programs; general business, economic, competitive, political, regulatory and social uncertainties; disruptions or changes in the credit or securities markets and market fluctuations in prices for Sun Metals’ securities; judgement of management when exercising discretion in their use of proceeds from a financing; potential dilution of Share voting power or earnings per Share as a result of the exercise of incentive stock options, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company is an exploration and development stage company with no history of pre-tax profit and no income from its operations and there can be no assurance that the Company’s operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, pitwall failures, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; Sun Metals’ ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally;

changes or disruptions in market conditions; market price volatility; increased infrastructure and/or operating costs; reclamation costs; the Company has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's system of internal controls; conflicts of interest; credit and/or liquidity risks; changes to the Company's dividend policy; and the risks involved in the exploration, development and mining business generally. Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

Additional Information

Additional information relating to Sun Metals can be obtained on the Company's website at [www.sunmetals.ca.](http://www.sunmetals.ca)