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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended September 30, 2019

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Management's Discussion and Analysis
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This Management's Discussion and Analysis (the "**MD&A**"), dated as of November 27, 2019, is for the nine months ended September 30, 2019 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2019 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, and our other corporate filings including our Annual Information Form for the year ended December 31, 2018 dated May 28, 2019 (the "AIF"), available under Sun Metals' company profile on SEDAR at www.sedar.com.

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.

Acquisition of Lorraine Copper Corp.

On April 12, 2019 the Company acquired, through its subsidiary Tsayta, all of the issued and outstanding common shares of Lorraine Copper Corp. ("**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 received 0.54 (the "**Exchange Ratio**") of a common share of Sun Metals for every Lorraine common share held, all outstanding stock options of Lorraine were exchanged for options to purchase Sun Metals common shares on the basis of the Exchange

Ratio and all unexercised Lorraine share purchase warrants were exchanged for warrants to purchase Sun Metals common shares on the basis of the Exchange Ratio. Upon closing of the Arrangement, the Company issued 27,515,380 common shares, 1,755,000 stock options with a weighted average exercise price of $0.16, and 10,224,408 share purchase warrants with a weighted average exercise price of $0.27.

Following completion of the Arrangement on April 12, 2019, the Company now owns 100% of the Stardust Project. Following completion of the Arrangement, the Company also owns the Lorraine copper-gold project, which is joint-ventured with Teck Resources Limited (the interests of the joint venturers are 51% Teck and 49% the Company), and 100% of the OK copper-molybdenum project.

Additional Highlights and Recent Events

- On October 23 and 30, 2019 the Company closed the first and second tranches of a bought-deal private placement, pursuant to which the Company issued 8,100,000 common shares of the Company on a flow-through basis (the “Premium FT Shares”) at a price of C$0.315 per Premium FT Share issued, and 14,400,000 common shares of the Company on a flow-through basis (the “FT Shares”) at a price of C$0.25 per FT Share for aggregate gross proceeds of $6,151,500 (the “Offering”). In connection with the Offering, the Company paid the underwriters a cash commission of $362,215.

- The Company’s exploration drilling at Stardust continues to provide confirmation on the continuity of mineralization, with initial results from 2019 step-out drilling in the 421 zone at Stardust intersecting significant copper gold mineralization. The Company has completed winterization activities at camp and currently is actively drilling with three rigs on site. Recent drilling highlights include[1]:

    - 142.35 metres grading 1.22% copper, 1.28 grams per tonne (“g/t”) gold, 21.8 g/t silver and 0.41% zinc for a 2.39% copper equivalent (CuEq) from drill hole DDH19-SD-428D;
    - 90.05 metres grading 1.08% copper, 1.40 g/t gold, 21.6 g/t silver and 0.22% zinc for a 2.24% CuEq from drill hole DDH19-SD-429M;
    - 86.40 metres grading 1.65% copper, 1.56 g/t gold, 28.8 g/t silver and 0.28% zinc for a 3.00% CuEq from drill hole DDH19-SD-437;
    - 24.85 metres grading 3.13% copper, 4.85 g/t gold, 93.5 g/t silver and 0.28% zinc for a 7.12% CuEq from drill hole DDH19-SD-436D; and
    - 11.30 metres grading 3.94% copper, 4.58 g/t gold, 79.2 g/t silver and 0.11% zinc for a 7.58% CuEq from drill hole DDH19-SD-441M.

Exploration Activities

Outlook

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

The Company’s principal 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 continue focusing its efforts on additional diamond drilling to follow up on the discovery of the 421 zone in late 2018.

In July 2018, discussions with Takla First Nation resulted in the successful negotiation and execution of an Exploration Agreement to facilitate the exploration activities to be undertaken at Stardust, which is located within the claimed traditional territory of Takla First Nation. The Exploration Agreement expires at the end of December 2019. The Company has commenced discussions with Takla First Nation regarding an extension to the Exploration Agreement or potentially a new agreement.

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[1] See press releases dated August 13, 2019, August 26, 2019, and October 3, 2019 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 Project

Stardust Project, British Columbia, Canada

Following the completion of the Arrangement with Lorraine in April 2019, Sun Metals now owns 100% of Stardust with no royalties.

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[2]. 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

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

- Controlled, directional diamond drilling
- Downhole geophysics
- Ground based geophysics
- Structural geology study (continuing)

The 2019 diamond drilling program at Stardust was initiated in late May and the Company is currently actively drilling the 421 zone along strike, up dip and down dip. Additionally, the Company has now substantially completed winterization of the Stardust camp, and has made significant progress on an improved access road.

Directional diamond drilling has been used in all the 2019 drilling at Stardust to increase the accuracy of drilling step-outs. The directional drilling incorporates the use of pilot holes which has resulted in a 33% reduction in metres drilled to this point in the program. Progress has been slower than anticipated using the directional drilling, however the ability to hit the target areas as planned has made the use of this technology worthwhile. For the remainder of 2019, active drills will continue to explore the 421 zone along strike, up dip and down dip. Additionally, the Company plans to continue construction of the new access road.

From the commencement of drilling in late May to September 30, 2019, the Company completed a total of 10,165 metres of drilling from surface, at a cost of $4.7 million compared to a budget of $4.5 million for the period. The variance was primarily due to additional road maintenance and field expenses.

The Company has applied 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. Pursuant to the Reverse Takeover Transaction, the Company was required to file a tax return for Tsayta for the period January 1 to May 1 2018. In April 2019, the Company received a notice of assessment indicating the Company's application for a credit of $44,301 for this period is approved. The potential refund of up to $0.9 million for the remainder of 2018 will be recorded as a reduction in exploration and evaluation expenditures in the period when such claim has been assessed and approved by the relevant provincial authorities.

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

Pursuant to the Arrangement, the Company was required to file a tax return for Tsayta for the period January 1 to April 12 2019. The potential refund of up to $0.1 million will be recorded as a reduction in exploration and evaluation expenditures in the period when such claim has been assessed and approved by the relevant provincial authorities. The Company expects to file their application for the remainder of 2019 in early 2020.

Mineral Resources

No mineral resource estimate has been completed to date on the 421 zone which is the current focus of exploration at the Stardust Project.

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.[3] 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. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

[3] 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.

Table 1 - Canyon Creek mineral resource estimate – effective date of January 8, 2018[4]

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
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

Other Projects

The Company is evaluating the Lorraine copper-gold project and OK copper-molybdenum project. In October 2019, Teck completed an airborne survey at the Lorraine project. The Company has not yet devised further plans for these assets as of the date of this MD&A. All claims on the Lorraine and OK projects are in good standing.

Selected Financial Information

Management is responsible for the condensed consolidated interim financial statements referred to in this MD&A, and provided officers' disclosure certifications filed with the Canadian provincial securities commissions. The Audit Committee of the Company's Board of Directors has been delegated the authority to review and approve the condensed consolidated interim financial statements.

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Our significant accounting policies are presented in Note 3 of the condensed interim consolidated financial statements. Details of new accounting standards, effective for the reporting period beginning January 1,

[4] 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.

2019, 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 condensed interim consolidated financial statements for the three and nine months ended September 30, 2019. The comparative nine month period is comprised of Privco's results for the period January 1, 2018 to May 1, 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 September 30, 2018.

	For the three months ended September 30, 2019	**For the three months ended September 30, 2018**	**For the nine months ended September 30, 2019**	**For the nine months ended September 30, 2018**
Total Revenue	**$ -**	**$ -**	**$ -**	**$ -**
Exploration and evaluation expenditures	**$ 3,241,934**	**$ 2,267,584**	**$ 5,173,914**	**$ 2,917,289**
Net loss for the period attributable to shareholders	**$ 2,349,182**	**$ 2,752,121**	**$ 4,744,685**	**$ 6,503,784**
Total comprehensive loss for the period	**$ 2,349,182**	**$ 2,752,121**	**$ 4,744,685**	**$ 6,503,784**
Basic and Diluted Loss per Share	**(0.02)**	**(0.04)**	**(0.04)**	**(0.11)**

Net losses totalled $2.3 million and $4.7 million for the three and nine months ended September 30, 2019, compared to $2.8 million and $6.5 million for the three months and nine months ended September 30, 2018. The significant contributors to the losses for the three and nine months ended September 30, 2019 and September 30, 2018 were as follows:

(i) Exploration and evaluation expenditures increased to $3.2 million and $5.2 million for the three and nine months ended September 30, 2019 compared to $2.3 million and $2.9 million for the three and nine months ended September 30, 2018, primarily due to the expanded field and drilling program being undertaken by the Company in 2019 as compared to 2018.

(ii) Salaries and director fees of $0.2 million for the three months ended September 30, 2019 were consistent with the three months ended September 30, 2018. Salaries and director fees increased to $0.5 million for the nine months ended September 30, 2019, compared to $0.4 million for the nine months ended September 30, 2018, primarily as a result of director fees paid during the quarter ended March 31, 2019. As a private company, Privco paid no director fees in the same period of the prior year.

(iii) Non-cash share-based compensation expense remained consistent at $0.1 million for the three months ended September 30, 2019 and September 30, 2018. Share-based compensation expense for the nine months ended September 30, 2019 decreased to $0.4 million for the nine months ended September 30, 2019 compared to $0.5 million for the nine months ended September 30, 2018. Share-based compensation expense relates to grants from the prior year in which stock options were granted to directors, employees, and consultants. During the nine months ended September 30, 2019 the Company granted 75,000 options with an exercise price of $0.55, and 75,000 options with an exercise price of $0.46 to consultants. During the nine months ended September 30, 2018 the Company granted 4,650,000 stock options with an exercise price of $0.25 to directors, employees, and consultants. Stock options granted to employees and consultants are 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.

(iv) Investor relations expenditures increased to $0.2 million and $0.5 million for the three and nine months ended September 30, 2019 compared to $0.1 million and $0.3 million for the three and nine months ended September 30, 2018, primarily due to additional consultants hired by the Company, and increased marketing efforts during the current period.

(v) Net losses for the nine months ended September 30, 2019 were reduced due to a $2.2 million deferred income tax recovery from the partial reversal of the flow-through liability recognized in relation to the December 2018 financing relating to qualifying resource expenditures incurred during the period.

(vi) As a result of the Transaction, for the nine months ended September 30, 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 condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 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 September 30, 2019	As at December 31, 2018
Total assets	$ 24,918,152	$ 7,814,202
Current liabilities	$ 1,285,073	$ 2,687,417
Non-current liabilities	$ 132,565	$ 131,678
Cash dividends declared	$ -	$ -

Total assets are primarily comprised of cash of $2.4 million, prepaid expenses of $0.4 million, amounts receivable of $0.3 million, and exploration and evaluation asset acquisition costs of $21.6 million, consisting primarily of the allocated fair value of the consideration transferred to Lorraine upon closing of the Arrangement, and the capitalized provision for closure and reclamation.

Total assets at December 31, 2018 were primarily comprised of cash of $6.8 million, prepaid expenses of $0.1 million, amounts receivable of $0.1 million, and exploration and evaluation asset acquisition costs of $0.5 million.

Total assets increased by $17.1 million as at September 30, 2019 in comparison to December 31, 2018 due primarily to the fair value of the consideration transferred to Lorraine upon closing of the Arrangement allocated to exploration and evaluation asset costs of $21.3 million, and cash received from warrant and option exercises of $2.3 million, partially offset by cash operating expenditures of $6.8 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, which consist of a flow-through premium liability of $0.2 million and accounts payable and accrued liabilities of $1.1 million, decreased to $1.3 million at September 30, 2019 in comparison to $2.7 million at December 31, 2018 due to a partial reversal of the flow-through liability relating to qualifying resource expenditures incurred during the period, partially offset by an increase in accounts payable and accrued liabilities as a result of the active exploration program at September 30, 2019.

Summary of Quarterly Results

	For the three months ended						
	September 30, 2019	**June 30, 2019**	**March 31, 2019**	**December 31, 2018**	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**
Total revenue	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Exploration and evaluation expenditures	**$3,241,934**	**$1,663,777**	**$ 268,204**	**$ 406,266**	**$2,267,584**	**$ 547,926**	**$ 101,779**
Net loss for the period attributable to shareholders	**$2,349,181**	**$1,456,147**	**$ 939,360**	**$1,388,658**	**$2,752,121**	**$3,479,118**	**$ 272,546**
Total comprehensive loss for the period	**$2,349,181**	**$1,456,147**	**$ 939,360**	**$1,388,658**	**$2,752,121**	**$3,479,118**	**$ 272,546**
Basic and diluted loss per Share	**(0.02)**	**(0.01)**	**(0.01)**	**(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, 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 September 30, 2019 decreased by $0.9 million compared to the net loss for the quarter ended June 30, 2019, primarily due to the $2.2 million deferred income tax recovery from the partial reversal of the flow-through liability recognized in relation to the December 2018 financing relating to qualifying resource expenditures incurred during the period, partially offset by the increase in exploration and evaluation expenses as the 2019 drilling program at Stardust was underway for the full quarter.

The Company's net loss for the quarter ended June 30, 2019 increased by $0.6 million compared to the net loss for the quarter ended March 31, 2019, primarily due to the increase in exploration and evaluation expenses of $1.4 million due to the commencement of the 2019 drilling program at Stardust. The net loss for the quarter ended June 30, 2019 was reduced due to a $0.8 million deferred income tax recovery from the partial reversal of the flow-through share premium liability recognized in relation to the December 2018 financing.

The Company's net loss for the quarter ended March 31, 2019 decreased by $0.4 million compared to the net loss for the quarter ended December 31, 2018, primarily due to the decrease in exploration and evaluation expenses of $0.1 million, as well as a $0.2 million decrease in share-based payment expense, and a $0.1 million decrease in salaries due to annual bonuses paid to employees in the quarter ended December 31, 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.

Shareholders' Equity

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

During the nine months ended September 30, 2019, the Company issued and cancelled Shares as follows:

(i) On April 12, 2019, the Company issued 27,515,380 Shares pursuant to the Arrangement.

(i) 1,173,000 common share purchase warrants with an exercise price of $0.30; 4,175,000 common share purchase warrants with an exercise price of $0.35; 648,000 common share purchase warrants with an exercise price of $0.09; 730,308 common share purchase warrants with an exercise price of $0.28; 518,400 common share purchase warrants with an exercise price of $0.22, and 309,690 common share purchase warrants with an exercise price of $0.19 were exercised for total proceeds of $2.2 million.

(ii) 83,333 options with an exercise price of $0.25; 135,000 options with an exercise price of $0.13; 108,000 options with an exercise price of $0.09; 108,000 options with an exercise price of $0.11, and 162,000 options with an exercise price of $0.24 were exercised for total proceeds of $0.1 million.

(iii) Subsequent to the close of the Arrangement, the Company entered into a capital contribution agreement with Tsayta, whereby Tsayta transferred the 1,500,000 Shares of the Company acquired by Tsayta upon amalgamation with Lorraine to Sun Metals. The Shares were cancelled on June 19, 2019.

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 non-brokered private placement completed in connection with the Transaction 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 First Nation. The Takla Units are comprised of one Share and one non-transferable Share purchase warrant (each, a "**Takla Warrant**"). Each Takla Warrant entitles Takla First Nation 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 November 27, 2019 the following Shares, stock options and Share purchase warrants were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Shares	148,004,612	N/A	N/A
Stock Options	4,466,667	$0.25	May 2, 2023
	4,100,000	$0.28	Dec 24, 2023
	75,000	$0.46	Mar 26, 2024
	270,000	$0.13	May 16, 2027
	270,000	$0.09	May 3, 2026
	216,000	$0.11	Nov 3, 2026
	75,000	$0.55	May 27, 2024
Warrants	21,613,400	$0.35	May 2, 2023
	500,000	$0.35	Jan 24, 2020
	3,310,200	$0.37	Feb 9, 2020
	378,000	$0.09	May 26, 2021
Fully Diluted	183,278,779		

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 nine months ended September 30, 2019.

Liquidity

Cash provided by financing activities was $2.3 million during the nine months ended September 30, 2019, related to the exercise of share purchase warrants and options described above under 'Shareholder's Equity'.

Cash used in operating activities was $6.8 million during the nine months ended September 30, 2019, primarily related to cash exploration and evaluation expenditures of $5.2 million, salaries and director fees of $0.5 million, and investor relations expenses of $0.5 million.

As at the date of this MD&A, the Company has approximately $6.6 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 $5.5 million ($6.9 million excluding the flow-through premium liabilities related to the Offering of $1.4 million).

As at September 30, 2019, 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 $6.8 million for the nine months ended September 30, 2019 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 Offering in October 2019, the Company has sufficient funds to continue exploration work at Stardust and fund general and administrative expenditures through 2020. 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

At present, there are no 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 September 30, 2019, 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, 2018 - $19,500). During the nine months ended September 30, 2019 a total of $0.4 million was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company (September 30, 2018 - $0.3 million). As at September 30, 2019, the Company has a payable amount to Oxygen of $35,818 (December 31, 2018 – $0.1 million). This amount was paid subsequent to September 30, 2019.

Compensation of key management personnel

Key management includes members of 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**	**Nine months ended September 30, 2019**	**Nine months ended September 30, 2018**
President and Chief Executive Officer	Salary	$ 177,188	$ 153,750
Chief Financial Officer	Salary	57,638	45,482
Vice President, Exploration	Salary	142,500	125,000
Directors	Directorship	187,487	135,833
Total		**$ 564,813**	**$ 460,065**

Share-based compensation issued to key management personnel during the nine months ended September 30, 2019 totalled $0.2 million (September 30, 2018 - $0.4 million). 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 September 30 2019, the Company is committed to incur, on a best-efforts basis, qualifying resource expenditures of $0.3 million pursuant to the December 2018 private placement 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 September 30, 2019 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:

<u>IFRS 16 – Leases</u>

On January 1, 2019 the Company adopted IFRS 16 – Leases ("IFRS 16"). The Company has applied IFRS 16 using the modified retrospective approach under which comparative information is not restated and continues to be reported under IAS 17. Additionally, the Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low-value assets. As a result of this election, the adoption of IFRS 16 did not have any impact on the recognition and measurement of the Company's existing operating leases.

The following are the significant accounting policies which have been amended as a result of IFRS 16, and applied at January 1, 2019:

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset of a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method, and is re-measured when there is a change in future lease payments. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property, plant & equipment', and lease liabilities in 'lease liabilities' in the statement of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 nine months ended September 30, 2019, 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 September 30, 2019, 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:

<u>Credit Risk</u>

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.

<u>Liquidity Risk</u>

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 September 30, 2019, the Company had cash of $2.4 million (December 31, 2018 - $6.9 million) to settle accounts payable and accrued liabilities of $1.1 million and meet its flow-through financing resource expenditure commitment of $0.3 million (December 31, 2018 - accounts payable and accrued liabilities of $0.3 million and flow-through financing resource expenditure commitment of $5.2 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. The Company does not believe it is exposed to material interest rate risk on its cash and short-term investments.

Business Risks and Uncertainties

Additional information on risks and uncertainties related to Sun Metals' business is provided in the Company's Annual Information Form dated May 28, 2019 under the heading "Risk Factors".

Legal Matters

Sun Metals is not currently, and was not at any time during the nine months ended September 30, 2019, 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 financial statements, MD&A and all financial information in the financial statements are the responsibility of management and have been approved by the Audit Committee of the Company's Board of Directors. 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 September 30, 2019:

i. On October 10, 2019 108,000 Share purchase warrants with an exercise price of $0.19 were exercised for total proceeds of $20,520.

ii. On October 10, 2019 108,000 stock options with an exercise price of $0.20, and 54,000 stock options with an exercise price of $0.19 were exercised for total proceeds of $31,860.

iii. On October 12, 2019 324,000 stock options with an exercise price of $0.24 expired.

iv. On October 27, 2019 1,836,000 Share purchase warrants with an exercise price of $0.19 expired.

v. On November 8, 2019 2,385,810 Share purchase warrants with an exercise price of $0.28 expired.

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 interim 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 interim 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 condensed interim consolidated financial statements and respective accompanying MD&A as at September 30, 2019 (together the "**Interim 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 Interim Filings on SEDAR at www.sedar.com.

Scientific and Technical Disclosure

The Company's only material property for the purposes of applicable Canadian securities laws 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 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; 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 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; 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.