



**Management Discussion and Analysis**  
**For the three and six months ended June 30, 2018**  
(all amounts in U.S. dollars unless otherwise noted)

**Date: August 14, 2018**

This Management Discussion and Analysis (“MD&A”) relates to the financial condition and results of operations of Euro Sun Mining Inc. (“Euro Sun” or the “Company”) as at and for the three and six months ended June 30, 2018. This MD&A should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and related notes as at and for the three and six months ended June 30, 2018 and its audited consolidated financial statements as at and for the year ended December 31, 2017. The unaudited condensed consolidated interim financial statements and related notes of Euro Sun have been prepared in accordance with IAS 34, Interim Financial Reporting. Unless otherwise noted, all references to currency in this MD&A are in U.S. dollars.

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

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

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

Management is responsible for the information disclosed in this MD&A and the accompanying financial statements and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. The audit committee of the board of directors of the Company has reviewed this MD&A and the unaudited condensed consolidated interim financial statements as at and for the six months ended June 30, 2018, and Euro Sun’s board of directors approved these documents prior to their release.

## **Company Overview**

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

## **Rovina Valley Project – History and Latest Developments**

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

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

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

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

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

The 2012 resource update is shown below:

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

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

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

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

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

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

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

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

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

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

Further information on the Rovina Valley Project, including NI 43-101 reports can be found on the Company’s web site at [www.eurosunmining.com](http://www.eurosunmining.com).

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

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

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

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

## **Second Quarter Highlights**

### ***Permitting***

The Company received a mining licence from the Romanian National Agency for Mineral Resources ("NAMR") in May 2015, signifying an important transitional milestone from the exploration stage to the exploitation phase. This mining licence requires the signatures of the Minister of Economy, Minister of Environment, Minister of Justice and Minister of Finance, and will be sent to the Secretary General of Parliament and to the Prime Minister for final signatures before being published in the official government Gazette.

Solid progress continues towards ratification of the Company's Romanian mining licence continued in Q2 2018. On March 6, 2018, the Ministry of Economy, Ministry of Environment and Ministry of Water and Forests initiated their endorsement procedures for the ratification of the Company's mining license in Romania. On May 23, 2018, the Company reported that following a meeting with the Secretary General of Government ("SGG") in conjunction with the National Agency for Mineral Resources ("NAMR"), that it has been confirmed to the Company that the Ministry of Economy, the Ministry of Environment and the Ministry of Waters and Forests have all signed the Mining License.

The Mining License is now with the Ministry of Public Finance for signature, following which it will be sent to the Ministry of Justice. The fully executed License will then return to SGG for signature by the Prime Minister at the next available Government meeting. This will conclude the ratification process and the Mining License approval will be published in the Official Monitor.

### ***Feasibility Study Activities***

#### ***Metallurgical Testing at Eriez***

Metallurgical testing of representative samples from the Colnic and Rovina open pits continued through the period. Test work included preliminary evaluation of HydroFloat coarse particle technology and three pilot flotation testing campaigns using the Eriez column pilot plant in Erie, Pennsylvania. The campaigns were conducted on samples of both the K1 and K2K3 domains at Colnic as well as the Rovina domain. A final report of the test work is expected in September. Samples of the various products produced during the test program including the rougher scavenger tailings solids, the cleaner tailings and the final concentrate will be sent for further geotechnical and geochemical characterization.

### *Assistance with site geotechnical studies*

SRK was awarded a contract to assist with the development of a field program. The work identified drill hole targets, test pit locations and seismic survey line locations to provide geotechnical and hydrogeological data for the open pits, plant site and waste storage facility.

### ***Proposed Nevsun Resources Ltd. Acquisition***

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

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

On June 4, 2018, the Company announced that it had amended its portion of the joint proposal with Lundin Mining to acquire Nevsun to issue each Nevsun shareholder CAD\$0.50 in shares of the Company and CAD\$0.50 in cash for each Nevsun share held. The total proposed consideration of CAD\$5 per share for the acquisition of all Nevsun stock included CAD\$150 million cash from Euro Sun, CAD\$600 million in cash from Lundin Mining along with CAD\$150 million Euro Sun stock and CAD\$600 million of Lundin Mining stock. Under the terms of the amended proposal Euro Sun’s stock would only represent 10% of the total consideration.

On July 26, 2018, Lundin Mining announced a revised all cash offer to acquire all the issued and outstanding Nevsun shares for CAD\$4.75 per Nevsun share. Euro Sun did not participate in this latest offer which is still pending as of the date of this MD&A.

### ***Extension of Outstanding Warrants***

On May 7, 2018, the Company applied to the TSX to extend the expiry date of 3,932,425 outstanding common share purchase warrants that were originally issued on May 10, 2016 with an expiry of May 19, 2018 to November 19, 2018. The extension request was subsequently approved. Each warrant is exercisable to acquire one common share of the Company at a price of \$2.18 per common share. At the Company’s discretion, expiry could be accelerated if the trading price of the common shares on the TSX exceeds \$2.72 for a period of 20 consecutive trading days. Under this circumstance, the Company has the right, but not the obligation, to accelerate the expiry date of the warrants to a date which is not less than 30 days after the date on which the Company gives notice of such accelerated expiry date to the holders of the warrants.

### **Outlook**

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

The Company will continue to evaluate merger and acquisition opportunities which it believes will create shareholder value.

## Selected Quarterly Financial Information

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

For the quarters ended	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Net loss for the period	\$ (1,012,655)	\$ (3,950,395)	\$ (2,982,712)	\$ (1,130,369)
Basic and diluted loss per share	(0.02)	(0.06)	(0.06)	(0.02)

  

For the quarters ended	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Net loss for the period	\$ (1,023,614)	\$ (1,107,186)	\$ (2,013,907)	\$ (2,213,522)
Basic and diluted loss per share*	(0.02)	(0.02)	(0.04)	(0.04)

\* On September 12, 2016, the Company consolidated its common shares on the basis of one new common share for every 18.164 common shares outstanding on the date of consolidation. The per share income (loss) for the comparative periods have been adjusted to reflect this change.

## Results of Operations for the three and six months ended June 30, 2018

### Selected financial information

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Loss for the period	\$ (1,012,655)	\$ (1,023,614)	\$ (4,963,050)	\$ (2,130,800)
Loss per share	(0.02)	(0.02)	(0.08)	(0.04)
Expenses:				
Consulting and management fees	\$ 297,609	\$ 295,807	\$ 624,201	\$ 612,974
Professional fees	34,557	19,266	63,965	33,807
General office expenses	63,964	68,996	134,581	152,519
Share-based compensation	(610,156)	13,417	1,578,101	14,968
Travel expenses	138,164	65,038	247,598	183,912
Shareholder communications and filing fees	57,151	18,298	77,129	45,249
Loss from investment in associate	67,369	-	79,396	-
Other loss (income)	97,218	(214,559)	291,046	(282,876)
Legal settlements	-	76,930	-	151,522
	\$ 145,876	\$ 343,193	\$ 3,096,017	\$ 912,075
Exploration and evaluation expenditures:				
Consulting and technical	\$ 494,224	\$ 359,095	\$ 1,032,552	\$ 675,807
Surface rights	51,200	51,760	108,203	105,839
Environmental studies	60,969	65,130	157,420	121,251
Other exploration costs	13,562	8,104	130,284	19,970
Metallurgical testing	5,315	57	100,109	4,521
Field office support and administration	155,442	87,097	249,578	158,953
Travel	86,067	109,178	88,887	132,384
	\$ 866,779	\$ 680,421	\$ 1,867,033	\$ 1,218,725

### ***Results of Operations for the three months ended June 30, 2018 (“Q2 2018”)***

The net loss for Q2 2018 was \$1,012,655 compared to a net loss of \$1,023,614 for Q2 2017. The loss per share was \$0.02 in Q2 2018 compared to a loss per share of \$0.02 in Q2 2017.

Share-based compensation for the quarter was a recovery of \$610,156 compared to an expense of \$13,417 in the comparative period. This increase was primarily due to the grant and subsequent revaluation of 3,855,000 DSUs granted on January 31, 2018.

Q2 2018 includes a foreign exchange loss of \$97,891 (Q2 2017 – gain of \$208,098) and is mainly the result of the movement in the value of the Canadian dollar relative to the U.S. dollar.

The Company has increased its exploration and evaluation expenditure during the quarter to \$866,779 from \$680,421 in the comparative period reflecting the renewed focus on the Rovina Valley Project, with the increase primarily driven by the commencement of metallurgical testing in the current year. The majority of the exploration and evaluation expenditure was for project related consulting / labour and expenses related to Stanija exploration (mapping and surveying), surface rights acquisition, environmental studies and permitting efforts for its Rovina Valley Project.

### ***Results of Operations for the six months ended June 30, 2018 (“Q2 2018”)***

The net loss YTD 2018 was \$4,963,050 compared to a net loss of \$2,130,800 YTD 2017. The loss per share was \$0.08 YTD 2018 compared to a loss per share of \$0.04 YTD 2017.

YTD share-based compensation was \$1,578,101 compared to an expense of \$14,968 in the comparative period. This increase was primarily due to the grant and subsequent revaluation of 3,855,000 DSUs granted on January 31, 2018.

YTD 2018 includes a foreign exchange loss of \$292,290 (YTD 2017 – gain of \$267,099) and is mainly the result of the movement in the value of the Canadian dollar relative to the U.S. dollar.

The Company has increased its exploration and evaluation expenditure during the YTD to \$1,867,033 from \$1,218,725 in the comparative period reflecting the renewed focus on the Rovina Valley Project, with the increase primarily driven by the commencement of metallurgical testing in the current year. The majority of the exploration and evaluation expenditure was for project related consulting / labour and expenses related to Stanija exploration (mapping and surveying), surface rights acquisition, environmental studies and permitting efforts for its Rovina Valley Project.

### ***Liquidity and Capital Resources***

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

As at June 30, 2018, the Company had cash and cash equivalents of \$1,062,036 (December 31, 2017 - \$5,906,115) and working capital of \$143,338 (December 31, 2017 - \$5,518,239). The Company’s cash flow needs are for funding the continuing operations of the exploration work in Romania, working capital requirements and corporate administration.

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



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

### **Operating Segments**

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

### **Off-Balance Sheet Arrangements**

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

### **Financial Commitments and Litigation**

#### Lease (Romania)

On August 29, 2017, the Company entered into a lease agreement for office space in Bucharest, Romania. The monthly rent payable under the terms of the lease is 7,815 Euros (\$9,617) plus applicable service charges. The rent payable is subject to an annual increase based on the percentage increase in the Euro Zone Monetary Union Index of Consumer Prices over the prior year assessed annually. Amounts unpaid when due are subject to interest of 0.2% per day from the due date until the date the payment is made. The lease is for fixed term of five years commencing February 2018. As at June 30, 2018, the Company had paid a deposit equivalent to six months rent and services charges of \$76,585.

	<b>June 30, 2018</b>	December 31, 2017
Within one year	\$ <b>113,008</b>	101,025
After one year but not more than five years	<b>357,858</b>	440,838
More than five years	-	9,184
	<b>\$ 470,866</b>	551,047

#### Management Contracts

The Company is party to certain management contracts. These contracts require payment of approximately \$4.4 million upon the occurrence of a change of control of the Company, as defined by each officer's respective consulting agreement. The Company is also committed to payments upon termination of approximately \$2.9 million pursuant to the terms of these contracts.

### **Related Party Transactions**

During the six months ended June 30, 2018, the Company entered into the following transactions with related parties not disclosed elsewhere:

The Company paid or accrued \$1,995,879 (\$678,929 for the six months ended June 30, 2017) of management compensation relating to officers and directors of the Company. Included in this amount is \$140,843 (\$134,943 for the six months ended June 30, 2017) paid according to a contract for business and operational consulting services with Forbes & Manhattan Inc., a company which of Mr. Stan Bharti is the Executive Chairman and Mr. Matt Simpson is Chief Executive Officer both of whom are directors of the Company. During the six months ended June 30, 2017, the Company paid fees of \$56,694 to Gedwal Management Inc., a company controlled by Mr. Guy Charette, a director of the Company during that period.

On January 31, 2018, the Company granted 3,065,000 DSUs to various officers and directors of the Company with a vested value at June 30, 2018 of \$1,277,083.

## **Risk Factors**

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

## **Additional Information and Continuous Disclosure**

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

## **Outstanding Share Data**

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

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

## **Cautionary and non-GAAP Measures and Additional GAAP Measures**

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

## **Cautionary Statement Regarding Forward-Looking Information**

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

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

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